

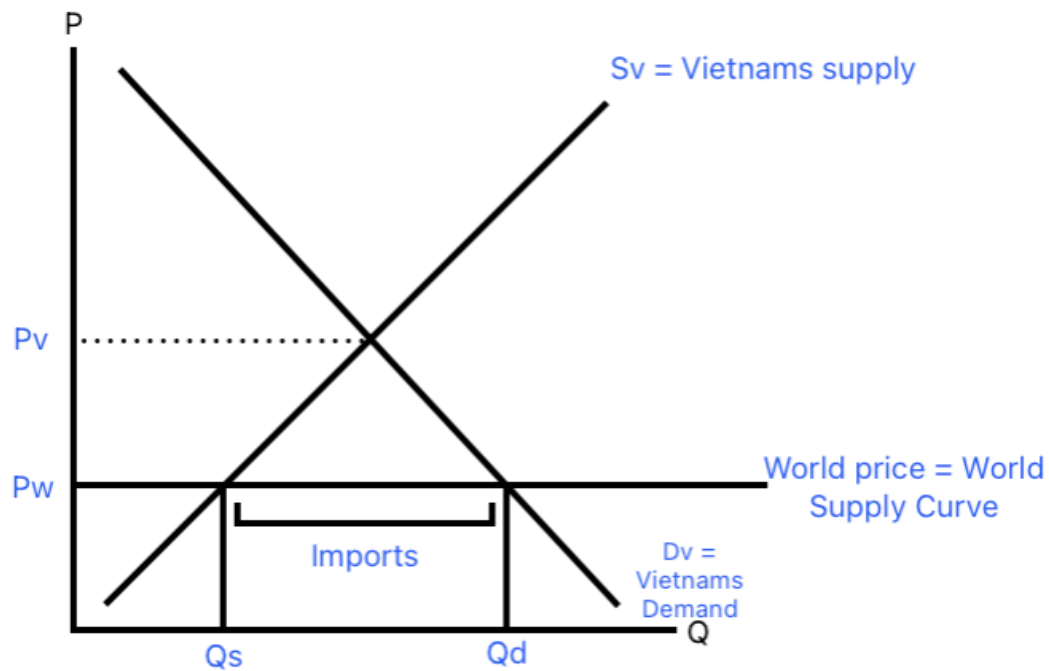
## Thai sugar faces anti-dumping duty in Vietnam

Commentary of:

<https://www.bangkokpost.com/business/general/2625746/thai-sugar-faces-anti-dumping-duty-in-vietnam>

The article discusses the anti-dumping penalties imposed on Thailand by Vietnam. Currently, Thai producers are able to **efficiently** produce at lower cost which causes them to sell their Sugar at below Vietnam's domestic price. However, Vietnam suspects Thailand is dumping their sugar in Vietnam by pushing it through countries like Laos, Cambodia, Malaysia and Myanmar to capture the Vietnamese market, making it difficult for Vietnamese producers to compete.. The Vietnamese government uses tariffs to protect its producers by making Thai sugar expensive, helping domestic producers to compete with the Thai producers.

Tariffs are a type of indirect tax that Vietnam has used to prevent dumping by Thailand. By imposing a tariff on sugar, the domestic consumers, domestic producers, government, and trading partner (Thailand) will be impacted. This impact will be analysed throughout the commentary. The diagram below represents the market before the imposition of the tariff.



*Figure 1: Before the imposition of the tariff*

The above diagram represents the market of sugar prior to the imposition of the tariff. Since the price of producing sugar by Thailand is less than Vietnam's domestic price  $P_v$ , Quantity  $Q_s - Q_d$  was imported. Vietnamese consumers are better off since they can purchase Sugar at a lower price and therefore the Quantity Demanded ( $Q_d$ ) increases. On the other hand, domestic producers are worse off as they are unable to efficiently produce at the  $P_w$  and hence will only be able to supply  $Q_s$  quantity, and consequently, their revenue will fall. The Thai Producers were better off as they were receiving a higher quantity demanded and thus higher revenues. Market of sugar is governed by market forces leading to an **efficient** allocation of global resources. To ensure the economic well-being of the Vietnamese producers the government intervenes by imposing a tariff of 32.75%. This will ensure that the Vietnamese producers are protected and are able to compete. The effects of the tariff are demonstrated below:

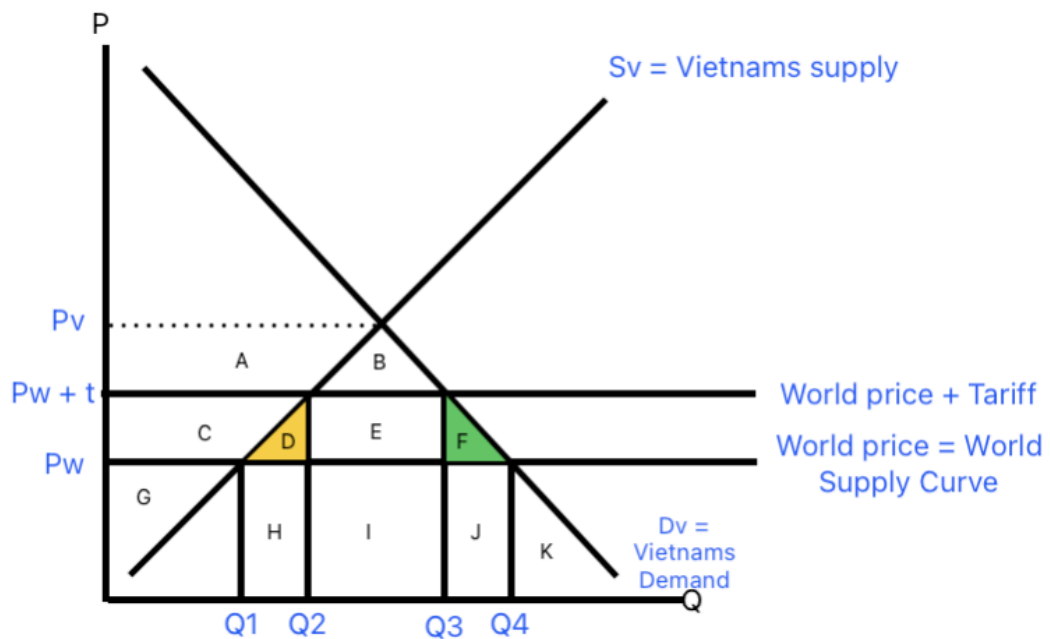


Figure 2: After the tariff

With the imposition of the tariff the price increases by 32.75% from  $P_w$  to  $P_w+t$ . At  $P_w+t$  the domestic demand falls from  $Q_4$  to  $Q_3$  as fewer consumers are willing and able to demand Sugar at the higher price point. Furthermore, the domestic supply increases from  $Q_1$  to  $Q_2$  as more producers are willing and able to supply sugar at a higher but **inefficient** price point. Initially, the quantity of imports was  $Q_4-Q_1$  and after the tariff, they have fallen to  $Q_3-Q_2$ . This would result in a fall in the revenue for Thai Producers from  $H+I+J$  to only  $I$ .

Furthermore, Vietnamese consumers will also be worse off as they will now be paying a higher price for a smaller quantity demanded ( $Q_3$  rather than  $Q_4$ ). This would lead to a decrease in **efficiency** and thus cause a deadweight loss in the market. The demand for sugar falls from  $Q_4$  to  $Q_3$  tons due to affordability issues. Thus, the welfare loss caused is represented by the green shaded portion labelled as  $F$ . Furthermore, as a tariff is a regressive tax and it may burden individuals on lower incomes more than higher incomes.

The Vietnamese producers will be protected by the tariff as they receive a higher price  $P_w+t$  and they sell at a larger quantity  $Q_2$  rather than  $Q_1$ . The  $Q_2$  tons of sugar will be produced by relatively **inefficient** Vietnamese producers rather than **efficient** Thai producers. This would lead to a decrease in **efficiency** and thus cause a deadweight loss in the market represented by the yellow shaded portion labelled as D.

The tariffs would also increase employment in Vietnam as production increases. Therefore, with large losses in **efficiency**, the government may justify the tariff for improving the domestic employment. Furthermore, the government as a stakeholder may also be better-off as they would gain tax revenue showcased by area F in the diagram.

It is likely that the implementation of these tariffs will cause retaliation by Thailand which will significantly impact Vietnamese exports. Furthermore, the tariff will also impact the relationships with Vietnam's other trading partners who export Thai sugar which will amplify the consequence of low exports. However, domestic employment will be secured in Vietnam and there will be greater domestic consumption and increased disposable income.

In conclusion, the tariff would benefit the domestic producers, employment, and government but may have adverse implications on the Vietnamese consumer, and Thai producers and may result in a global inefficiency. Furthermore, it may threaten Vietnam's relationships with their trading partners which will reduce the interdependence of the economy.