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Advance praise for *High-Tech Protectionism* by Claude Barfield

“Claude Barfield has written an incredibly important study of U.S. antidumping actions in steel and high-tech industries. . . . No reader can absorb Barfield’s findings and not conclude that reforming these trade laws is a top priority.”

—Douglas Irwin, Dartmouth College

The Folly and Irrationality of Antidumping Laws

The furor over the Bush administration’s decision to lift tariffs on many steel products, following an adverse judgment by the World Trade Organization, highlights the importance and timeliness of a new study by AEI resident scholar Claude Barfield. In *High-Tech Protectionism: The Irrationality of Antidumping Laws* (AEI Press, December 2003), Barfield describes and analyzes the negative—and unintended—consequences of attempting to protect high-tech industries through the use of antidumping laws, which are “fundamentally at odds with the free trade policies that have dramatically increased global welfare over the past half-century.”

Barfield also points out that there has been a great proliferation of such actions in the past decade and that U.S. companies are being targeted increasingly by foreign governments; at the same time the Doha Round of WTO negotiations is being jeopardized by a backlash against antidumping rules. Many WTO members have vowed to block further liberalization in key industries and sectors unless major reforms are negotiated for WTO rules on dumping laws. Many U.S. export opportunities will be jeopardized in the future unless a breakthrough occurs.

This comprehensive study details the attempts of successive U.S. administrations to use antidumping measures as an element of industrial policy for high-tech sectors—supercomputers, semiconductors, flat-panel television screens, and steel (though often considered a basic industry, the steel industry is becoming a high-technology industry, driven by competition and advances in production methods). In these case studies, Barfield demonstrates both the folly and the futility of attempting to create, foster or protect existing or new industries through the use of antidumping actions. In the case of semiconductors, for instance, studies have shown that the threat of antidumping actions resulted in the transfer of \$4–5 billion from U.S. computer companies and consumers to Japanese semiconductor manufacturers. Bungled antidumping industrial policy in flat-panels televisions screens drove U.S. and foreign manufacturers offshore, displacing thousands of American workers. Furthermore, steel protection in one form or another over the past three decades is estimated to have cost U.S. taxpayers \$45–70 billion.

To reform this highly costly and futile system, Barfield recommends a series of bold reforms:

- Repeal antidumping laws and allow normal antitrust actions to guard against anticompetitive behavior: this would result in treating foreign exporting firms the same as U.S. domestic firms;
- If repeal of antidumping laws proves politically impossible, amend existing laws to force the accusers to prove that foreign companies are operating out of a “sanctuary” market that allows them to price their products at less than fair market value;
- Give the president the final authority for determining injury and sanctions in antidumping cases. The congressional mandate to the U.S. International Trade Commission is so tilted toward domestic manufacturers that giving the president the freedom to act in the national interest would produce more efficient and equitable outcomes;
- When trade relief is needed, safeguards actions should be substituted for antidumping actions. Safeguards actions are more honest and straightforward: a nation simply asks for a breather, with the explicit admission that it cannot compete temporarily and must seek protective relief.

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