

Executive Summary

U.S. anti-dumping (AD) and countervailing duty (CVD) laws are the backbone of U.S. international trade policy. These laws are in place to counter imports that are dumped – sold at less than the cost of production or below the price in their home market – or subsidized; they impose duties on imports to offset the impact of the dumping and/or subsidies.

U.S. law and international agreements have long recognized that dumping and subsidies are practices that can and should be countered or remedied. In recent decades, the laws have been used by a wide array of U.S. manufacturers, workers, and farmers to create a level playing field with unfairly traded imports. In many cases, AD/CVD laws are the only reason that individual companies and farms and even whole industries – such as steel and semiconductor manufacturing – have been able to continue to produce in the United States.

But AD/CVD laws have been the subject of a number of criticisms. In essence, most critics brand the laws as a modern form of protectionism. These critics, however, ignore the serious damage that dumping and subsidies do to both the U.S. economy, free markets, and to the world trading system. Subsidies are almost universally condemned as costly market distortions that damage both efficient producers and taxpayers and often result in additional subsidies that other governments feel compelled to offer to counter the initial subsidy. Of course, this causes further damage and further rounds of escalating subsidies.

Dumping is subject to more debate as some have argued that dumped goods should simply be considered as “bargains.” This perspective fails to recognize that dumped sales over any significant period are a clear sign of a deep distortion in the market. Inevitably, repeated dumping can be traced back to companies operating in a sanctuary market – a home market closed to imports in which high prices can be charged, a state-run economy, or one of a variety of related trade barriers. These distortions harm efficient producers, undermine political support for new trade agreements, and – ultimately – damage the entire economy.

The specific costs of dumping and subsidies are also usually underestimated. Critics often cite a simple static analysis of AD/CVD duties which treat them as a simple tariff. In essence, these analyses simply restate the notion from any introductory economics class that tariffs are bad. In order to make a more detailed estimate of the real impact of dumping and subsidies this paper has made a detailed analysis of the specific impact of dumping and subsidies in ten

recent cases in which AD/CVD duties have been imposed. In order to create a more complete picture, the direct impact of dumping and subsidies, the indirect impact on various supplier and related industries, the impact of the additional international borrowing necessary to purchase imports during a period of continuing current account deficit, and the benefits to consumers were all considered.

As would be expected, the impacts in specific sectors varied considerably because the underlying economics of, for example, the U.S. raspberry industry are simply different from those of the U.S. steel industry. In each case examined, however, the various costs of dumping and subsidies exceeded the pure increase in consumer benefits. The results in the sectors examined are summarized in the following table:

Product	Period	Lost revenue	Lost indirect activity	Interest expense	Pure consumption gains
		<i>Millions of current dollars</i>			
Shrimp	2000-2003	209.7	174.9	44.1	66.3
Crawfish	1994-1996	5.9	9.3	0.8	13.7
Garlic	1991-1994	12.3	9.2	0.6	0.8
Lumber	1999-2001	2,244.2	1,635.4	71.0	32.5
Honey	1998-2000	126.7	259.0	4.1	3.9
Raspberries	1999-2001	2.5	5.6	0.1	0.0
Cement and cement clinker	1986-1989	955.5	803.0	28.9	5.0
Bedroom furniture	2001-2003	332.9	409.8	11.8	4.0
Carbon steel	1996-1998	2,654.8	3,171.2	84.1	1.3
Ball bearings	1985-1987	877.1	793.8	28.6	8.0