

# IMPACT OF AD-CVD LAWS ON THE U.S. ECONOMY

Many critics have analyzed AD-CVD laws and argued that they impose an undue cost on consumers and/or industrial users. These critics often ignore the competitive economic realities and market distortions that give rise to many AD-CVD actions and invariably ignore the political implications of these laws for trade liberalization. They also ignore the competitive characteristics of the particular industry that is the focus of the AD-CVD action.



In a standard economic analysis of AD-CVD-laws examining the impact of applying a tariff – it is not too surprising that the conclusion would often suggest higher consumer costs than producer benefits. Using a partial equilibrium model – the standard tool for such an analysis – the approach basically takes a snap-shot view of the economic impact of a duty at a moment in time. In a way, this method merely restates the premise of most introductory economics classes that protectionism is poor policy especially when considered from the consumer perspective.

These analyses, however, have serious shortcomings. First, it is rare that any parallel effort is made to consider the negative impacts of the subsidies, sanctuary markets, or other market distortions that gave rise to the original AD-CVD

complaint. Without considering the often-significant impact of these other market distortions on domestic producers, global consumers/taxpayers, and the global allocation of resources (including labor), this analysis is, at best, incomplete. Further, any analysis of AD-CVD laws and their impact on the U.S. economy that proceeds without considering the political impact these laws have on efforts to generally liberalize trade overlooks an essential concern.

All AD-CVD actions must be considered in terms of their competitive context. For example, one of the cases mentioned above, involves past and continuing instances of the dumping and subsidization of semiconductor imports. In this case, there is clear evidence that the dumping and subsidization was part of an explicit policy by Japanese semiconductor companies and the Japanese government, and later their counterparts in South Korea to gain a dominant position in semiconductor production. Economic analyses often assume that resources can shift without cost from one sector to another; in this view, a semiconductor plant that is closed due to dumping one year can easily re-open the next year when the dumping is halted. In the real world, this is obviously not the case. The losses in human and financial capital are often irreplaceable, or at least would take years to rebuild. Additionally, the benefits of continuing semiconductor production to serve as an incubator of the next generation of technology are considerable. Without a manufacturing facility in place, it can be very difficult to spring into the new generation of semiconductor technology and the input technologies will be less likely to be based in the United States if the primary consumers are overseas.

These competitive impacts are particularly acute in the high technology industry, but there are parallels in traditional manufacturing, agriculture, fisheries. In the following case studies of the application of AD-CVD laws, a more complete picture of the economic, political, and competitive impacts of AD-CVD actions is provided.