

Across the Atlantic, Anti-Dumping Protectionism Cuts Both Ways

BY NEIL HRAB

Europeans opposed to America's hard-line "anti-dumping" trade policies should take heart. It is now becoming easier to explain to Americans the danger that these policies pose to the stability of the world trading system, as the following case study illustrates.

All over the world, politicians and bureaucrats are opening anti-dumping investigations like never before. The World Trade Organization defines dumping as the act of exporting "a product at a price lower than the price...normally charge[d] [in a company's] home market." According to economist Meredith Crowley, from 1987 to 1991, "733 anti-dumping investigations were conducted world-wide." From 1992 to 1997, "the number increased to 1,463." From 1998 to 2002, "1,581 antidumping investigations were filed."

For politicians, launching anti-dumping investigations carries sure-fire benefits: They can boast of their readiness to stand up for "home team" businesses against "unfair" foreign competition. In cases where they claim to identify predatory dumping, they impose retaliatory taxes and duties-cementing their image as defenders of the "national interest."

However, trade "hawks" fail to acknowledge a simple truth: One man's dumping is often another man's more efficient production. Anti-dumping actions are invariably anti-competitive, as Third World businesses who find themselves accused of "dumping" their products in the West recognize. They find it ironic that they are encouraged by the International Monetary Fund and World Bank to export their way to greater prosperity using their comparative advantages, such as lower wages. But when they do so, they get slapped with anti-dumping investigations at the behest of Western companies anxious about losing market share to new competitors.

Can U.S. politicians be weaned from their anti-dumping habit? A new book by two Canadian authors illustrates one way in which Americans can be alerted to the dangers inherent in the increasing use of anti-dumping actions. In

Blockbusters and Trade Wars: Popular Culture in A Globalized World-published in February by Canadian publisher Douglas & McIntyre-authors Peter Grant and Chris Wood examine the growing international ferment over trade in cultural goods, such as movies and sound recordings. The book touches on the stakes in the escalating anti-dumping debate.

Grant and Wood cite statistics from Variety, Hollywood's trade newspaper of record, to argue that "the prices charged [by U.S. companies] for [TV] broadcast rights in various countries bear no relationship whatever to the original cost of the [TV] program. Rights to programs costing \$2 million to make in the United States are sold for prices ranging from \$10,000 to \$75,000." They claim that "this looks like dumping-selling a product for export at a price below what is charged for it in the home market." But as Tom O'Regan, an Australian commentator, has noted, "this complaint [about dumping] is none other than the recognition of the huge economies of scale available to [U.S. cultural producers]," and not necessarily proof of predatory practices. Again, one man's dumping is often another man's more efficient production.

As already noted, anti-dumping actions have been gaining popularity among politicians around the world. If this trend continues, it is easy to imagine the following scenario: A foreign government, irritated by American anti-dumping measures, slaps U.S. film distributors with retaliatory duties. If the anti-dumping counterattack spreads to other "copyright industries," up to \$90 billion in U.S. exports could face anti-dumping pressure.

Many U.S. policymakers seem to think that America can use anti-dumping measures with impunity, without igniting a counter-reaction. But such actions legitimize a form of government intervention in the economy that, if widely adopted abroad, will tend to limit U.S. access to overseas markets.

America's long-term trade policy goal is to maximize global market liberalization. It is therefore surprising that Washington is among

the most frequent initiators of anti-dumping actions. U.S. policymakers need to correct this hypocrisy. Otherwise, their frequent resort to anti-dumping measures today will plant the seeds for tomorrow's bitter trade wars.

By curbing the use of anti-dumping measures, America could set a good example for other trading nations-and at the same time gain leverage to discourage other governments from initiating anti-dumping investigations for protectionist purposes. Consumers on both sides of the Atlantic would have good reason to cheer such a development.

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US surplus goods dumped in developing country (circa 1969)

Photo: Courtesy of www.ccei.org.uk

BOOK REVIEW

Looking into the future in French

BY CHRIS WHITE

It is seldom that a seminal political work is published in such timely fashion that it can serve to focus an on-going debate.

Irnério Seminatore is a Brussels personality of charm and taste but he has not, so far, been credited with the quality of a seer.

However, he has achieved that distinction by bringing forth a 330 page tome on the European Constitution and International Security that brings together an impressive range of opinion of importance to the revived debate on the EU's draft constitution.

Published only in French 'Constitution Européenne et Sécurité Internationale' is prefaced by no less than Valéry Giscard d'Estaing whose views may be justifiably described as well known.

In an accompanying preface Gianfranco Fini the one-time Vice President of the Italian Presidency takes the commentary further. In particular he describes the role of the European Parliament as fundamental and whose enhanced role is the fervent wish, apparently, of President Berlusconi.

As member states prepare to agree and ratify the

constitution or - as it is euphemistically described in at least one troubled member state 'the new Treaty' - minister Fini is unequivocal in saying that the draft will bring stronger political as well as economic union.

Given its editor's cultural background the book is strong on Italian contributions, something that offers the reader a welcome change from the usual round up of EU political opinion.

Italian Foreign Minister Franco Frattini wants Europe to "speak with one voice". Perhaps he was writing some time before current events when he refers to 'grand liberal values' in terms of 'liberty, peace, the framework and democracy and the guarantees of the rule of law and a market based economic and social model spreading prosperity'.

The book is sprinkled with the thoughts of MEPs and offers a balance of political thought. Among the contributors are thoughtful senior officials of the European Commission and other worthies from outside the Anglo-Saxon influence and the subject matter has a broad spread even to the politics of cyberspace.



Irnério Seminatore

Photo: Jim Billiard

Ana de Palacio gives a strongly pro-transatlantic view of security, which remains valid despite her sudden and unexpected demise from the post of Spanish Foreign Minister. Perhaps she is now reflecting on her strongly pro-American tactics?

It would be untrue to say that all in this book is virgin stuff. Much of it has been heard before but the publication's merit is in the range of its collected

viewpoints. The reader may know where its best known commentaries come from, such as the excellent contribution from the parliament's Richard Corbett, but no one interested in the future of the EU should miss it.

'Constitution Européenne et Sécurité Internationale' is published by ECONOMICA, 49 rue Héricart, 7015 Paris, France. Price €25 (ISBN 2-7178-4765-0)