Study: Past US protectionism a failure

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US trade protection measures, including Section 301 of the US Trade Act of 1974, have not only imposed huge costs on consumers in the United States and on the country's economy but have failed to achieve their primary policy aims, according to a report published this week.   
Scott Lincicome, an adjunct scholar at the Cato Institute, surveyed academic literature throughout US history. He examined three periods - the founding of the US to its entry into the General Agreement on Tariffs and Trade (GATT) in 1947; the GATT's early years to the creation of the World Trade Organization in 1995; and the current World Trade Organization (WTO) era.   
"The surveys show that, contrary to the fashionable rhetoric, American protectionism has repeatedly failed as an economic strategy," Lincicome said.   
While many trade specialists and economists agree that US protection measures are costly and ineffective, the fact that the measures produce winners and losers is exploited by politicians, according to Lincicome, an international trade attorney.   
He explained that winners are concentrated, with concentrated benefits, while losers are diffuse and have diffuse costs.   
"So, there is clearly this area for political gain by President Obama or by President Trump to pursue trade measures for political gain, despite the potential economic cost," Lincicome told China Daily on Thursday.   
An analysis by the Peterson Institute for International Economics, which was cited in the study, found that threats of retaliation using Section 301 failed to achieve even partial success more than half the time; and even actual retaliation worked less than 20 percent of the time.   
"These outcomes would likely be worse if similar policies were implemented today, owing to increased American integration into the global economy, the proliferation of global supply chains, the rise of other economic powers, and the creation of the WTO," Lincicome wrote in the report.   
The US launched a Section 301 investigation against China, targeting technology transfers and intellectual property. Lincicome believes it's far better for the US to go to the WTO, but said it's too early for people to react much.   
"I would agree that, in terms of rhetoric, President Trump's rhetoric is easily the most protectionist of any president in the last several decades. On actual policy, the jury is still out," he said.   
According to the study, US anti-dumping laws, including measures against Chinese imports, have repeatedly been found not only to hurt US consumers and many large exporters but also to improve only rarely the state of the protected industry. Instead, what often comes in the wake of the protectionism is the bankruptcy of the very firms that lobbied for it.   
The report cited the high cost of protectionism in Obama's imposition of "special" safeguard duties on Chinese tire imports from 2009 to 2011. US tariffs imposed $1.1 billion in additional costs on US tire consumers in 2011, and the cost per manufacturing job saved was at least $900,000 that year, it said.   
Most tariffs did not benefit US workers but did help foreign producers in countries such as Thailand, Indonesia and Mexico, which replaced Chinese imports. The US tariffs also killed 2,351 jobs in retail and other industries.   
In response to the US tire tariffs, the Chinese government retaliated against US exporters of chicken parts, costing that industry about $1 billion, according to the study.   
Lincicome said the US has struggled in recent years to adapt to economic disruptions driven by automation, innovation or changing consumer tastes, and it's legitimate to discuss policy ideas in response.   
"What should not be up for debate, however, is whether protectionism would help to solve the country's current problems," he said. "History is replete with examples of the failure of American protectionism. Unless our policymakers quickly relearn this history, we may be doomed to repeat it."

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