
Antidumping Disputes

Since 1995, China has become the primary antidumping (AD) target worldwide. Between 1995 and 2005, China was subject to 434 AD cases, accounting for about 16 percent of all WTO AD cases (WTO 2006).¹ On a worldwide basis, several billion dollars of Chinese exports are now the subject of AD orders and fresh investigations. Import coverage of US AD cases initiated against China in 2004–05 alone exceeded \$1 billion; since 2003, about half of all US AD cases have targeted China, and the rate is now running at about one new case each month. Meanwhile China is aggressively pursuing its own AD cases against foreign companies—some 59 launched since 2001.²

Nonmarket Economy Status

China is designated as a nonmarket economy (NME) in US AD law. This designation was carried into China's accession agreement with the WTO,

1. During 1995–2001, 27 percent of AD investigations involving China were initiated by the European Union and the United States; 36 percent were initiated collectively by India, South Africa, Argentina, and Brazil. Other countries accounted for the remainder. China has supplanted Japan, South Korea, and Taiwan as the most frequent target of AD investigations, according to the WTO. See Mao Yingchun, op-ed, "Status Problem Hampers Trade," *China Daily*, June 11, 2004; also see Charles Hutzler, "China: Trade-Status Battle Heats Up," *Asian Wall Street Journal*, June 24, 2004, A5; and Yin (2003).

2. Chemical products are the most frequent target of Chinese AD actions. See "China Accuses Corning of 'Dumping,'" *Wall Street Journal*, June 17, 2004; also see "China Starts Antidumping Probe on Nonyl Phenol from India, Taiwan," *BBC Monitoring Asia Pacific*,

and WTO members widely use the label to justify somewhat arbitrary calculations in AD cases against China. The NME designation implies that state intervention severely distorts Chinese costs and prices. Consequently, an importing country can calculate AD margins using the costs and prices of “surrogate” countries to guesstimate the “true” costs and prices that would prevail if China had a market economy. Under its WTO accession agreement, at US insistence, China agreed that WTO members could continue to apply the NME methodology in Chinese AD cases until December 11, 2016.

China as an NME under US Trade Law

More than 60 countries now have AD laws. As trade experts (e.g., Finger 1993; Messerlin 1996) have long argued, AD laws have become the easy road to imposing trade safeguards, with the further advantage, from the petitioner’s standpoint, that the respondent bears the stigma of unfair trade practices. US AD law originated with the US Revenue Act of 1916, as extended by the US Antidumping Act of 1921. The chances of winning an AD action were made substantially better for petitioners in the 1979 legislation that implemented the Tokyo Round of multilateral trade negotiations (Finger 1993, Laroski 1999). In brief, under the NME methodology codified in the 1979 legislation, the US Department of Commerce estimates the costs of production in any given NME country based on “surrogate country” prices.³ India and Singapore are sometimes used as surrogates to estimate production costs in China.⁴ The only favorable aspect of an NME designation, from the respondent

December 29, 2005; Mankiw and Swagel (2005); and USTR, press release, “National Trade Estimate Report: China,” March 30, 2005.

3. For further analysis of US Department of Commerce methodology and US AD laws, see Lindsey and Ikenson (2002). On average, the NME duties that the United States imposes against China are over 20 percentage points higher than those applied to market economies. See GAO (2006).

4. In the recent furniture AD case (discussed below), none of the Chinese firms persuaded the Department of Commerce that they were operating on a market economy basis. Under US law, individual firms must present evidence to show that they are market-oriented to receive a separate AD rate, rather than be assigned the countrywide AD rate calculated under the NME methodology. As with furniture, the Department of Commerce used the NME designation to impose duties of between 49 and 112 percent on more than \$1 billion of shrimp imports from China. See Edward Alden, “US Puts Tariffs on China Shrimps,” *Financial Times*, July 6, 2004; also see “Shrimp Wars,” *The Economist*, July 8, 2004. See Charles Hutzler, “China: Trade-Status Battle Heats Up,” *Asian Wall Street Journal*, June 24, 2004, A5.

country's standpoint, is that NMEs are not currently subject to countervailing duties (CVDs).⁵

As amended in 1979, chapter 4 of the US Tariff Act of 1930 enumerates six criteria for determining whether a country merits NME status:⁶ currency convertibility, wage rates determined by free bargaining between labor and management, joint ventures for foreign investments, government control over means of production, government control over allocation of resources and prices, and "such other factors as administering authority considers appropriate."⁷

The alternative to NME status is market economy status (MES). Poland and Russia successfully moved from NME to MES in 1993 and 2000 respectively.⁸ The transition reflects a mix of political and economic criteria. For China, graduation from NME status will be heavily

5. Since 1984, the Department of Commerce has excluded NMEs from CVD investigations, on the theory, affirmed in *Georgetown Steel v. United States*, 801 F.2d 1308 (Fed. Cir. 1986), that subsidies cannot be determined in a nonmarket economy. In plain language, the rationale is that subsidies are part of a state-run economy. However, in March 2005 Senators Susan Collins (R-ME) and Evan Bayh (D-IN) introduced the Stopping Overseas Subsidies (SOS) bill. The SOS bill would revise current trade laws to allow the US Department of Commerce to hear CVD cases against all trade partners, including NMEs. See "An Examination of Commerce's Policy of Not Applying US Countervailing Duty Laws to NMEs, Particularly China: Time for Change," Stewart & Stewart Submission to the US-China Economic and Security Review Commission (USCC), February 26, 2004. Also see Senator Collins' press release "Senators Collins and Bayh Introduce Legislation to Help US Companies Fight Unfair Trade Practice," March 10, 2005; USCC (2004); and US Department of Commerce, US-China Joint Commission on Commerce and Trade (JCCT) Working Group on Structural Issues Hearing, June 3, 2004.

John Magnus points out that the *Georgetown Steel* case (2003) permitted the Department of Commerce to exclude NMEs from CVD investigations but did not mandate the exclusion. Hence, as a matter of administrative law, Magnus contends that the Department of Commerce could change its practice without an explicit congressional directive. See John R. Magnus, Chinese Subsidies and US Responses, Testimony Before the US-China Economic and Security Review Commission, Hearing on China's World Trade Organization Compliance, Washington, April 5, 2006.

6. US Department of Commerce determination of NME status is not subject to judicial review. See Laroski (1999).

7. The statute defines an NME country as "any foreign country that...does not operate on market principles of cost or pricing structures, so that sales of merchandise in such country do not reflect the fair value of the merchandise." See US Tariff Act of 1930, Title 19, Chapter 4 (18) (b), available at frwebgate.access.gpo.gov (accessed June 2004).

8. After the European Union granted Ukraine MES in December 2005, the United States was widely expected to award Ukraine the same coveted MES label early in 2006. See "United States to Decide on Market Economy Status," *Interfax Ukrainian News*, December 5, 2005.

influenced both by the fears of AD petitioners and by China's concessions on other trade issues.⁹

Issues Blocking MES for China

In April 2004 then USTR Robert B. Zoellick suggested that the US government would “leverage” China’s interest in MES with US interests on “labor, currency, subsidy, and other issues.” US Commerce Secretary Donald Evans opined that China will “fail to meet market economy status until market forces set labor and currency rates.”¹⁰ Both the Zoellick and Evans statements were based on a mixture of politics and economics: the six criteria outlined in the statute, plus sentiments in Congress as expressed by the US-China Economic and Security Review Commission (USCC) and others. Out of this mix, the two primary hurdles are renminbi revaluation and labor standards.

MES and Revaluation

Although the June 2004 US Department of Commerce hearing did not succeed in listing concrete steps that China needs to take to reach MES, the hearing was useful in underlining US concerns. Besides the prevailing sentiment that the renminbi is severely undervalued, speakers stressed restrictions on obtaining foreign currency from Chinese banks and the accumulation of official foreign exchange reserves.

The political question is not the extent of renminbi convertibility, however, but the degree of revaluation. Since December 1996, China has met its obligations to the International Monetary Fund (IMF) for current account convertibility.¹¹ China is gradually moving toward capital account convertibility by allowing foreign banks to issue renminbi securities, allowing foreign investors to receive financing from Chinese banks,

9. According to a recent US GAO report, granting China MES would reduce countrywide NME duties, which averaged about 98 percent. The lower rates could, however, be offset by rising rates assigned to individual Chinese companies that do not comply with Department of Commerce determinations. See GAO (2006).

10. See USTR, press releases, “Statement of USTR Robert B. Zoellick on US-China Relations,” April 28, 2004, available at www.ustr.gov (accessed May 2004), and “Statement from Commerce Secretary Donald L. Evans on America’s Economic Relationship with China,” April 28, 2004, available at usinfo.state.gov (accessed June 2004). During the April 21, 2004, US-China JCCT meeting between Chinese Vice Premier Wu Yi and senior US trade officials, a tentative agreement was reached to consider China for MES for future AD investigations.

11. IMF Article 8 stipulates that “no member shall . . . impose restrictions on the making of payments and transfers for current international transactions.” See IMF Article 8—General Obligations of Members, available at www.imf.org (accessed June 2004).

and permitting individual Chinese to invest up to \$20,000 abroad. While full convertibility in both the current and capital accounts may be desirable, it is a goal that many developing countries have yet to meet.¹² In any event, US business and trade union leaders as well as congressmen are more concerned about revaluing the renminbi than they are about capital account convertibility.

MES and Labor

The USTR (2005) contends that China violates core labor standards as defined by the International Labor Organization. By contrast, according to China's Ministry of Commerce, the Chinese government regulates minimum wages and social security requirements but otherwise "promotes collective bargaining through fair negotiation between labor and management."¹³ Obviously a wide gap separates US and Chinese perceptions of China's labor practices and whether the government hand is heavy or light. From the standpoint of many US observers, Chinese wages of \$1.00 an hour and less, together with long working hours and cramped, noisy, and dirty factory conditions, are proof that China flagrantly violates core labor standards. From the standpoint of Chinese officials, the dramatic rise over the past 25 years in urban wages, particularly along the coastal provinces, abundantly demonstrates China's ability to improve working conditions—far better than Bangladesh and Egypt, for example. Given China's strength as an export powerhouse, unlike Bangladesh or Egypt, the perception gap is likely to persist for many years. However, on a case-by-case, company-by-company basis, Chinese firms will increasingly demonstrate that they can meet core labor standards.

Significance of MES for China

To prevent future AD cases from following the ad hoc and often discriminatory NME methodology used by the Department of Commerce and other foreign trade ministries, China is actively courting key trade partners to obtain MES ahead of the 2016 WTO deadline. MES obviously makes a difference when AD cases are litigated; it is also important to China to be judged on an equal footing with Western industrialized countries. In April

12. David Loevinger, former US deputy assistant treasury secretary for Africa, Middle East, and Asia, noted that even the United States has restrictions on FDI that prevent it from fully meeting the IMF's capital account convertibility standards. See his remarks at the US Department of Commerce JCCT Working Group on Structural Issues Hearing, June 3, 2004.

13. Chinese academic studies estimate that in 2001, 85 percent of Chinese companies based wages paid to workers on "voluntary negotiations." Zhang Jin, "Report Supports Market Status," *China Daily*, June 9, 2004.

2004 China made the granting of MES a precondition for concluding a free trade agreement (FTA) with New Zealand and Australia. After New Zealand granted MES, China received the label from 43 other nations.¹⁴ It has yet to receive MES from Canada, the European Union, Japan, or the United States, and though China is courting its key trade partners for MES, it has not yet formally requested MES from the United States.¹⁵

China's ability to receive MES from the European Union remains in doubt.¹⁶ A preliminary report issued by the European Commission stated that the European Union "is committed to granting MES to China" but found that China has fulfilled only one of its five criteria, the criterion of "absence of barter trade" and "absence of State-induced distortions in the operations of enterprises linked to privatization."¹⁷ China did not meet the European Union's four other requirements: degree of government influence, including through tax discrimination; adequate corporate governance, especially regarding accounting standards; transparent rule of law to ensure property rights and operation of a bankruptcy regime; and a financial sector that operates independently of the state. However, Chinese efforts to lobby individual EU member countries for MES might pay off. Austria, which will hold the rotating EU presidency in 2006, indicated that granting China MES would be inevitable.¹⁸

On the other hand, China might want to reconsider its campaign for the MES label. As China's economy develops, more voices on Capitol Hill urge a change in US legislation so that US companies can file both CVD

14. China has received the MES designation from Australia, Brazil, Egypt, India, Malaysia, Pakistan, South Africa, South Korea, Thailand, and Ukraine, to name some of the most important countries. See Yin (2003); also see New Zealand government, press release, "New Zealand and China to Work Towards FTA," April 14, 2004; and Australian government, Department of Foreign Affairs and Trade backgrounder, "Australia-China FTA: Market Economy Status," 2005.

15. Personal e-mail communication with Richard Seldin, March 7, 2006.

16. While the European Union does not exactly follow the NME methodology used by the United States, the European Union does apply a third-country market (TCM) designation in Chinese AD cases, which amounts to about the same thing. During July 2003–December 2003, the average EU antidumping duty (about 46 percent), based on the TCM methodology, was lower than the average US antidumping duty (about 94 percent). See WTO (2004a, 2004b) and EU Council (1994).

17. See Tobias Buck and Mure Dickie, "Europe to Snub China on Status of Economy," *Financial Times*, June 27, 2004.

18. Martin Bartenstein, Austrian minister of economics and labor, acknowledged that MES is "one of the important topics on the table between the EU and China" and suggested the possibility that EU will "grant China market economy status...during Austria's presidency of the EU." Spain and Portugal also support MES. See Toh Han Shih, "EU Ready to Grant China Key Economic Status," *South China Morning Post*, December 18, 2005.

and AD complaints against Chinese exports of the same product. Moreover, the proposed legislation would label a wider range of practices as unfair subsidies. Currently, as an NME, China is immune from CVD actions: According to established practice in the Department of Commerce, which was upheld by the Court of International Trade in the *Georgetown Steel* case (2003), subsidies cannot be determined in an NME, simply because all prices and costs are distorted.¹⁹ Once China is declared a market economy, new CVD actions based on novel subsidy definitions will very likely follow.²⁰

Evaluation

For the purposes of the MES designation, China's most important trading partner is clearly the United States. If achieving MES is important to China, the Chinese government will need to revalue the renminbi significantly. However, once China revalues, MES could still remain a bargaining chip for other trade concessions that the United States seeks.

Even though give-and-take is the essence of trade negotiations, we think that the MES issue should not be determined solely by backroom bargaining. Instead, as a first step, the US government should clarify the measures required for meeting MES. If core labor standards are an essential criterion, the same requirement should be applied equally to all countries. More broadly, all six statutory criteria should be evaluated through a public hearing process that enables a fair comparison between China and other countries that already have MES status, such as Russia, India, and Pakistan.²¹

Finally, in our view, the administration should resist congressional efforts, such as the Collins-Bayh SOS bill, to unilaterally broaden the definition of actionable subsidies beyond practices that are currently identified in the WTO Agreement on Subsidies and Countervailing Measures. If a broader definition is necessary to close troublesome loopholes, the changes should be negotiated multilaterally in the Doha Development Round, not legislated unilaterally by Congress.

19. Personal e-mail communication with Richard Seldin, March 7, 2006.

20. The Collins-Bayh SOS bill would allow American firms to seek CVDs to offset a wide spectrum of Chinese practices: an undervalued exchange rate, state bank loans to state-owned enterprises, free or low-cost rent in government-owned facilities, and free or low-cost raw materials and energy supplies.

21. Based on several risk indicators, including legal, regulatory, and financial risk, the Economist Intelligence Unit concluded that China was at least as deserving of MES as Ukraine or Russia. See "Ukraine/China Risk: Ukraine Leapfrogs China to Gain EU Market Economy Status," Economist Intelligence Unit, December 1, 2005.

Furniture

In October 2003 the American Furniture Manufacturers Committee for Legal Trade (hereafter, the committee) led 31 furniture makers and five unions to file a petition with the US Department of Commerce against Chinese furniture imports (US Federal Register 2003). The committee asked for AD tariffs ranging from 150 to 440 percent on over \$1 billion worth of Chinese wooden bedroom furniture imports sold by 135 Chinese furniture companies. The committee claimed that Chinese wooden bedroom furniture exports were sold at “less than fair value,” leading to “material injury” in the domestic US furniture industry.²² According to the petition, Chinese imports accounted for 23 percent of the value of US domestic consumption in 2002, while sales from petitioner firms declined by 23 percent between 2000 and 2002. The committee argued that lower Chinese prices and abundant labor were leading to job losses in the domestic furniture industry.²³ Citing US Bureau of Labor Statistics data, the petition argued that 34,700 jobs had been lost since 2000, representing 28 percent of the furniture industry workforce.

In January 2004 the US International Trade Commission (USITC) determined that the US domestic industry suffered material injury from Chinese wooden bedroom furniture imports. In December 2004 the Department of Commerce made a final determination to impose relatively moderate duties of between 2 and 16 percent on Chinese firms that accounted for the majority of US furniture imports. For all other Chinese furniture-producing firms, duties stood at 198 percent.²⁴

Unlike the brassiere case, in which the US government applied WTO safeguard remedies with no prior hearing, the furniture dispute is a generic AD investigation. Since China is considered an NME, the Department of Commerce used prices and costs from supposedly comparable

22. “Less than fair value” and “material injury” are legal terms. Their precise meaning is adjudicated, on a case-by-case basis, by the US Department of Commerce and the USITC respectively.

23. US furniture producers’ share of the US market declined from 60 percent in 2000 to 49 percent in 2002, while the Chinese share of the US market increased from 19 percent in 2002 to 28 percent in 2003. These figures illustrate the period under review for the material injury finding by the USITC (2004b). See also “Chinese Furniture Faces US Tariffs,” *Wall Street Journal*, June 17, 2004, A2.

24. For details, see US Department of Commerce, press release, “Amended Final Determination in the Antidumping Duty Investigation on Imports of Wooden Bedroom Furniture from the People’s Republic of China,” December 28, 2004. The reason other furniture-producing firms ended up with extremely high duties is that they did not respond to the Department of Commerce’s questionnaires or otherwise contest the case.

market economies—India and Russia—to guesstimate the cost of production in China.²⁵

The trend in the US furniture industry is away from manufacturing and toward distribution and marketing. Among the 20 remaining petitioners, imports from China accounted for 35 percent of their total imports in 2002 (USITC 2004b). Many furniture retailers, including the largest furniture store chains, such as Bombay Company and Crate and Barrel, also import from China. They retaliated against the petition by creating a lobbying group, the Furniture Retailers of America (FRA), which objected that even a 20 percent Department of Commerce dumping margin would, under the Byrd Amendment, lead to average annual payouts of \$6.6 million per company to the domestic furniture industry.²⁶ The FRA further argued that high AD duties would prompt furniture companies to source from countries such as Indonesia, Philippines, Malaysia, and Vietnam, rather than US manufacturers.

China's Role in World Furniture Trade

The Chinese furniture industry relies both on economies of scale and cheap labor to capture a growing share of the world furniture market.²⁷ According to the Chinese National Furniture Association, Chinese furniture production grew from \$13 billion in 1999 to \$20 billion in 2002, while Chinese furniture exports increased from about \$2 billion in 1999 to \$5 billion in 2002.²⁸

The Chinese furniture industry consists of about 30,000 firms employing five million workers; 1,000 of these firms are joint ventures with foreign investors. Government policies that encourage foreign investment

25. See the previous section on NME status. In the wooden bedroom furniture case, Indian import prices of wood were reportedly unavailable, and Russian wood prices were used instead. The US Department of Commerce used Indian statistics to estimate all other average costs to Chinese furniture producers. See Ikenson (2005).

26. The Continued Dumping and Subsidy Offset Act, widely known as the Byrd Amendment, mandates distribution of AD duties and CVD to companies that support the relevant petitions. To date, the US government has paid more than \$700 million to US companies. In January 2003 the WTO Appellate Body determined that the Byrd Amendment violated WTO rules and distorted trade. In March 2004 the US Congressional Budget Office (CBO 2004) reported that the Byrd Amendment harms the US economy. In 2006 Congress enacted legislation that phases out the Byrd Amendment in October 2007.

27. Overall, Chinese furniture costs are about 10 to 40 percent less than US costs. See Cao, Hansen, and Xu (2002).

28. According to the USITC (2004b), Chinese production increased from 1.8 million pieces of furniture and related products in 2000 to 4.5 million pieces in 2002.

support the export-oriented success of Chinese firms. Furniture production for export is concentrated in special economic zones.²⁹ Within these zones, China has developed specialized industrial parks called “furniture towns,” which dominate furniture sales along the prosperous east coast. As a result, China is the fourth-largest furniture exporter in the world, and the United States is the top destination for its exports.³⁰ Chinese furniture exports to the United States increased from \$359 million in 2000 to \$1.2 billion in 2003. Often overlooked is that demand from US producers drives Chinese imports. From 2000 to the first half of 2003 Chinese furniture imports as a share of US domestic producer shipments increased from 6 percent to nearly 27 percent (Ikenson 2004). By 2003 nearly one-half of US furniture imports were from China, and Chinese furniture exports to the United States accounted for about half of total Chinese furniture exports.³¹

Evaluation

Restricting imports of Chinese furniture through AD duties or other means will not bring back US jobs. Instead, the main effect will be to curtail US household purchases of furniture and to shift sources of supply to Southeast Asia. The reality is that US furniture producers and retailers will source basic furniture from either China or other low-cost developing countries. Since the first quarter of 2004, Southeast Asian countries have increased their exports of furniture to the United States by at least 35 percent.³² The United States is a net importer in every furniture category, including office furniture.³³

As in the clothing industry, to tackle job losses in the domestic furniture industry, the US government should improve its existing trade adjustment assistance (TAA) program, emphasizing wage insurance and

29. See CSIL Milano (2003) and *Research Report on Furniture Industry and Market of China*, All China Marketing Research Co. Ltd., 2001.

30. See USITC (2004b). The value of Chinese wooden bedroom furniture exports to the United States accounted for 95 percent of total Chinese wooden bedroom furniture exports.

31. Hong Kong purchased 13 percent and the European Union purchased 12 percent of Chinese furniture exports. While US imports from Canada (second-largest US furniture supplier) and Mexico (fourth-largest US furniture supplier) fell by \$91 million during 2000–2003, US imports from China increased by \$804 million in the same period. Meanwhile, total US furniture exports declined from \$105 million in 2000 to \$78 million in 2003. See *China National Furniture Association Annual Report 2003*.

32. See J. D. Piland, “China Shows Ill Effects from the Antidumping Duties While its Competitors Boost Their Shipments,” *Wood and Wood Products*, June 1, 2005.

33. In 2003 the United States exported about \$395 million of office furniture and imported about \$2.3 billion. Based on US Department of Commerce data on household and office furniture exports and imports, available at www.ita.doc.gov (accessed May 2004).

health benefit provisions (Kletzer and Litan 2001). Meanwhile, several US furniture makers will survive by distributing imported furniture or by producing high-value crafted furniture. Ethan Allen, for example, has established a strong brand identified with elegance and high quality.³⁴

Color Televisions

In May 2003 one US firm and two labor unions filed an AD petition with the Department of Commerce and USITC against imports of Chinese color televisions (CTVs). After determining that China is an NME, the Department of Commerce used India as a surrogate country to impose preliminary AD duties ranging from 5.2 to 26.4 percent on 13 Chinese CTV companies.³⁵

After its hearing, the USITC found “material injury” based on the adverse impact that the rising volume of Chinese CTV imports exerts on US prices and producers (USITC 2003). The USITC claims that Chinese CTVs, sold at prices between 10 and 30 percent lower than average US prices, contributed to the decline in US production of CTVs, from 5.6 million units in 2000 to 1.1 million units in 2002, and the loss of 7,068 industry jobs during the same period. However, China accounts for only 9 percent of US imports of CTVs (USITC Dataweb 2004).

On May 14, 2004, the USITC commissioners voted unanimously in favor of AD duties on US imports of Chinese CTVs. The largest four Chinese CTV makers—Prima, Konka, TCL, and Changhong—which account for 90 percent of all Chinese CTV exports to the United States, face AD duties ranging from 5 to 26 percent.³⁶ All other Chinese CTV makers face duties of 78 percent.³⁷ The US Department of Commerce and USITC rulings will effectively block some Chinese CTVs from the US market, but it

34. See Elizabeth Wine, “US Furniture Makers To Risk Lifting Prices,” *Financial Times*, May 10, 2004.

35. See the Department of Commerce’s ruling in US Federal Register (2004). In response to the preliminary Department of Commerce ruling, the Chinese economic counselor, Tian Jun, noted that the Chinese government had not intervened in the Chinese CTV market since 1984. See his speech, US-China Trade Relations and the WTO, delivered at the Center for Strategic and International Studies and *The Economist* event, Washington, January 14, 2004.

36. Changhong faces the highest AD duties, at 26.37 percent. In November 2003, TCL merged with French company Thomson, maker of the RCA brand TVs, creating the world’s largest TV manufacturer, with \$3.5 billion in annual sales. See “US Places Duties on TVs from China,” *Los Angeles Times*, home edition, May 15, 2004, C3; and US Department of Commerce, International Trade Administration, Notice of Amended Final Determination of Sales at Less Than Fair Value: Certain Color Television Receivers from China, May 19, 2004.

37. The other producers did not submit cost information to the Department of Commerce, so AD duties were based on “best information available.”

seems likely that CTV imports from Chinese firms facing lower AD duties will flourish. Moreover, CTV imports from alternative suppliers, such as Mexico and Korea, may quickly replace Chinese CTVs on the shelves of Wal-Mart and Best Buy. As in the clothing and furniture cases, the main result will not be to revive manufacturing activity in the United States but to shuffle the mix of foreign suppliers.

Evaluation

Our comments on the furniture case are equally applicable to the television case. At most, AD duties provide short-term relief, felt to a greater extent by firms in their income statements than by workers in finding new careers. We recommend that US safeguard measures, including the AD system, should be revamped to focus on wage insurance, health benefits, and meaningful training programs for dislocated workers rather than import protection.

Conclusion

Imposing AD measures on Chinese imports provide at best a small, temporary, and inefficient measure of relief to the larger problem of accommodating China's growth as an exporting power. As Chinese exports—augmented by exports from India, Brazil, Indonesia, and other emerging countries—reach a larger range of industries and markets, both in the United States and abroad, US firms will need to adjust their own mix of products and markets. Adjustment is often painful, but at the same time it is essential to the dynamic process of economic growth. The US government needs to enact far larger and more robust programs for dislocated workers. At the same time, customary safeguard measures will be needed to give select US industries more time to adjust than market forces alone might permit. To be both effective and nondiscriminatory, the United States should apply safeguards to nearly all imports (usually excluding imports from Canada, Mexico, and other free trade agreement partners), and not pick just on China. When AD measures simply limit Chinese imports, the predictable result is import diversion to other suppliers—such as India and Korea. The consequence is far less effective relief for the US industry and a significant efficiency loss for the world economy.