

'A Cautious Activist Agenda for U.S.
Policy for High-Technology Industries'

Laura D'Andrea Tyson
'Who's Bashing Whom? Trade Conflict
in High-Technology Industries'

Chapter 7

Laura D'Andrea Tyson



- MIT (Solow and Thurow)
- Chair of the U.S. Council of Economic Advisors (1993-95)
- Director of the National Economic Council during the first Clinton administration (1995-96)
- Dean of the London Business School
- Labeled one of the 25 most influential women in the world

Problems of international markets

- Barriers to entry foreign markets
Smith: just reduces competitiveness of foreign companies
 - Subsidized foreign companies entering US market
Reduces foreign economic welfare, Presents to US customers
- ↓
- 'substantial impact and harm' to US American producers
- ↓
- Accept the damage
 - Offset it by promotional or protectionist measures at home
 - Negotiate to remove the source of the problem

Expanding market access

- Multilateralism
 - > Broad based
 - > Slow
 - > Multiple interests

↓

- Aggressive unilateralism
 - > Selective reciprocity
 - > Rules vs. outcomes

Aggressive Unilateralism

'... unilateral because they allow the United States to define its own list of unfair foreign practices, including many that are not explicitly proscribed by the GATT; to determine on its own when a trading partner is guilty of such practices; and to demand direct negotiations with US representatives, not arbitration in a multilateral forum, to address them.'

'... aggressive because they allow the United States to threaten or actually impose retaliation to realize its objectives.'

Section 301 and Super 301

- Section 301 of the Trade Act of 1974
Government has to report about trade deficit and protectionist trading partners to the Congress
- Super 301 (1988)
Amendments of Section 301
Allows the US to negotiate with foreign countries to eliminate unfair trade practices under threat of unilateral retaliation

Cellular phones
Supercomputers
Semi-conductors

➔

'Neither the intent nor the outcome [...] was protectionist.'

Negotiations

- **Bilateral negotiations**
To 'formulate nondiscriminatory multilateral market opening arrangements'
Japan: improved access for all non-Japanese producers, not just for US-Americans
- **Invite interested nations**
- **Selective reciprocity**
'Comparable market access with particular trading partners in particular industries'
- **Rules vs. outcomes**
Volunteer export restraint (VER/VRA), Volunteer import expansion (VIE)
- **Market access will remain an important issue and source of friction between USA, EU and Japan**

Dumping

- GATT allows antidumping laws
- Dumping = "a good is sold abroad for a lower price than [...] in the seller's home market"
- Cost-based approach justified by side-conditions
- US-law: dumping = "sales below fair value"

Problems

- **What is the fair value?**
(Forward pricing?)
- **Broad definition**
- **Different national environments**
- **Abuse for protectionism**
- **Home made problems are blamed on foreign companies**

- **Slow process**

Suggested modifications

- Predatory capability (not intent)
- Record of demonstrated offenses
- Foreign-government practices

- Fast-track antidumping procedures

Countervailing duties

Reasons for Ineffectiveness:

- Appropriate amount is difficult to determine
- Material injury test is required
- Can not prevent future damage
- Process slow and uncertain
- "High-price island", driving consumers and production to third-country markets
- Danger of retaliation

Need for new policy

- Solve domestic problems with domestic solutions
 - * Capital: costs, availability, patience -> monetary and fiscal policy
 - * Education, macroeconomics, ...
- Commercially orientated industrial policy
 - * Institutional mechanism for assessing competitive and technological trends
 - * Shift federal R&D spending from military to dual-use and commercial objectives
 - * Fund precompetitive generic technologies
- More precise and binding multilateral rules
 - * Accept this as a slow process
- Unilateralism to resolve specific threats


Comments

- **Fixed on US point of view**
(Other countries may have different economic conditions and find protectionism quite useful. Is free trade the only true thing?)
- **No critical approach to indirect subsidies**
(Artificial military demand)
- **Proposed strategies may only work for economic super powers**
(Threat, ...)
- **Globalization of companies vs. national technologies**

1992 onwards

- **NAFTA**
- **WTO**
(Dispute Settlement Body)
- **9-11**

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