

Jörg Erdmann, 2004
www.joerg-erdmann.de

'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



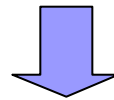
Problems of international markets

- Barriers to entry foreign markets

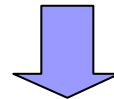
Smith: just reduces competitiveness of foreign companies

- Subsidized foreign companies entering US market

Reduces foreign economic welfare, Presents to US customers



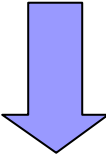
'substantial impact and harm' to US American producers



- 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.'



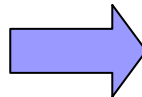
Section 301 and Super 301

- **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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