

December 6, 2004

Dear Editorial Page Editor:

Attached please find an op-ed that we hope you will consider publishing under the by-line of Christine Agnone, Consumer Advocate, Consumers for World Trade. Please feel free to contact me should you have questions or decide to use the piece.

Best regards,

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American Consumers vs. American Industry: The Tariff Trade-Off

International trade is an enormous engine for American economic growth. It is thanks to foreign demand for our products that American manufacturers and farmers are able to export as much as they do, ensuring job growth and security for American workers. Likewise, it is thanks to imports that American consumers have a fantastic selection of goods to choose from at very competitive prices.

Occasionally an American industry will cry “foul” and accuse a foreign competitor of “dumping” its goods in the American market to steal market share. Dumping occurs when a company sells its product for less in a foreign country than it does in its own country. This is against the rules of international trade. When this happens, an American company (or sometimes several companies in the same industry) can legitimately ask the U.S. government to impose anti-dumping tariffs on these unfairly priced items. An anti-dumping tariff is a tax that is intended to increase the price of the imported item so that its unfair pricing advantage is eliminated.

This poses a dilemma, however. By imposing a tariff on these imported goods, the U.S. government *might* protect the market share of American companies, although this is never a guaranteed outcome. The downside is that the tariff increases the price of goods for American consumers. These higher prices make imports less competitive and allow domestic producers to raise their prices. Industries that need to import their raw materials at world-competitive prices are harmed because artificially inflated prices then forces them to either to absorb the price increases, or to pass the cost along to their customers. If they choose to pass the cost along they risk the loss of their customers’ business to foreign competitors whose prices are not inflated. Either way, these companies’ bottom

line is harmed, threatening the job security of their employees and driving up the cost of living. Sometimes these companies move their operations overseas rather than pay the higher price for their inputs. These jobs are likely never to return to the United States.

A prime example is the current antidumping case against imported shrimp. Tariffs have been sought to help the 13,000 shrimp fishermen in the United States (who by the way cannot begin to meet domestic demand). However, these dumping tariffs will negatively impact the jobs of the 250,000 Americans who work in the shrimp processing industry. When the supply of imported shrimp drops because fewer Americans can afford to pay the higher prices, many in this downstream industry will lose their jobs. This case illustrates that when the collateral damage outweighs the gain, something is clearly not working.

This begs the question: why do members of Congress consider the jobs of Americans in producing industries to be more important than those in consuming industries? Is one type of job better than another? Shouldn't all Americans be treated equally under the law? What about retail consumers? While some Americans may be willing to pay extra to protect American industry, not all Americans can afford to do so. Unfortunately we are not given a choice, because it is Washington policy-makers who decide behind closed doors whether or not to impose tariffs.

What can we do about it? We can write to our representatives in Washington and ask them to reform our trade laws so that the impact on consumers is taken into consideration before any new tariffs are imposed. Currently our government is not required to look at the bigger picture, and so ignores the negative downstream impact on millions of Americans.