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## Protectionist Zeros

*A well-deserved blow to a Washington effort to block imports.*

The U.S. Commerce Department is on a losing streak. Fresh off a World Trade Organization reprimand over one protectionist rule, Commerce has now been rebuked by an American appeals court over another. Maybe the message will sink in.

The latest case involves a practice called zeroing, a mathematical trick with pernicious economic consequences. Antidumping cases, which hinge on whether a foreign company is selling a good in the U.S. at less than the cost of production, depend on collecting accurate data on relative prices in America and abroad. Zeroing, roughly speaking, allows Commerce bureaucrats to discount instances when the foreign price is lower than the U.S. price (meaning, examples that are the exact opposite of dumping) when bureaucrats plug numbers into their spreadsheets.

As a result, zeroing makes dumping appear more common and more severe. Of the 400 goods currently subject to antidumping duties in the U.S., up to half of them would not have faced duties at all if Commerce hadn't fiddled with the numbers in this way, according to estimates in a study last year from Chad P. Bown of the World Bank and Thomas J. Prusa of Rutgers University.



Associated Press

The U.S. needs more container ships like this one bringing goods into port.

For the rest, the duties imposed would have been dramatically lower, since zeroing falsely inflates the U.S.-foreign price differentials used to set duty rates. The only scholars to examine duty calculations using Commerce's own confidential data, Brink Lindsey and Dan Ikenson of the Cato Institute, found in 2002 and 2004 that in the 18 cases they investigated, using real data instead of Commerce's zeroed statistics would have resulted in duties that were on average 86% lower.

Put another way, thanks to statistical sleight-of-hand, American consumers have paid billions of dollars more over the years in higher prices either because antidumping duties raised prices on imports or because those duties sheltered domestic companies from downward price competition.

This was bad economics, and now it turns out it was bad law, too. The World Trade Organization has dinged Washington repeatedly for zeroing. Commerce and Congress have done their best to avoid complying, at considerable expense to American credibility abroad. Most recently, Commerce attempted to stop zeroing for new antidumping investigations while keeping the practice for existing duties, to placate both the WTO and domestic protectionists.

Last week's appellate court ruling puts an end to that charade by finding that under existing U.S. law Commerce

has to either zero in all cases or zero in none. Since the department has abandoned zeroing for new investigations, there's reason to hope the Obama Administration will disavow zeroing entirely instead of searching for some way around a carefully reasoned and forceful appellate ruling.

More broadly, it's worth pointing out how absurd it is that something as important as the trade policy of the United States can hinge on whether to plug a zero into a spreadsheet. This kind of policy-by-Excel, typical of antidumping law, is expensive both in lost growth at home and lost economic leadership abroad.

Proponents of this kind of trade law have argued that this makes trade "fairer," which is also President Barack Obama's rationale for focusing so heavily on enforcement in his own trade policy. In reality, as the zeroing fiasco shows, such laws mostly give bureaucratic cover to protectionists at home. A judicial rebuke on zeroing is an opportunity for a rethink.

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