

# The Miami Herald

Posted on Mon, Jul. 06, 2009

## Protectionism: How to create new jobs overseas

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Keith Koenig, who describes himself as "very much a free-trade guy," has seen how U.S. government efforts to control imports of foreign-made furniture can produce unintended -- and undesirable -- consequences.

The president of City Furniture points to a complaint initiated in 2003 by a group of American companies that manufacture bedroom furniture.

The U.S. furniture makers, which did not include City Furniture, filed an anti-dumping petition with the U.S. International Trade Commission and the U.S. Department of Commerce, alleging that China was exporting bedroom furniture to the United States at unfair prices, thus hurting their businesses and reducing American jobs.

In international trade, dumping refers to a company selling its merchandise abroad either at prices below production costs or for less than it would have charged on its home market.

By mid-2004, the Commerce Department decided in favor of the American companies and levied duties on Chinese bedroom furniture ranging from 4.5 percent to more than 198 percent.

The Chinese said they weren't dumping, arguing that they could afford to sell high-quality furniture at low prices because their production costs were low.

Koenig agrees: "I've visited factories in China and other countries. They produce quality work and their labor and other costs are much lower than ours."

Some of the Chinese companies were effectively put out of the business of making bedroom furniture for the U.S. market. Others were able to continue selling to the United States since their tariffs were relatively low.

But there were unintended consequences. "Chinese factories said, 'We'll go to Vietnam and other countries and set up business there.' Now there are more factories in more countries shipping to the U.S.," Koenig said.

Rather than reducing competition, the effort increased it.

The tariffs also raised costs for American consumers and served as a bonus for the furniture makers who filed the suit, since they eventually received the duties, Koenig said.

A report by the Cato Institute, a libertarian think tank, concurred, saying the case was "a tactical maneuver by one group of domestic producers to get a leg up on its domestic competition."

The lesson, said Koenig, is that anti-dumping rules are complicated and can be manipulated. "Any barrier to trade blows up," Koenig said.

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