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REVIEW & OUTLOOK

Tariffs for the Rich

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So you want to be a millionaire? May we suggest a career in ball bearings or steel or candles.

That's our thought as we read a new report from the General Accountability Office on the Byrd Amendment, a trade rule that directs the proceeds of anti-dumping duties into the pockets of companies "injured" by foreign competition. It was named after West Virginia Senator Robert Byrd, passed by Congress in 2000 and has since been ruled illegal by the World Trade Organization.

The U.S. collected \$1 billion in Byrd duties from 2001 to 2004, and according to GAO, two-thirds of the payouts went to companies in just three industries: ball bearings, steel and candles. Nice work if you can get it.


The report also found that nearly half of the Byrd duties ended up in the coffers of five companies. Some 38% went to ball-bearing manufacturer Timken Co. of Canton, Ohio, including two subsidiaries -- Torrington Company and MPB Corporation. Timken's take alone was \$205 million. Two other companies -- Candle-lite and Zenith Electronics Corp. - raked in 5% and 3% respectively.

These companies won the Byrd lottery by figuring out that payouts depend more on how many claims are filed than on whether they are valid. U.S. Customs and Border Protection, which is charged with collecting and disbursing the Byrd duties, has more claims than it can handle so it uses a pro-rata formula for disbursements. This, as GAO dryly notes, has created "an incentive for producers to claim as many expenses as possible relative to other producers."

Claims skyrocketed from \$1.2 trillion in 2001 to just under \$2 trillion (no, that's not a typo) last year. A "more than 10-fold increase" is expected this year, says the report. Over four years, by the way, Customs has managed to verify the claims of just one of the 770 companies that received Byrd money.

Byrd mischief doesn't end there. It is tilting the playing field of the U.S. economy in favor of a privileged few. The GAO says the "top recipients" of Byrd money "reported positive effects" (no kidding), but "some non-recipients said that disbursements to competitors

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were having negative effects on them." "Non-recipients" are companies in the "injured" industries that failed to support anti-dumping lawsuits in the first place. They are being punished for opting to compete rather than agitating for protection. Nor is there any evidence that Byrd recipients used the money to create jobs in the U.S. One Byrd recipient used his windfall to pay off his mortgage.

Finally, there's the effect on U.S. competitiveness abroad. Since Byrd violates WTO obligations, U.S. exports could be hit with retaliatory tariffs of up to \$134 million based on 2004 Byrd disbursements. Canada, the European Union, Mexico, and Japan have already ordered new duties and it is possible that four other WTO members will do the same.

With all the corruption, red tape, trade wars, higher consumer prices and special interest carve-outs that Byrd has created, it is no wonder there's growing momentum to kill it. Repeal has a shot in the House, where GOP Representatives Clay Shaw and Jim Ramstad have introduced legislation. In the Senate, however, 70 Senators have signed a letter in support of Byrd. Maybe the GAO report on Byrd's millionaires will help them come to their senses.

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