

# IB ECONOMICS – INTERNAL ASSESSMENT

## FRONT COVER

School code	Name of school
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<b>Candidate name</b>	Student A
<b>Candidate number</b>	
<b>Teacher</b>	
<b>Title of the article</b>	USW calls paper trade case ruling 'Good News for Working Families'
<b>Source of the article</b>	Consumer News and Business Channel <a href="http://www.cnbc.com/id/27458855/site/14081545/">http://www.cnbc.com/id/27458855/site/14081545/</a> (accessed on: 1/11/2008)
<b>Date the article was published</b>	30/10/2008
<b>Date the commentary was written</b>	1/11/2008
<b>Word count (750 word maximum)</b>	675
<b>Section of the syllabus the article relates to (please tick the one which is most relevant)</b>	<input type="checkbox"/> Section 1: Microeconomics <input type="checkbox"/> Section 2: Macroeconomics <input checked="" type="checkbox"/> Section 3: International economics <input type="checkbox"/> Section 4: Development economics

USW Calls Paper Trade Case Ruling 'Good News for Working Families' - Press Releases - CNBC.com



**USW Calls Paper Trade Case Ruling 'Good News for Working Families'**

PR Newswire | 30 Oct 2008 | 01:58 PM ET

WASHINGTON, Oct 30, 2008 /PRNewswire-USNewswire via COMTEX/ -- U.S. Trade Commission Puts Tariffs on Thermal Paper Imports from China, Germany The United Steelworkers (USW) joined Appleton Papers in applauding today's U.S.

International Trade Commission's (ITC) final determination to impose both anti-dumping and anti-subsidy duties on unfairly traded imports of lightweight thermal paper (LWTP) from China and Germany.

(Logo: <http://www.newscom.com/cgi-bin/prnh/20080131/DC12982LOGO>) USW President Leo W. Gerard called the Commission's vote, "Good news for working families at paper mills in four states." He declared, "Our distressed economy and paper workers needed our government's decision in this case to warn foreign producers that when American industry is willing to fight for strong fair trade law enforcement -- they can get it." He especially singled out China's cheating on global trade standards, saying: "The ITC's enforcement order is a lesson for the communist government. When they illegally subsidize and dump their exports to steal our jobs, they risk five-year tariff orders that force them to abide by the rules of fair trade." The ruling is expected to bolster the job security of more than 1,700 paper mill workers at Appleton plants in Wisconsin, Pennsylvania and Ohio. Another producer of LWTP, Kanzaki Specialty Papers Co. in Springfield, Mass., employs 115 workers represented by the USW who will also be helped by the tariff order.

Appleton filed the trade case in September 2007 against China and German imports of LWTP, which is a heat-treated specialty paper used in the retail industry for customer receipts at stores, restaurants, in automated vehicle gas station pumps and ATM machines.

Jon Geenen, USW vice president for paper industry bargaining, who testified at the ITC hearing on Oct. 2, said, "Despite the fact that U.S. paper companies have become the most efficient producers in the world, American paper workers are in the fight for their lives." He told the Commission, "Our domestic market has become the dumping ground for unfairly traded foreign paper exports." Where he lives in Wisconsin, Geenen told the commission that 20 percent of the industry has been lost in seven years, a trend occurring across the country. ed a total of 118,000 paper industry jobs have been lost from 2001-2007.

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Yesterday's ITC determination will apply duties the U.S. Department of Commerce (DOC) previously affirmed on Sept. 26 for thermal paper from certain Chinese producers and exporters that were sold at below fair value, resulting in final antidumping duties ranging from 19.77 to 115.29 percent. The DOC also affirmed that German producers and exporters of thermal paper sold the product in the U.S. at prices below fair value and imposed final anti-dumping duties of 6.5 percent.

The DOC had also announced its final determination concerning subsidized imports of LWTP from China. The Commerce Department imposed countervailing duties for all but one exporting company ranging from 13.17 percent to 137.25 percent.

Between the countervailing and antidumping duties, Chinese paper imports face total tariffs of 19.77 to 252.54 percent.

Foreign governments subsidize industries when they provide financial or other assistance to benefit the production, manufacture or exportation of goods.

Subsidies can take many forms, such as direct cash payments, preferential tax breaks, loans and subsidized inputs.

In 2007, imports of thermal paper from China were valued at an estimated \$53.3 million.

The USW represents Appleton paper processing mills employing 900 workers at the Appleton mill in Wis., 330 workers in West Carrollton, Oh, and 550 workers at Roaring Spring, Pa. The Ohio plant's USW Local 1-266 President Jim Allen testified at the ITC's October hearing. He was joined by USW Local 10-0422 Pres.

Mitchell Becker at Roaring Spring and USW Local 2-469 Pres. Rick Bahr of Appleton. About 50 union production employees from the three plants sat in the hearing room.

Strong support at the ITC hearing was given in testimony presented by Wisconsin Governor Jim Doyle; Ohio Governor Ted Strickland; Wisconsin U.S. Sen. Herb Kohl, Congressmen Steve Kagen and Tom Petri; Ohio U.S. Sen. Sherrod Brown and Congressmen Michael R. Turner; and Pennsylvania U.S. Sen. Robert P. Casey, Jr.

For more information on the LWTP trade case: [www.usw.org/](http://www.usw.org/).

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Gary Hubbard, 202-778-4384; 202-256-8125 SOURCE United Steelworkers (USW) URL: <http://www.usw.org> [www.prnewswire.com](http://www.prnewswire.com) Copyright (C) 2008 PR Newswire. All rights reserved -0- KEYWORD: District of Columbia INDUSTRY KEYWORD: PAP SUBJECT CODE: POL

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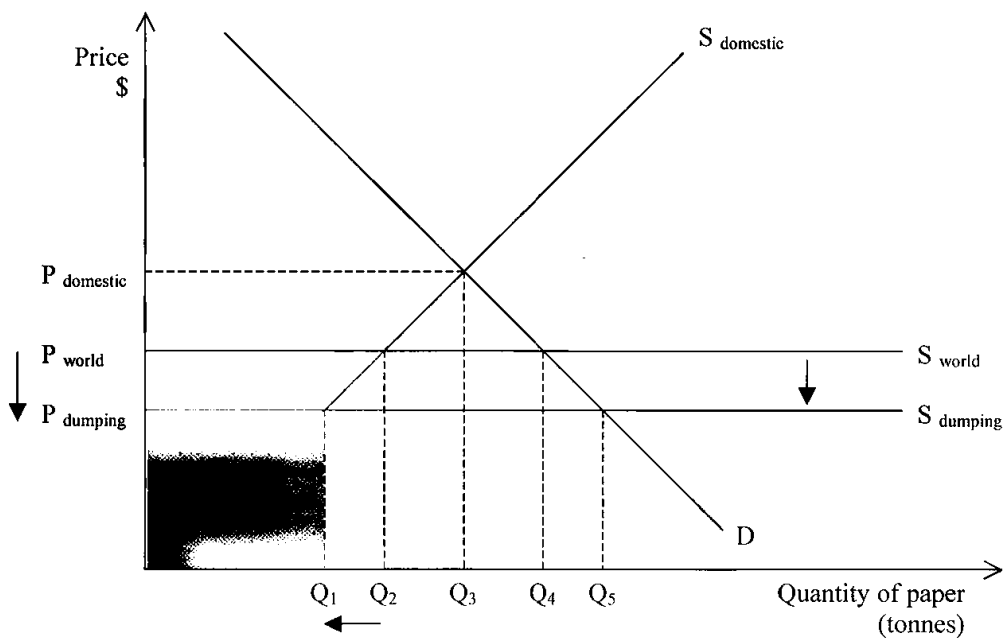
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Dumping is the selling of goods and services on foreign markets below their cost of production and is illegal. China and Germany have been accused of dumping thermal paper on American markets. Chinese and German government have subsidized their domestic industries, which is when governments offer advantages, such as payments, to firms to lower their costs of production, which enables them to export goods at a price ( $P_{\text{dumping}}$ ) lower than the normal cost of production ( $P_{\text{world}}$ )

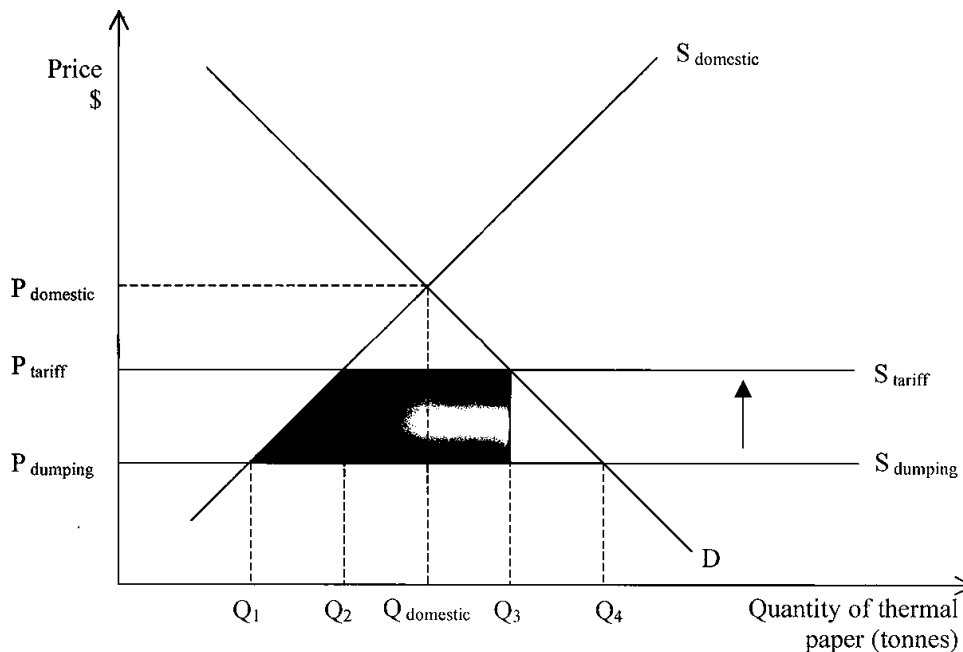
Dumping of Chinese thermal paper on American markets



Even if America's paper market contained no trade barriers to imports before this, the quantity supplied domestically would decrease ( $Q_2 \rightarrow Q_1$ ) because most domestic paper producers cannot compete with subsidized Chinese producers. This has caused "20% of the industry" to be lost in seven years. The worst hit are the American workers, because they have little skills that can be transferred, and so the workers that held the "118 000 paper industry jobs" that have disappeared are likely to remain unemployed. Structural unemployment like this will be difficult for the American government to deal with because it will require retraining and other large employment initiatives, which are very expensive. Chinese producers, on the other hand, would benefit from a greater market share ( $Q_2Q_4 \rightarrow Q_1Q_5$ ) and would be able to employ more Chinese workers. In addition, consumers and other industries that use thermal paper, for labelling for instance, will benefit from the lower price as their costs of production will decrease.

Even though the "US paper companies have become the most efficient" they lose their absolute advantage over China and Germany if other producers are subsidized. The US is said to have an absolute advantage if it can produce a good using fewer resources than another country can. To protect their industry and avoid unemployment, the US Trade Commission has chosen to place tariffs on imported thermal paper. A tariff is a tax on imports, which decreases supply of imported thermal paper on American markets (S dumping  $\rightarrow$  S tariff).

Imposition of a tariff on thermal paper imported to the US



Subsequently, the price of thermal paper will rise ( $P_{\text{dumping}} \rightarrow P_{\text{tariff}}$ ). At this price, more American firms are able to compete thus a larger quantity is supplied by domestic industry ( $Q_1 \rightarrow Q_2$ ), and a smaller quantity is imported ( $Q_1Q_4 \rightarrow Q_2Q_3$ ). Not only does this raise the total revenue of domestic paper industries ( $P_{\text{dumping}} Q_1 \rightarrow P_{\text{tariff}} Q_2$ ), but it also secures jobs for “1 700 paper mill workers”. On the other hand, there is a deadweight welfare loss. Firstly, an efficiency loss (  $\blacktriangle$  ) because it is no longer the most efficient producers supplying thermal paper ( $Q_1Q_3$ ). This is arguable, however, as Chinese and German industries are supposedly only able to export at a lower price because they are illegally subsidized by their governments and, thus, aren’t actually more efficient.

Moreover, there is a welfare loss (  $\triangle$  ) because consumer surplus is lost when  $Q_3Q_4$  is no longer supplied. The government, however, gains tax revenue from the tariffs (  $\blacksquare$  ). This can be used to decrease the current US budget deficit. Although as a developed country, it is more likely that the tariffs are imposed to protect employment than to gain tax revenue.

Accusations of dumping are often used as a pretext for protectionist policies like these tariffs. If China and Germany are, in fact, not selling at a price lower than production costs but are simply more efficient, then the US is only prolonging the decline of their own paper industry. In the short run it may help avoid structural unemployment, but in the long run this misallocation of resources can have significant implications. Keeping the price of thermal paper high will affect other industries such as calculator and cash register manufacturers. Fortunately, because thermal paper is not fundamental to most industries, tariffs on this good are unlikely to lead to widespread unemployment elsewhere. Moreover, China and Germany could have imposed voluntary export restraints to avoid legal restrictions, in this case tariffs, being imposed against them. This would mean voluntarily reducing the quantity of thermal paper exported to America.