

The Fair Trade Fraud

By James Bovard
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"Fair trade," declares author James Bovard, is one of the great intellectual frauds of the 20th century.

A respected writer on trade issues, Bovard provides an almost overwhelming mountain of detail on the American customs classification system, import quotas, antidumping duties, countervailing duties and other means by which this fraud is perpetrated; explains the vast burden that this legerdemain has imposed on American consumers and American industry alike; and explains that this fraud has eroded American competitiveness and brought the American economy to the brink of ruin.

In the process, he also lays waste to the reputations of the Office of the USTR (United States Trade Representative), the Department of Commerce and the International Trade Commission as well as the many lobbyists and members of Congress who have gone to the government for special coddling at the economy's expense.

Very simply, Bovard maintains that "fair trade" has become a cover-code for intensive government intervention to direct, control, or restrict trade premised on the delusion that politicians and bureaucrats know better than the market and are fairer than the market.

Politicians, and bureaucrats bowing to political pressure, have arbitrarily and quixotically defined "fair trade" to pander to sugar, tobacco, textiles, steel, automobiles and other industries that are inefficient and uncompetitive but that still retain enormous political clout, and had no compunctions about changing the rules and definitions from time to time as necessary to ensure that these special interests are protected and their short-term profits shielded. It is an ugly picture of greed, indulgence and immorality carried out under the facade of a greatly debased "fair trade" rhetoric.

Yet all the while that new trade barriers

are going up in Washington, the U.S. government piously proclaims the United States the most open and fairest market in the world. Bovard provides example after example to demonstrate the emptiness of this false claim.

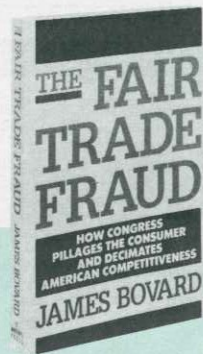
Much of the material in this book is already known to Japanese who have tried to trade with America or who have studied American trade policy. Japanese business representatives and lobbyists have appeared before the ITC, at congressional committee hearings and elsewhere time after time in countless disputes to argue that U.S. trade policy is detrimental to consumer interests in the short run and saps American industrial competitiveness in the long run. Yet this book is significant in that it brings these many details together into a coherent mosaic of American unfairness.

Japanese have frequently protested the unilateralism in U.S. trade policy, and I am sure that Bovard's book will strike a resonant chord here. Yet it should not be forgotten that Japan has also been a frequent accomplice in the fair trade fraud of managed trade.

In automobiles and steel, for example, Japan has bowed to U.S. pressures and been all too willing to adopt long-running voluntary export restraints—restraints that these U.S. industries have not used to get back on their feet but that have only led to more and more demands for Japanese export restraint.

Far from using this breathing space to enhance its own competitiveness, the U.S. steel industry has used the windfall profits generated by VER-induced supply shortages to invest in other sectors. Far from expanding their exports to Japan, lavishly paid U.S. auto executives have failed to make a serious effort to enlarge Detroit's share of the Japanese market, with the result that they have been overtaken by the European automakers. The fine-sounding rationalizations have been shown to be just that—fine-sounding rationalizations—and Japanese industry and government should be asking themselves what the real point of these managed-trade agreements was.

In this connection, Bovard notes that, "The International Trade Commission concluded that the steel import quotas



actually increased the U.S. trade deficit, causing a significant increase in manufactured goods containing steel and a decrease of U.S. exports of steel products as a result of the quotas. The Institute for International Economics estimated that the steel quotas cost U.S. consumers \$6.8 billion a year." Other experts have also estimated that far more jobs have been lost as a result of steel quotas than have been gained. Little wonder that Caterpillar led the fight against the extension of steel voluntary restraint agreements (quotas) in 1989 with buttons proclaiming, "Steel VRAs Steal Jobs."

Likewise, study after study has shown that the voluntary export restraints on Japanese automobiles have not materially helped the sales of Big Three-built cars, Detroit's international competitiveness or American quality.

I hope this book will be read by the USTR, Commerce, ITC and other members of the executive branch, by members of Congress, and by U.S. industrialists—all of whom get such a roasting in it.

At the same time, I hope that the people who read Bovard's exposé will take his message to heart so that government officials, industrialists, academics and the rest of the American public can debate the issues and discover ways to actually enhance America's industrial competitiveness. Likewise, it would be a good idea for more Japanese to read this book—not so they can feel self-righteous but so that they can figure out what kind of "cooperation" helps American industry—and what kind hurts—and provide the helping kind.

Finally, I hope that Japan will take Bovard's book to heart and press forth with vigorous, good-faith opening of the Japanese markets so that we are not open to the same set of charges.

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