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# Some Protectionism

By Amitai Etzioni

WASHINGTON — "Should we have free trade or protection?" is not an honest question.

The real question is: What level and kind of protection is desired?

The sad truth is that there never was — nor is there likely to be — a world of free trade. Nations regulate imports and promote exports in a large variety of ways, even if import quotas are suspended and export subsidies disallowed.

Japan buys cigarettes through a Government monopoly. When it recently reduced the tariff on United States cigarettes, it soon thereafter raised the prices, leaving them substantially above Japanese brands. While France allows Japan to ship videotape recorders freely, they must pass inspection in a small, slow customs office at Poitiers. The United States limits the import of textiles, beef, sugar, steel and motorcycles.

As I see it, the United States should lower the level of its trade barriers only for those countries that genuinely lower theirs. Our next concession to the Japanese, for example, should follow a significant concession from them, measured by how much it enhances the dollar (or yen) value of our exports, not by the number of favorable pronouncements made. Instead of chasing a free-trade rainbow, our realistic goal should be tit-for-tat trading. Until such concessions are forthcoming, we need more trade protection — of the right kind.

The right kind of trade protection would introduce import limitations that, first, would be temporary and, second, would be tied to a downward sliding scale. Such a policy would give threatened industries a period of time — five years, say — to rebuild themselves, but would also insure that an

industry would not become dependent on protection but would soon begin to be weaned from it.

Moreover, protective measures should be preceded by an agreement between our Government and the relevant United States industries and labor unions. The purpose of such an agreement would be to insure that the benefits derived from protection would be used to revitalize the industry's business instead of generating resources that would allow the industry to diversify into other lines of business or embark on an acquisition binge. In addition, as a further price for temporary respite from foreign competition, workers and executives would be expected to grant givebacks — cuts in wages and benefits — if those are out of line.

Unfortunately, so far, most of our protection has been of the wrong kind. For instance, the new limitation on imports of motorcycles has not been tied to any reconstruction efforts by

Harley-Davidson, the sole beneficiary.

How to avoid a trade war?

First, following a limited period of protection and reconstruction, the

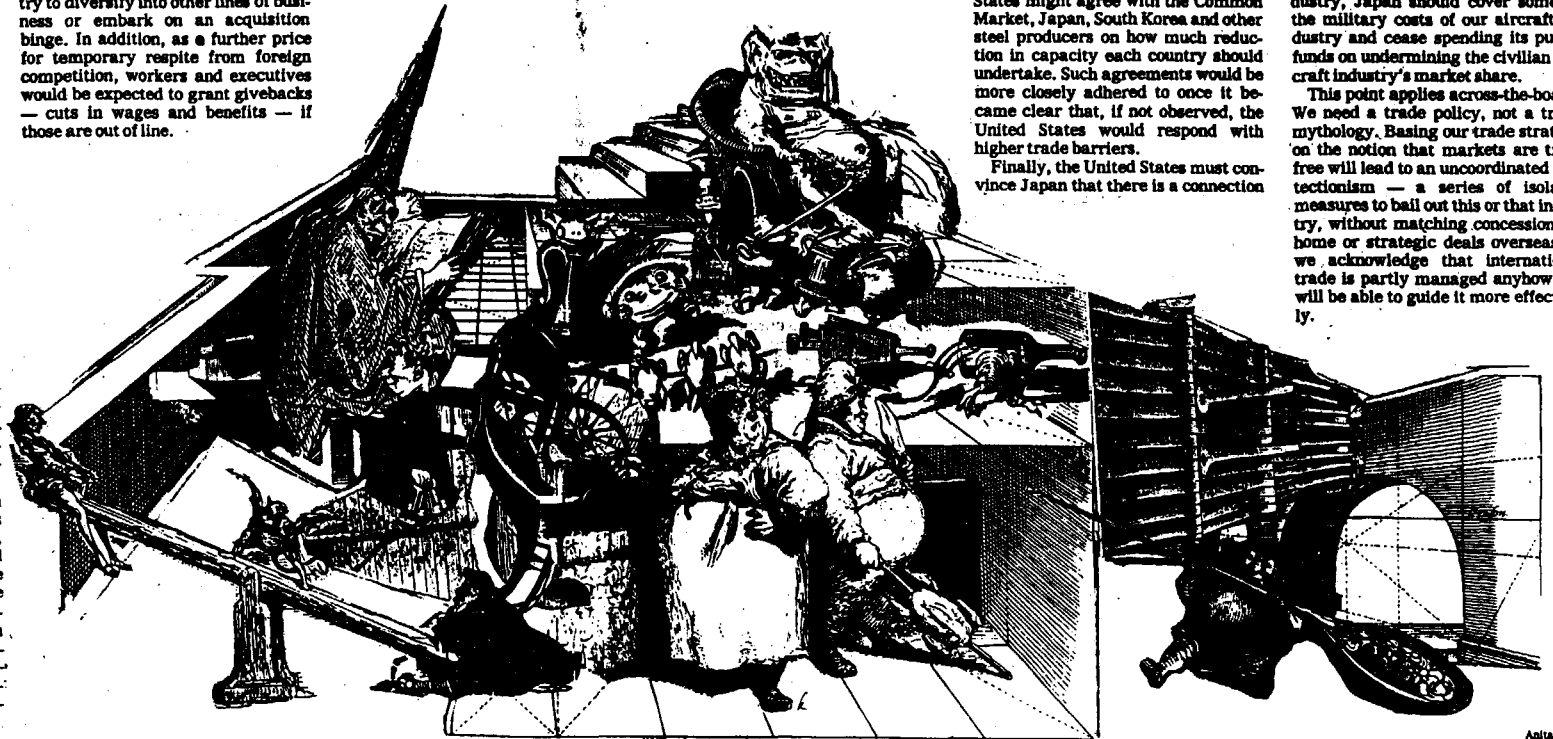
United States would offer to reduce its trade barriers if other nations were genuinely willing to match our concessions.

Second, we should recognize that a major underlying motivation for trade barriers is the fact that nations often produce too much of the same commodity. Accordingly, we should go beyond the General Agreement on Tariffs and Trade and seek some form of rudimentary international division of labor — for example, the United States might agree with the Common Market, Japan, South Korea and other steel producers on how much reduction in capacity each country should undertake. Such agreements would be more closely adhered to once it became clear that, if not observed, the United States would respond with higher trade barriers.

Finally, the United States must convince Japan that there is a connection

between our ability to trade and Japan's ability to assume a fairer share of the burden of defense. We pay for much of the defense of Japan while using a rising share of our economy for defense. Japan uses its resources to build new civilian products to underbid our exports. While we strain to update our military aircraft, the Japanese Government aims to undercut the civilian markets of our aircraft industries. To avoid the need for higher protection for our aircraft industry, Japan should cover some of the military costs of our aircraft industry and cease spending its public funds on undermining the civilian aircraft industry's market share.

This point applies across-the-board. We need a trade policy, not a trade mythology. Basing our trade strategy on the notion that markets are truly free will lead to an uncoordinated protectionism — a series of isolated measures to bail out this or that industry, without matching concessions at home or strategic deals overseas. If we acknowledge that international trade is partly managed anyhow, we will be able to guide it more effectively.



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