

**P**ROTECTIONIST clamour for the imposition of import controls fills the air. Economic storm clouds on the horizon signalling the onset of a depression beckon the pessimist, the faint-hearted and the self-seeking opportunist to raise the drawbridge so as to keep the foreigner and his "unfairly" priced goods away from Britain's shores. Every hoary old economic fallacy regarding foreign trade is dusted down, polished and given a fresh airing. The seductive and mischievous appeal of protection cuts across political, ideological and social barriers, enabling industrialists, trades unions, socialists, conservatives and latter-day "liberals" to share a common platform to demand that the Government immediately take unilateral action to stem the tide of "disruptive and damaging imports"!

Britain, tied to a dear food policy through its membership of the Common Market, its public sector at an all-time high and a seemingly intractable problem in attempting to curb and subsequently reduce the rate of domestic inflation, is particularly vulnerable to the blandishments and threats from its substantial army of protectionists. If they had their way, imports of cars, textiles, steel, cutlery, wearing apparel, shoes, television sets, etc. would be totally prohibited. Should such drastic measures be acceded to, what price exports? The sins and failures of those domestic manufacturers and producers are not only to be visited on the hapless and defenceless consumer, but on those commercial undertakings who profitably export and employ substantial amounts of capital and labour in viable and profitable enterprises.

If the present Government's intention is to resist the daily clamour for wage increases, they must pursue enlightened policies which stop the remorseless rise of prices. Important and necessary though it is, it will not be sufficient to reduce expenditure in the public sector. The public will not be one wit better off if, after having had their taxes reduced, producers are able to raise their prices against the consumer from behind trade barriers erected to protect the inefficient and moribund sectors of British industry from the competition of overseas producers.

Who, observing the antics of unions and managers of British Leyland over these many years past, can seriously entertain the excuse that

# The Fraud of Protectionism

- **IMPORT CONTROLS** are in vogue. In Britain, they are demanded by workers in uncompetitive industries (and so advocated by the TUC); given academic respectability by the Cambridge Economic Policy Group; and forcefully promoted by such defensive organisations as the British Woodworking Federation, which is now formally asking the European Commission in Brussels to curb the imports of low-cost doors made in Taiwan!
- The rich industrial countries seek to shift their recession problems onto Third World economies. Yet the OECD has shown that in 1976, 2.4m jobs were directly attributable to exports to the poor countries of the South, while only 850,000 jobs could be considered lost as a result of imports.
- An ILO case study of Britain – which leads the world in clamouring for protectionist policies – shows that in only two sub-divisions of textiles and clothing (men's shirts and hosiery) has the growth of imports been the chief cause of lost jobs.

the problems of the British motor car industry are the consequence of "unfair" trading practises by the ubiquitous Japanese? It requires an even greater act of faith and unwarranted optimism to believe that this industry's problems will be dramatically altered from behind the ramparts of import controls.

The British textile industry, once the mainstay of Lancashire's prosperity; a major exporter at the turn of the century, its products being sent to the four corners of the world; renowned in its day for quality and price competitiveness, now finds itself in rapid decline through inefficiency, poor quality and indifferent delivery, and takes the easy path of explaining away its decline on the foreigner. The foreigner can be almost anyone from the "subsidised" East European producer, the "cheap labour" Oriental, the protected Brazilian, or the American enjoying cheap polyester fibre arising out of the "artificially" low cost of oil derivatives. For a nation like Britain, which subsidises its steel industry to the tune of £1m a day, pays the lion's share of British Leyland's debts, and which in the past has channelled con-

siderable sums of money in the direction of the textile industry, to complain of other people's "unfair" trade practises is rich indeed! Having with Government connivance clobbered the taxpayer (consumer) through the tax machine, they now have the brass neck to demand that they be permitted to continue fleecing them by being granted a domestic monopoly to act as sole suppliers on domestic producers' terms. Which is what controlling imports means!

**I**F THE Government is foolish enough to concede that controlling imports is necessary, what are the consequences which are likely to ensue? Apart from an inevitable reduction in exports, the likelihood of retaliation can by no means be ruled out. The U.S. is currently faced with a declining and troubled motor car industry; its steel industry is in a serious condition and in rapid decline; its textile industry has suffered a prolonged period of contraction; foreign television and radio sets are increasingly finding an expanding market among that country's enormous body of consumers. Britain,

**NICK BILLITCH exposes the fallacious case for import controls**

having curbed the imports of polyester fibre from the U.S.A., has hitherto enjoyed access to their shores for its subsidised surplus steel. In retaliation for our decision to arbitrarily cut back the volume of imports of the polyester fibre, it is likely that any day now we will be informed that the U.S. is to place restrictions on "dumped" steel from the U.K. It will be no use our complaining about "subsidised" polyester fibre from the U.S. being "unfair", when our own steel industry is being subsidised up to the eyebrows! The kettle calling the pot black is not the correct alternative for free and mutually beneficial exchange. Industries which receive huge subventions from taxpayers have no further claim on their citizens by being granted a privileged trading status.

The present clamour for import controls is characterised by the enlistment of atrocious economic argument expressed in the most dismal and hysterical language. Imports which offend certain producer groups are described as "unfair and fraudulent". Because the consumer is being overcharged, or being offered inferior merchandise at above average prices? Not at all! The alleged offence is that imported merchandise is being retailed at prices which certain domestic producers cannot, do not know how to, or are unwilling to match. An acceptable imported suit retailing at £25 is an affront to domestic producers who demand £50 for the self-same article of apparel. If the workforce of the U.K. is to be obliged under a rigid regime of protection to pay higher prices, attempts by Government harangue or coercion to curb wage demands will fail, and deservedly so. The most fraudulent action Parliament could take would be to put severe curbs on its subjects' freedom of choice by obliging them to pay more than they need to.

ONE OF THE finest actions undertaken by the present Government was the abolition of exchange controls – a legacy from the last war, which had been with us for forty years. This mischievous and pernicious piece of fiscal chicanery has been used to control the citizen's use of his (or her) own money.

It was a favourite device of economic control used by pre-war Nazi and Fascist Governments, which, when ruthlessly applied, determined more effectively than either quotas or tariffs what could, and what could not, be imported. No country claiming to be free should have

"... the very protectionism that the recession encourages could itself be one of the greatest enemies of recovery. In the concern with jobs, it is often forgotten that North-South trade is a two-way street. Unless the South exports to the North, it cannot in turn pay for the North's exports to the South. Today the industrialized countries have a large positive balance of trade in manufactures with developing countries. The dependence of the industrialized countries on the markets of the South is substantial and is becoming larger still. In 1977, Japan, the US and the EEC sent more than one-third of their exports to the Third World, with the proportion reaching 46% in the case of Japan. US exports to the developing countries were more than four times those to Japan and nearly twice those to the EEC, and the EEC's exports to the Third World were three times those to the US and twenty times those to Japan.... The importance of this trade to employment is illustrated by the fact that one job in twenty in the US is in production for export to the Third World. Protectionism therefore endangers jobs of workers producing exports for sale to developing countries, a fact often missed in discussions of the 'threat' which imports pose to jobs at home in industrialized countries...."

*North-South: A Programme for Survival*, The report of the Independent Commission on International Development Issues (chairman: Willy Brandt), London: Pan, 1980, p.70.

tolerated its existence once hostilities had ceased. The British did so for nearly half a century! Its existence, apart from the petty tyranny it imposed on British subjects, encouraged considerable fraud and corruption by those determined to evade it, or use it to make illicit fortunes. It did nothing to help the U.K. economy; its banishment was long overdue and a victory for economic sanity. Having rid ourselves of this piece of economic nonsense, it would be an act of folly to replace it by import controls. The latter would be an encouragement to people to invest their money abroad, thereby setting up a witch-hunt to have exchange control reimposed, in order to curb the activities of allegedly "unpatriotic" Britons from speculating, investing or spending their own money as and where they wish to, or where prudence and common-sense suggests they ought to – not where Government fiat dictates!

Finally, let it not be thought that Britain's membership of the E.E.C. would bring economic salvation by excluding imports of textiles from Brazil, Hong Kong, South Korea, Taiwan, Pakistan and other sources

of low cost imports; or that the exclusion of cars from Japan, Spain and Sweden will necessarily benefit U.K. car manufacturing; that somehow the rejection of cheap steel from South Korea, Japan or the Comecon countries will present enormous opportunities to the British Steel Corporation.

One of the disadvantages (among many) of belonging to a trading bloc, such as the Common Market, is that free trade within is counter-balanced by protection without, so that import controls imposed by this trading unit would not necessarily bring "benefits" to the U.K. Japanese cars would just as likely as not be replaced by German, Italian, and French ones; steel products could just as well come into the U.K. market from Germany and France; textile products could pour in from Italy and Holland. Having excluded ourselves from the cheapest sources of imports, a more expensive product could well enter British shops and factories from other member states of the E.E.C., thereby still benefiting the foreigner and not the U.K. producer which is what import controls are designed to do.

Protection is a thorny path to tread. Feeding upon itself it ends up by protecting none.

*Under all forms of protection, producers are sharing the privilege usually reserved for the tax collector. In this case such tax collecting is farmed out to individual producers who are authorised to keep the proceeds. It is hard to conceive of a more pernicious and mischievous piece of legalised thievery. No! The fraudsters are our home-grown protectionists – not the foreigner offering low priced goods!*

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## S. W. ALEXANDER

WE REGRET to report the death of Mr. S. W. Alexander, MBE, on March 23 at the age of 84. Alex, as he was known to his numerous friends, was a free trader beyond all else and he would brook no compromise on this issue. It followed, logically, that he was staunchly opposed to the European protectionist bloc – the E.E.C. He was a 'monetarist' before the term was invented, believing as he did in sound money and a stable currency.

No one, he thought, had the right to call himself a believer in the free market economy unless he was a believer in international free trade. S. W. Alexander was a former City editor of the *Daily Express* and proprietor and editor of the *City Press*. He was President of the Free Trade League and The Cobden Club and among his publications were *Tariffs Mean War*, *Montague Norman versus Beaverbrook* and *Save the Pound – Save the People*.

He was a man who inspired respect and affection and he will be much missed.

V.H.B.