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## The War On Trade

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**Commerce:** Last month's tariffs on Chinese tires were explained away as just upholding U.S. law, not the first shot in a trade war. So why are special interests now flooding the president with demands for more tariffs?

When the White House slipped in an order to slap 35% optional tariffs on Chinese tire exports late on a Friday night last month, an anonymous official quickly justified it to the Los Angeles Times.

"This is certainly not an action directed against globalization . . . . The president is very committed to open and free trade," the official said. "Part of that is being committed to enforcing trade laws and trade agreements."

In fact, that tariff opened a floodgate for new demands for protective tariffs on steel pipes, solar panels, chemicals, glossy paper, truck tires and more. Big Labor and industry groups heard the starting gun, and are now barreling forward with protectionist wish lists.

It's not surprising: They have a friendly White House that has let trade technicalities be used to impose tariffs.

Section 421 of the 1974 Trade Act, used to place tariffs on Chinese tires, is a law China signed off on to enter the World Trade Organization. It lets a president raise tariffs on anything if some sort of market "disruption" from foreign competition can be shown.

"The 421 special safeguard law has a very low threshold," notes trade expert Daniel Griswold of the Cato Institute. "All you have to do is show that imports have gone up and markets have been 'disrupted' — as if trade and competition were not about disrupting markets."

What the provision ultimately says is that other countries can trade with us, but only so long as they don't make better products.

It's an outrageous use of a loophole that shouldn't be there at all.

Not only has it stimulated new candidates for Section 421 claims, it's stimulated other protectionist claims for relief on issues like dumping. It's all likely to trigger retaliation abroad, Griswold adds.

"One of the biggest negatives of the tire tariffs is that it has opened floodgates to copycat actions," he warns.

That's not hyperbole. Global Trade Alert, a panel of experts working with the World Bank, warned last month that 130 new measures to restrict trade worldwide are in the pipeline.

Russia, Japan, Ecuador and South Africa are all joining in. Fifty-five acts of protectionism are directed at China, 49 target the U.S and 46 hit Japan.

Manufactured goods and food are hit the hardest, but 90% of all goods traded globally are hit by some sort of protectionist measure. In an atmosphere like this, is it any wonder that global trade is expected to shrivel 10% this year?

Griswold says American families — the poor and the middle class — will be hurt the most. Imported goods make up a larger part of their consumption than they do for upper-class families.

Moreover, producers will lose key markets overseas. World GDP is roughly \$60 trillion — vs. \$14 trillion for the U.S. A trade war shrinks our companies' potential global market sharply. And if foreigners sell less in our markets they'll buy less, too. It's lose-lose — or, as liberal

economists say, a zero-sum game.

Well, maybe not so zero sum. A small slice of protected industries that employ very few Americans will emerge as winners.

A trade war is nothing but a bunch of carved out set-asides for Big Labor unions and uncompetitive industries.

It may look like tiny exceptions and compromises, but it snowballs with each measure and countermeasure. It's what happened in 1930 with the Smoot-Hawley tariffs and it's happening now.

A trade war is no different from Ernest Hemingway's description of going broke: "It occurs at first very slowly, then all at once." The result of this mudslide of punitive trade tariffs is the same thing.

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