

AGAINST IMPORT QUOTAS

Most protective device

While as a matter of both principle and practice, we are opposed to all protectionist bills pending before this Committee, we are especially opposed to the specific product import quota measures, such as those for textiles, and to the general, omnibus import quota legislation.

Aside from total exclusion, prohibition, or embargo, import quotas are the most vicious and "protective" of all protectionist schemes. Probably more than any other restrictionist strategem, they subordinate the national interest to the vested interest.

Whether they are described by proponents as "orderly marketing" systems, or as "fair international trade" programs, or "equitable trade promotion" proposals, or what not, in actual fact and operation they are the most effective trade barrier conceived in the name of world commerce.

Some import quota bills require a "rollback" in the quantity of imports and an averaging based on historic performance or market shares over a number of years. Others impose ceilings based on the immediately preceding or record import year. Still other establish ratios of imports to domestic consumption and set limitations when these levels are reached. And others allow nominal increases or decreases dependent upon the upsurge or reduction of domestic use. Of course, there are those which combine various formulas. But the end objective is the same: To place an absolute, arbitrary, and artificial quantitative ceiling on all imports that may be entered in any given period.

No matter how inventive or innovative, no matter how efficient and productive, no matter the comparative economic costs and competitive factors; foreign producers and exporters may not ship more than certain stipulated in advance quantities. Supply and demand are not considered; neither are reason and equity.

In testimony to this Committee on June 4, 1968, the Special Trade Representative summarized the case against import quotas well, pointing out that "A quota policy would have serious effects on our domestic economy and our longer run ability to compete. Import quotas can have only one effect on domestic prices—to make them higher than they would otherwise be. Is any action designed to raise prices at this time a rational one?"

"An immediate increase in prices would be only the beginning of the damage. As the secondary effects of quotas are felt, they will be different from those of tariffs. A fixed tariff permits competition from those imports that are able to surmount it. Such competition stimulates domestic producers to keep ahead of the foreigner—to improve their efficiency, to lower their costs. A quota, of course, permits none of these effects. The domestic producer knows that no matter how high his costs or selling price he can lose only a specified part of his market to imports. But without the spur of imports, he will eventually lose his ability to compete with the same foreigners for the markets of third countries. In fact, even industries not protected by quotas will find their own costs have risen and their ability to compete diminished because of increases in the cost of materials they use.

"On the surface, quotas that simply guarantee domestic producers a fair share of the market may sound attractive. But what is a fair market share? In the American tradition, it is the share anyone is able to win by producing a better or cheaper product. That is why our overwhelming share of the world's computer market, for example, is a fair share. The United States has been especially successful in the development and marketing of products involving new technology. We would be the heaviest loser if we should lead the world in freezing present patterns of trade. Such a course means stagnation—higher costs to the consumer, loss of our international ability to compete, and loss of many other qualities that have made us a strong economic force in the world market place."

The President, on June 6, 1968, in a message to the Coordinating Council of Organizations on International Trade, outlined the case for his Administration's bill and against protectionism in the form of quotas.

"What if the quota bills now pending before the Congress became law? What price would we have to pay for the protection of the American markets? In a word, *retaliation*. If we break the trading rules—as import quotas would do—we know what the response of our trading partners will be. It would be retaliation against our own exports. So the price of shielding one industry would be paid by another. The temporary protection of jobs in one plant would mean the permanent loss of jobs in another.