

10/60/

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Trade Barriers : Protestations and Performance

ASHLEY MITCHELL

*Yorkshire Worsted Textile Manufacturer and
Joint Hon. Treasurer, International Union for
Land-Value Taxation and Free Trade*

THE LAND & LIBERTY PRESS, LTD.
177 Vauxhall Bridge Road, London, S.W.1, England
Telephones: VICToria 4266 & 4979

6-1386

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"Liberty ! It is a word to conjure with, not to vex the ear in empty boastings." So wrote Henry George in his famous eulogy on Liberty in *Progress and Poverty*. "For Liberty," he continued, "means justice, and justice is the natural law—the law of health and symmetry and strength, of fraternity and co-operation . . . Only in broken gleams and partial light has the sun of Liberty yet beamed among men, but all progress hath she called forth . . . In our time, as in times before, creep on the insidious forces that, producing inequality, destroy Liberty. On the horizon the clouds begin to lower. Liberty calls to us again. We must follow her further ; we must trust her fully. Either we must wholly accept her or she will not stay."

The impact of two world wars in this century, lasting in total over ten years within one generation, has led to a growth of state control within the so-called free democracies under which the ideal of general freedom for commercial enterprise is treated as preposterous. At the same time there are exhortations to defend the "free" way of life against the tyranny of communism. In Great Britain, although restoration of freedom was solemnly promised, domestic tariff barriers are maintained and

increased, while those of other countries are loudly condemned.

WORSE THAN TARIFFS

Tariffs are not the most formidable barriers to trade; indeed, compared with some of the restrictions which have been devised and applied, tariffs are simple. Exchange control is regarded as the Ark of the Covenant. There has been some easement in Britain recently for foreigners but not for Britons. In country after country, exchange control causes balance of payment difficulties. These are then used to justify prohibitions, licences, Customs bonds, tariffs raised to hundreds per cent. The almost incredible ferocity of such restrictive measures mocks the claim to a free way of life.

There is hardly anywhere in the world where people are able to import freely. The exceptions are the almost free ports such as Singapore, Hong Kong and Gibraltar. If that freedom were abolished those ports would quickly perish; there the necessity for free commerce is manifest. Where trade freedom has been increased, most notably in West Germany, there has been a marked increase in national wealth and the wellbeing of the people. There has been much talk in Europe in recent years of "liberalising" trade but this has been confined to abolishing licences and quotas while leaving tariffs in operation.

Leading countries impose restrictions that make their boasts of freedom pitiable. Recently the U.S.A. harassed South America with quotas on zinc, copper and oil, while Canada seethes with indignation at the treatment accorded her trade with the U.S.A. Licences are necessary for multitudes of goods for import into Great Britain from U.S.A., and even from Canada, a member of the Commonwealth.

To enable those who are not engaged in trade to appreciate the incredible degree of difficulty that faces

traders, it is necessary to enumerate some of the shocking examples of barriers to trade. Consider, for instance, the so-called *simplification* of Argentina's import regulations.

ARGENTINE "SIMPLIFICATION"

On May 6, 1959, the complex system of Customs bonds was removed from a large number of articles. These are retained only for imports of "luxuries," "non-essentials" and cars. The new list is divided into seven groups as follows :—

1. Articles to be imported without any surcharge include essentials such as solid and liquid fuels, copper, etc.

2. Items subject to a 20 per cent surcharge include nickel, manganese, mercury, tinplate, pedigree livestock, medical and veterinary products.

3. Products on which a 40 per cent tax will be levied incorporate the bulk of the Argentine imports made mostly of partly processed essentials, such as industrial steel, wood and chemical products.

4. Goods subject to a 100 per cent tax include caustic soda and many commodities which were previously subject to a lower tax but had a heavy Customs bond in addition.

5. Goods to be taxed at 300 per cent include musical instruments and certain tools which are already being manufactured locally.

6. Industrial machinery and motors are grouped in list 6 which is divided into three headings with taxes at 40, 100 and 300 per cent according to the degree of priority given to any particular article. Luxuries such as whisky, brandy, lace and cigarettes will be subject to a 300 per cent surcharge plus 500 per cent Customs bond, refundable after six months, on the cost and freight value of the article (INCLUDING TAX) which in practice is equivalent to a 2,000 per cent bond.

7. Regulations governing the importation of cars are unchanged with imports subject to a varying tax

(a **SLIDING SCALE** which penalises luxury models) plus a 500 per cent Customs bond.

Please note that those are simplified regulations ! ! !

Almost all the countries of South America require Customs bonds in addition to the duties. **CHILE** recently decreed: With effect from April 29th, 1959, items on which the guarantee deposit was formerly 5,000 per cent and 1,500 per cent will bear a deposit of 1,000 per cent with exceptions which will continue to bear 5,000 per cent. The goods are chiefly motor vehicles, parts of bicycles.

IMPORTS PROHIBITED

Not only are there barriers of Customs bonds, but in many places there is absolute prohibition of many imports. **COLOMBIA**: Decree of April 8th. Transferred from the Prior Approval List to the Prohibited List—Manufactures of Iron, Steel, Cast Steel, etc.

After prohibitions and Customs bonds come licences and quotas. There is hardly a country in the whole world which does not operate a system of quotas and licences. One of the most ridiculous examples is the U.S.A. quota on Woollens. It is a fluctuating quota, the amount of which is announced about March of each year. Then the sprint starts. No licences are involved: it is a case of who can get there first. American buyers of foreign woollens endeavour to place their orders for delivery in the first six months of the year, which until this year has covered the quota. This year, however, a sudden rush of imports of the most easily made goods used up the quota before the end of May. As a result, large shipments are now subject to an increased duty of 20 per cent, the tariff having risen from 25 per cent to 45 per cent. British wool manufacturers are highly indignant, seemingly oblivious that British quotas and prohibitions against imports from the U.S.A. put the American quotas into the shade. Some American-made clothes, such

as dresses, are cheaper than in Britain so they still remain restricted.

Although Britain recently "freed" imports from the Dollar Area countries, she still restricts entry of goods from the Commonwealth, just as the Dominions levy increased tariffs on British goods, a fact that seems to be little known in countries outside the Commonwealth.

Examples could be quoted *ad nauseam* to fill countless folios. The principal point that should be understood is that such barriers and impediments to trade are maintained by the nations that make loud protestations of democracy and the free way of life.

SHIPPING LAID UP

The most staggering effect of such madness that ought to make the folly cry aloud for remedy, is the effect on the world shipping industry. It has been stated that 24 million tons of ships are laid up. Well might they be idle! In view of the crazy actions of governments, all depriving their citizens of the abundance they could enjoy, it is marvellous that any ships are moving at all. In order to provide some cargoes for their ships, nations that impose endless barriers against the import of goods stipulate that only ships of their own country shall carry many of their shipments. This makes many shipments more costly. Shipowners who tolerate such ridiculous obstacles and take no action to restore free trade deserve contempt rather than sympathy.

In 1952 six West European nations formed the Coal and Steel Community to control those industries for that area. While demand exceeded supply it gave an appearance of successful operation, but with the inevitable arrival of harder times the Community has now run into insuperable difficulties, especially in coal mining. Thousands of Belgian miners are unemployed. Instead of seeing the folly of such attempted control of trade and industry, those same nations have now formed a Common Market

that will lead to similar difficulties on a wider scale. When will business men see that the first essential for business is freedom of trade and that restrictions can only lead to reduced volume of trade ?

THE LONDON MERCHANTS' PETITION

150 years ago, after the Napoleonic wars, Europe was struggling to live under a burden of restrictions of commerce that has only been equalled again in this epoch. In 1820 the Merchants of the City of London presented a petition to the House of Commons, of which the following are a few extracts:—

“That foreign commerce is eminently conducive to the wealth and prosperity of a country, by enabling it to Import the Commodities, for the production of which the soil, climate, capital and industry of others are best calculated ; and to Export, in payment, those articles for which its own situation is better adapted. That freedom from restraint is calculated to give the utmost extension to Foreign Trade, and the best direction to the Capital and Industry of the country.

“That, unfortunately, a policy the very reverse of this has been and is, more or less, adopted and acted upon by the Government of this and of every other country each trying to exclude the productions of other countries with the specious and well-meant design of encouraging its own productions ; thus inflicting on the bulk of its subjects, who are consumers, the necessity of its submitting to privations in the quantity or quality of commodities, and thus rendering what ought to be the source of mutual benefit and of harmony among the States a constantly recurring occasion of jealousy and hostility.”

ALL WERE FREE TRADERS THEN

That important petition marked the beginning of the campaign for Free Trade, which was the consequence of the spreading of the principles of Free Trade demonstrated

by Adam Smith. This was described by Buckle in his *History of Civilisation in England*, in which he says:—

“Year by year the great Truth made its way; always advancing, never receding. The majority was at first deserted by a few men of ability, then by ordinary men, then it became a minority, then even the minority began to dwindle; and at the present day, eighty years after the publication of Smith’s *Wealth of Nations*, there is not to be found any one of tolerable education who is not ashamed of holding opinions which, before the time of Adam Smith, were universally received.”

It would have been inconceivable to the traders and industrialists of Great Britain, at the period of which Buckle writes, that protectionist tariffs could ever again be set up. But for the State control that arose during the world wars it could never have happened. The most serious result of wars is to destroy faith in freedom and leave mankind a prey to those vested interests that play upon fear. It is fear that leads men into accepting tyranny, but those who know that freedom can provide the means of escape have a duty that cannot be ignored. Freedom to produce and freedom to exchange are essential for human liberty. The existing chaos produced by the world-wide restrictionism is making people look for relief. The return to liberty may be nearer than we think. Let those who know the truth maintain their faith without wavering, secure in the knowledge that truth alone can make men free.