Why Do They Call It "Free Trade"?

March 28, 1996 by Phyllis Schlafly

Why do some people persist in mouthing the mantra "free trade" when foreign countries can and do engage in all sorts of dishonest tactics that interfere with trade, such as devaluation or other manipulation of the value of their money, confiscation (or nationalization) of U.S. property, refusing to live up to the contracts and agreements they sign, stealing our patents and copyrights, and counterfeiting our money?

The Chinese government is engaging in massive piracy of American patented, copyrighted and trademarked materials. The U.S. intellectual property stolen by the Chinese includes a wide array of products including computer programs, pharmaceuticals, agricultural chemicals, musical recordings, videos, and automotive designs.

Collectively, these products are one of the greatest strengths of the U.S. economy and are the envy of the world. The United States exports many billions of dollars worth of these products each year. China simply finds it easier to illegally copy these products than to buy them from us or build competitive products, so China steals them on a gigantic scale. Some 30 Chinese factories daily turn out thousands of illegal compact discs and sell them all over the world, and illegally copied recordings, films and computer programs are widely available all over China.

Experts estimate that China's piracy in intellectual property amounts to $1 billion per year in lost U.S. exports. According to the Commerce Departmentþs rule-of-thumb, this means that 20,000 American jobs have been displaced by the $1 billion in lost U.S. exports.

Just a year ago, U.S. and Chinese negotiators signed a second agreement to end this piracy of intellectual property, but these agreements have had no effect on the Chinese. China has failed to comply with every major trade agreement it has signed with the United States in recent years. The United States has threatened China with trade sanctions a half-dozen times, but such threats have no effect on China's stealing.

McDonnell Douglas's dealings with the Communist Chinese offer a good example of how they deceive American businessmen in order to steal U.S. technology and equipment. By dangling the prospect of a large order for passenger planes which was later largely cancelled, the Chinese acquired at bargain-basement prices a tremendous quantity of U.S. equipment that is building up Chinese military power to

threaten other countries. China is even sharing our technology with Iran.

The General Accounting Office told Congress on February 27 that Middle East counterfeiters are flooding overseas markets with "the highest quality of counterfeit $100 U.S. bills Treasury officials have ever seen." Our government is sure that a foreign government supports the printers.

This situation is not new. The House Republican Research Committee's Task Force on Terrorism and Unconventional Warfare declared four years ago that billions of "superdollars" are being produced on "high-tech, state-owned presses with paper only acquired by governments."

On March 2, U.S. negotiator Ira Shapiro said that Japan has failed to carry out an agreement it signed in October 1994 to open up its insurance market to us. Shapiro said that other areas where Japan remains unwilling to open its markets are semiconductors, photographic film, and civil aviation.

Foreign countries impose all kinds of tariffs as well as an endless variety of tariff- alternatives, such as limiting the number and kinds of U.S. products that may enter their country and forcing U.S. products to meet unreasonable requirements. Just ask any of the many companies that have tried to sell their products in Japan and have run into one bureaucratic or regulatory roadblock after another.

Many foreign countries have governments that are totally corrupt. Corruption and bribery are accepted ways of doing business in many foreign countries.

Far from being the "free trade" that the NAFTA and GATT treaties promised, they have subjected the American economy to new international bureaucracies. After Sprint closed a telemarketing plant in San Francisco because it was losing money, it not only faced a challenge from the union, but on February 27 was subjected to a NAFTA challenge from tri-national representatives of Mexico, Canada and the United States.

It is dishonest to eliminate U.S. tariffs and call it "free trade" when any or all of the above tactics are used against us. We are fools to seek "free trade" with countries that engage in organized theft of our property and counterfeiting of our money, or which renege on their agreements and contracts.

When the Clinton Administration calls NAFTA and GATT "free trade," we should remember that those

were the same people who called taxes "contributions," and who called government social spending "investments."

But aren't low-tariffs or no-tariffs a good thing? That depends -- on the industry, on the source country, on the timing, on the reciprocity. Tariffs should be individually determined, and all tariff-alternatives and other government restrictions used by other countries should be on the table during the negotiations. The guiding principle should be the overall best interests of the American people -- not the rulings of foreign bureaucrats.