



Editorial

BY JIM OLSZYNSKI

wrdwzrd@aol.com

The Free Trade Revolution

ing largely unnoticed amid all the terrorism and war news is one of the boldest attempts ever to eliminate worldwide trade barriers. "Tariff-Free World 2015" is a Bush Administration initiative to achieve what the title says. It got a boost in February, when the United States announced a comprehensive offer to eliminate tariffs and trade barriers on the majority of industrial and agricultural imports from the Western Hemisphere. Building on NAFTA, the proposal occurred during negotiations for the Free Trade Area of the Americas (FTAA), a \$13 trillion market of 34 countries and nearly 800 million people.

The proposal covers about 65% of U.S. imports of consumer and industrial goods from the Hemisphere (not already covered by NAFTA). They would be duty-free immediately upon effectiveness of FTAA, with all duties on consumer and industrial products eliminated by 2015. Immediate elimination of tariffs was offered on a reciprocal basis in various key sectors, including construction equipment and steel. The U.S. is also pursuing its aggressive strategy of global trade liberalization through bilateral agreements.

IS IT A GOOD THING?

That question can only be answered after identifying what devils may lurk in the details. It's an educated guess that 90% of those reading this would raise their hands if asked if they supported free trade in principle. However, many would have their hands half-raised and be jumping up and down shouting "BUT"

Plenty of manufacturers in our industry have been victimized by illegal dumping, knockoffs and other trade shenanigans. Last year's tariffs on imported steel are widely regarded as an

The pros and cons of a tariff-free world.

imperfect remedy, but almost no one thinks they were unwarranted. Several American companies have filed complaints or lawsuits against foreign producers and distributors of pipe fittings. It's a fact of life that the U.S. serves as the Third World's safety valve for lousy home economies.

Pure laissez faire trade seems a pipe dream in a world where the genes for selfishness seem a million times stronger than humanity's fair play conscience. The U.S. position is premised on reciprocal tariff elimination by trading partners. Japan has already called the U.S. ideas unacceptable, and other export-driven nations are likely to react with just as much enthusiasm. Even if we reach agreements, we can anticipate some game playing down the road whereby tariffs arise under other guises.

Such are the "con" arguments against "Tariff-Free World 2015." They are not to be taken lightly. This is an eye-opening display of economic idealism by the Bush Administration, and we live in a world that more often than not grinds idealists into submission to cruel Darwinian realities.

THE CASE FOR FREE TRADE

Here's how the free trade crowd might put its case forward on behalf of "Tariff-Free World 2015."

Virtually everyone favors free trade as long as there's a level playing field. Problem is, a perfectly level field is as impossible to attain as any other form of perfection. So trade agreements must in-

clude sanctions against unfair practices, although tariffs may not be the best choice.

Tariffs keep order just as loaded guns do. However, when virtually everyone wields a loaded gun, the result is the Wild West. Tariffs commonly misfire on behalf of protectionist policies. Let us not forget that protectionism as much as any other single factor led the way to the worldwide Great Depression. The disastrous Smoot-Hawley bill of 1930 resulted in tariffs on more than 20,000 items, which led to backlash tariffs from nations around the world. Today, global economies are even more interdependent than back then.

Protectionist sympathy is never far from the surface in the United States or anywhere else. This is because it's easy to identify local victims of free trade, whether fair or not. We can point to specific factories closed and jobs lost in various industries due to imports. Free trade advocates are left to counter with a more complicated big picture.

Jobs created or saved by export opportunities are largely invisible, although plentiful. According to U.S. Trade Representative Robert Zoellick, about 30% of our nation's GNP is related to exports, which represented about one-quarter of U.S. growth over the last decade. He cites a University of Michigan study showing that new global trade negotiations could deliver an additional \$2,500 in income to U.S. families.

However, an uncomfortable truth is that some U.S. industries (agriculture, information technology) benefit from free trade at the expense of others, such as manufacturing. Even so, it's not like manufacturing is dead in America.

Recall how just a couple of decades ago the American auto industry was cry-

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For more complete information about FVIR, visit the editorial archives of Plumbing & Mechanical magazine, www.pmmag.com, January 2003, for the article, "A New Design for Gas Water Heaters."

— Jim Olsztynski

Elkay Joins Sloan's Value Alliance Club

Elkay Manufacturing Co. has joined Sloan Valve Co.'s Value Alliance Club(R), an incentive-reward program for plumbing contractors and distributors who can earn vacation packages for selling certain products.

Eligible Elkay products include all sinks featuring Quick-Clip(TM), a system that facilitates easy, above-counter installation. Contractors can earn 150 points for each Quick-Clip sink purchased. Also eligible are Elkay water coolers, which count for 200 points per cooler. Distributors earn points by assisting their contractor customers in reporting purchases.

Sloan products that earn points-for-travel in the Value Alliance Club include: Royal(R) and Regal(R) Optima(R) Flushometers, Optima Faucets, RESS Kits, Side Mount Operator, Royal Flushometers, FLUSH-MATE(R) Pressure-Assist Units and Regal(R) Flushometers. Additional Sloan products in the program are wash stations and various scrub stations.

Plumbing contractors and distributors who are interested in the program can fax Sloan at 800-501-3989 or visit the Value Alliance Club Web site at www.valueallianceclub.com. <<

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ing for tariff relief from foreign imports. Many accusations were leveled but never proven about illegal government subsidies. Truth of the matter is the Japanese and others were making better cars, more efficiently. The American auto industry stopped crying and started competing on those same terms. Now American cars are much better than they were 20 years ago, when tales abounded of American auto workers purposely sabotaging their products during various labor disputes. And what are we to make of all those Japanese auto plants that have been built in the United States?

If a Third World factory employs 100 workers earning \$20 a day, mechanization may enable a U.S. competitor to prevail with 10 workers earning \$200 a day. And that's often exactly what happens. Yet, some goods may not lend themselves to that much automation. Or, U.S. manufacturers often find it cheaper and easier to locate offshore than to modernize. It may also be a harsh truth that companies in our post-industrial nation no longer belong in certain labor-intensive businesses.

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greatest in the world because
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A tariff-free world would make it that much harder for companies to survive in businesses where they don't belong. This would lead to genuinely sad tales of lost jobs and good people suffering the consequences. But it would also compel those people to learn alternative skills more marketable in the modern world. At some point blacksmiths had to turn into auto mechanics.

The U.S. economy is the greatest in the world because it's the most dynamic. For every job lost, one-plus get created, although not necessarily in the same business sector. It's okay to shed tears over jobs lost, just as we shed tears when our children move away from home, but we must learn to let go. <<

