

World Trade by Leif Johnson

Taking the U.S. for a ride

'Domestic content' legislation would raise auto prices, wreck the industry, and promote trade war.

A bill in Congress sponsored by one of the leading Global 2000 enthusiasts would raise the price of autos in the United States by at least \$1,500, reduce auto employment, make locating foreign assembly plants in the United States prohibitive, scapegoat labor for the bill's passage, and possibly trigger an international trade war. Entitled highmindedly "The Fair Practices in Automotive Products Act," the bill is a shoo-in in the House; it could pass the Senate as an amendment and be stuck to the President just before election time.

The legislation (H.R.5133, S.2300) would require that above the first 100,000 units, an increasing percentage of "domestic content," i.e. parts manufactured in the United States, be contained in imported autos, beginning with the current 1983 model year. That would immediately eliminate 1.4 million of the present 1.68 million cars imported from Japan.

The bill's chief sponsors are hardly defenders of industrial growth. The House bill was initiated last December by Rep. Richard Ottinger (D.-N.Y.), infamous for his attempt to force population control upon U.S. foreign aid recipients, and Barbara Mikulski (D.-Md.), founding member of the new International Women's Resources Agency, which is dedicated to destroying "male-dominated" industrial society and restoring "women's productive activity in

household cottage industry."

The Ottinger bill is simultaneously a lesson in the economics of the auto industry, a case study in how the "de-industrializers" operate and a reminder how gullible the average American can be.

If 1.4 million Japanese autos were excluded from the United States, the immediate impact would be felt by the car buyer. Comparable domestically produced units cost an average of \$1,500 more than Japanese imports when reliability and longevity are taken into consideration.

The Japanese of course have no "domestic content" law, no import restrictions on autos from any nation and, unlike the United States, no tariffs on imports.

Primarily because of high U.S. interest rates, U.S. manufacturers cannot compete with the Japanese. Instead of Japan's 90 hours of labor per unit, the U.S. average is 120 per car, while interest rates in the United States are at least double those in Japan. For example, long-term industrial bonds, carry a 15.0 percent rate in the United States while comparable bonds in Japan are currently 6.6 percent.

If, because of the Federal Reserve System's usury, the companies cannot reduce costs to Japanese levels, they could easily increase prices once the major source of competition were banned.

Like the steel industry, auto would accelerate its move out of

production and into higher yielding financial investments, if it could obtain higher profits in a protected market.

Similarly the deeper the wage concessions granted by the union, the faster the companies diversify or reduce production. Domestic auto production would then fall, while presumably the manufacturers would announce a "new strengthening" of the industry.

The Ottinger bill would also prevent foreign car assembly in the United States since the imported parts would violate the "domestic content" requirements; and no foreign company could afford to build a complete production unit in the United States at current interest rates.

Congressional sources involved with the Ottinger bill claim not to be primarily concerned with the auto sector. They see this trade-war threat as one of the best means of forcing Japan to phase out its high-growth industrial system.

While the U.S. auto companies have kept a low profile on the bill, the United Auto Workers union has been unleashed to build popular sentiment for auto protectionism. The half-million-dollar campaign is based on the UAW claim of saving 800,000 American auto jobs, a falsehood that might make even Henry Kissinger blush. For the first time in its history, the union has sent a direct-mail appeal to all its members urging support for the bill.

Were the legislation to be passed, the prominent role played by the UAW in its promotion would lead Americans to ascribe rapidly mounting auto prices to the avarice of the UAW and, by extension, all organized labor.