

ONE TROOP

Former U. S. Sen. Ernest F. "Fritz" Hollings (D-SC)

SEPT. 25, 2009 -- In his imposition of tariffs on imported tires from China, President Obama stated: "We are not going to see a trade war." We have been in a trade war since World War II, when Japan closed its domestic market, subsidized its manufacture, and sold its export at cost, making up the profit in its closed market. Japan, with its closed market, has Toyota No. 1 as GM, in an open, free trade market, goes bankrupt. Thirty million now unemployed didn't just lose their jobs in this recession, but to the off-shoring of production and jobs by Corporate America for a bigger profit. Globalization is nothing more than a trade war with production looking for a cheaper country to produce. Competition in this trade war is cut-throat. Japan prevents its advanced technology from being patented for fear that China will rip it off. After fifty years of free trade agreements, just read the 547-page *2009 National Trade Estimate Report on Foreign Trade Barriers* that sixty-three countries have against U. S. exports. "Free trade" is a fraud!

Of course, the President knows we are in a trade war. But Axelrod tells him that he has to call for "free trade" to get the contributions from the bailout and bonus crowd -- Wall Street, the big banks, the financial houses, the National Association of Manufacturers, the Business Roundtable, etc. Larry Summers has the Obama administration concentrating solely on finance with no attention to production, jobs, and the economy. *Newsweek* reports: "It took \$19 trillion in public funds to save the financial system." But the greedy financial system wants to save only the jobs of the investment community. They are openly hostile to saving jobs of the production community.

They and their economists call for "free trade, don't start a trade war," in which we are presently AWOL. The bailout and bonus crowd could care less about the economy. They act as a fifth column in the trade war.

Banks get rich financing off-shored operations. Since 1973, Chase Manhattan has made most of its profits off-shore. Accordingly, David Rockefeller in *The New York Times* calls for "fast track" and states: "...our economy is richer as a result of globalization." Rockefeller and the banks are richer -- but the economy is poorer.

A command decision must be made to come in from the cold in the trade war -- and trade. Stop whining "free trade," which Henry Clay said: "... never existed," "it never will." Since government industrial policy is the "comparative advantage" in globalization, the United States must develop an industrial policy to protect our economy. It will be measured. It must tend to open markets and against monopolization. And it must guarantee the production of those materials essential to our national security. But we need to return to our founding principles as a "Yankee trader."

For now, we can solve the problems of our fiscal and trade deficits by eliminating the corporate income tax and replacing it with a 3% value added tax. This actually cuts taxes, raises more revenue, and the United States begins to fight in the trade war. An additional 1% VAT over ten years will pay \$1.3 trillion for health care, and 1% more brings in revenue to start paying down the debt. With the average corporate tax at 27%, the 5% VAT cuts

taxes by 22% for domestic sales and eliminates taxes (which are rebated) for Corporate America's exports. China has a 17% VAT. Today, U. S. production pays an average of a 27% corporate tax and, when its export reaches Hong Kong, China adds its 17% VAT -- for a total of 44%. The 5% VAT immediately removes the 44% tax advantage to off-shore Corporate America's production and jobs to China; and it removes the VAT tax advantage that 152 countries have over the U. S. in the trade war.

This will put the people of the country on notice that Washington has finally gotten the message – that in globalization the United States will protect its production and economy. For fifty years we've been draining the country of production and jobs. Congress has responded by passing through both Houses legislation to enforce our trade laws, but Presidents of both parties call for "free trade" and veto the legislation. So Congress calls for "free trade," too, and gets the money for the campaigns. Congress neglects its Constitutional role of regulating trade.

Senator Hollings of South Carolina served 38 years in the United States Senate, and for many years was Chairman of the Commerce, Space, Science & Transportation Committee. He is the author of the recently published book, [Making Government Work](#) (University of South Carolina Press, 2008).

Under the Constitution, all trade measures must initiate or derive in the House of Representatives. This relieves the Senate from introducing any trade measures. When a trade bill comes over to the Senate from the House, the bailout and bonus crowd keeps the Senate hamstrung with "fast track." They fix the trade bill in the Finance Committee and once the bill is reported for consideration on the floor of the Senate, "fast track" forbids any amendment. Take it or leave it. Of course, to get the money, the Senate takes it. With a two-year term, House members are constantly campaigning for money and not about to cut their throats by introducing a trade bill unless it's been sanctioned by the President. So it's up to President Obama. Does he continue to campaign for the money or does he save the country by replacing the corporate income tax with a 5% VAT – by cutting taxes and engaging in the trade war?

In this war, we need only one troop.