

TRADE WAR

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NOV. 9, 2009 -- I'm frustrated. Everyone is talking about the loss of jobs from the recession and no one pays attention to the loss of jobs from off-shoring. Everyone's attention is directed to the Iraq War and the Afghan War and no one pays attention to the Trade War.

After World War II, Japan launched a Trade War for market share by closing its domestic market, subsidizing its manufacture, selling its export at or near cost, and making up the profit in its closed market. Thus, Toyota is Number 1 while GM is bankrupt.

In 1960, I was drafted as a witness in the Trade War in 1960 to testify on behalf of the northern and southern textile industries before the old United States Tariff Commission. I attested to Japan's dumping textile imports at less than cost, costing us jobs. This job loss has continued for fifty years, not only in textiles, but in shoes, electronics, radios, TVs, watches, computers, automobiles, advanced technology, and now research.

Off-shoring, described by Corporate America as downsizing, began in the early eighties and hemorrhaged under President Clinton with NAFTA with Mexico and Permanent Normal Trade Relations with China. The United States has lost a third of its manufacturing jobs in the last ten years. In February 2007, the Princeton economist, Alan Blinder, estimated that in ten years we would lose thirty to forty million jobs to off-shoring. My point is that we have lost and continue to lose far more jobs in the Trade War rather than the recession. And everyone is fixed on creating jobs with stimulation, but no one wants to plug the hole in the bottom of

the economy boat caused by the Trade War.

Don't give me this crap about "free trade," "protectionism," and "starting a trade war." That's the cry of the business leadership today wanting to protect its offshore production. But I worked with the business leadership as a United States Senator, helping to pass five trade bills when business was intent on protecting its investment, production, and jobs in-country.

Now Corporate America is forced to off-shore. Globalization is nothing more than a Trade War with production looking for a country cheaper to produce. For example, if your competition can off-shore to China, your production in the United States has to meet the China price or you can't survive. Long ago, the big banks would not make a loan to manufacture unless it could meet the China price. Now so much production is off-shored that over half of our consumption is imported.

Bottom line: In globalization, Corporate America can't produce for a profit in America. Our country sustains on imports. More importantly, our defense depends on imports.

We awaited weeks for flat-panel displays from Japan before launching Desert Storm, and today's list by law of materiel critical to our national security is unattended. Losing millions of more jobs to off-shoring next year as estimated by Blinder, there will be no recovery. And, if off-shoring continues unabated for another two years, there is no chance of Obama being re-elected, and it is going to

be difficult to find someone who wants to be President.

The political luxury of being against government has got to stop.

Government, not productivity, is the comparative advantage in the Trade War. And fortunately President Obama is in a position to save himself and the country. He can get the conferees on the health bill together and vet the vote, particularly in the Senate to cancel the corporate tax and replace it with a 5% VAT to take care of health costs and start paying down the debt. Opposition in both Houses has been to the savings from Medicare and the numerous tax increases, and 1% of the VAT over ten years will eliminate this opposition.

When you cancel the corporate tax with a 5% VAT, you immediately remove a 44% cost incentive to off-shore and begin to make domestic production in the United States competitive in the Trade War. Next impose import quotas on foreign autos and auto parts. In the last eight years, Detroit has been subjected to a trillion dollars of subsidized auto and auto

parts imports. No industry can survive in the Trade War with this assault. And the bailout will only go awry unless protected by quotas. Then in a studied way, start “tariffing” or “quotaing” items necessary for our national defense so that we can have a ready supply to defend the country.

This, rather than stimulation, is the way to create jobs. Textiles, next to steel, have been found most important to our national security. What I mean by “studied” is that it is not necessary to quota or tariff all clothing, but we’ve got to have woolen manufacture for winter war and parachute cloth. Three percent of the VAT will supplant the revenues lost from canceling the corporate tax. One percent of the VAT over ten years will take care of health reform. And the other one percent, for a total of five percent, will start paying down the deficit. It will take the Internal Revenue Service and business a year to gear up for a value added tax. That means it can’t take force until after next year’s election.

We must get out of the Iraq War and the Afghan War and into the Trade War.

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).