[made in china]

Death of Manufacturing

The rise of free trade has eroded America's industrial base and with it our sovereignty.

By Patrick J. Buchanan

AFTER MASS AT ST. MARY'S, a retired FBI agent who had worked as a boy in the great steel plant in Weirton, W.Va., whose father had died in an accident at the mill, handed me the *Weirton Daily Times*. "Where Do We Go From Here?" read the May 20 banner. The front page was devoted to the bankruptcy filing of Weirton Steel, which had once employed 14,000 workers in a town of 23,000. Mark Glyptis, president of the Independent Steelworkers Union, said it didn't have to happen. It was a poignant story. When I began my campaign of 2000 at the Weirton mill, Mark and his ISU endorsed me.

That same week, a friend e-mailed me. Timco, a lumber mill where we spent the last day of the New Hampshire campaign of 1996, had shut down. As Weirton Steel had been hammered by subsidized steel dumped in the U.S. market, Timco had to compete with subsidized lumber from Canada.

Across America the story is the same: steel and lumber mills going into bankruptcy; textile plants moving to the Caribbean, Mexico, Central America, and the Far East; auto plants closing and opening overseas; American mines being sealed and farms vanishing. Seven hundred thousand textile workers—many of them minorities and single women—have lost their jobs since NAFTA passed in 1993.

Thirty years have elapsed since our free-trade era began and 30 months since George W. Bush became president. It's time to measure the promise of global free trade against the performance.

Undeniably, free trade has delivered for consumers. A trip to the mall, where the variety of suits, shoes, shirts, toys, gadgets, games, TVs, and appliances abounds, makes the case. But what has it cost our country?

Every month George Bush has been in office, America has lost manufacturing jobs. One in seven has vanished since his inauguration. In 1950, a third of our labor force was in manufacturing. Now, it is 12.5 percent. U.S. manufacturing is in a death spiral, and it is not a natural death. This is a homicide. Open-borders free trade is killing American manufacturing.

In 2002, we ran a trade deficit in goods of $484 billion. This May, it reached the level of $562 billion, nearly 6 percent of GDP. Evangelists of free trade tell us trade deficits do not matter. Michael Boskin, Chairman of the Council of Economic Advisers under Bush I, declared, "It does not make any difference whether a country makes computer chips or potato chips."

History teaches otherwise. In 1860, Britain abandoned its Britain First trade policy for the free-trade faith of David Ricardo, John Stuart Mill, and Richard Cobden. By World War I, Britain, which produced twice what America did in 1860, produced less than half and had been surpassed by a Germany that did not even exist in 1860.

Free trade does to a nation what alcohol does to a man: saps him first of his vitality, then his energy, then his independence, then his life.

America today exhibits the symptoms of a nation passing into late middle age. We spend more than we earn. We consume more than we produce.

Why does it matter where our goods are produced? Because, as I wrote in *The Great Betrayal*:

> Manufacturing is the key to national power. Not only does it pay more than service industries, the rates of productivity growth are higher and the potential of new industries arising is far greater. From radio came television, VCRs, and flat-panel screens. From adding machines came calculators and computers. From the electric typewriter came the word processors. Research and development follow manufacturing.

Alexander Hamilton, the architect of the U.S. economy, knew this. He had served in the Revolution as aide to Washington and lived through the British blockades. He had led the bayonet charge at Yorktown. And he had resolved that never again would his country's survival depend upon French muskets or French ships.

As first Treasury Secretary, he delivered in 1791 the "Report on Manufactures," one of America's great state papers. Reflecting on how close his country had come to losing its liberty, Hamilton wrote,

> Not only the wealth, but the independence and security of a country, appear to be materially connected with the prosperity of manufactures. Every nation … ought to endeavor to possess within itself all the essentials of a national supply. These comprise the means of subsistence, habitation, clothing and defense.

Under the Constitution he helped write, a national free-trade zone was created. Hamilton's idea was to use tariffs to end our dependence on Europe and force British merchants to finance our government and the roads, harbors, and canals that would tie America together with commerce.

Tariffs would give our national government the revenue to operate, while providing our people both privileged access to the fastest growing market on earth and incentives to go into manufacturing. With American manufacturing thus encouraged, we would soon produce ourselves the guns and ships to defend the republic and the necessities of our national life so we could stand alone against the world.

For 12 decades, America followed Hamilton's vision. On the eve of World War I, the 13 agricultural colonies on the eastern seaboard had become the richest nation on earth with the highest standard of living, a republic that produced 96 percent of all it consumed while exporting 8 percent of its GNP, an industrial colossus that manufactured more than Britain, France, and Germany combined.

The self-sufficiency and industrial power Hamiltonian policies created enabled us to rearm in security, crush the Axis in four years, rebuild Europe and Japan, and outlast the Soviet empire in a Cold War, while meeting all the needs of our people.

But in the Clinton-Bush free-trade era, Alexander Hamilton is derided as a "protectionist." Woodrow Wilson's free-trade dogma is gospel. Result: our trade surpluses have vanished, our deficits have exploded, our self-sufficiency has been lost, our sovereignty has been diminished, and an industrial base that was the envy of mankind has been gutted.

And for what? All that junk down at the mall? What do we have now that we did not have before we submitted to this cult of free trade?

The Loss of Independence

Consider the depths of our new dependency. Imports, 4 percent of GDP for the first 70 years of the 20th century, are near 15 percent now, and 30 percent of the manufactures we consume. Pat Choate, author of *Agents of Influence*, gives the following levels of U.S. dependency on foreign suppliers for critical goods:

- Medicines and pharmaceuticals: 72 percent
- Metalworking machinery: 51 percent
- Engines and power equipment: 56 percent
- Computer equipment: 70 percent
- Communications equipment: 67 percent
- Semiconductors and electronics: 64 percent

In July, the U.S. Business and Industrial Council reported that the Pentagon officials responsible for procuring U.S. weapons had joined with defense industries to oppose legislation requiring 65 percent U.S. content. U.S. missile defense and the Joint Strike Fighter would be imperiled if 65 percent of the components had to be made in the USA.

As Choate writes, Dell Computers of Austin has 4,500 suppliers. Its just-in-time supply line, which stretches across the Atlantic and Pacific, has an inventory of four days. A dock strike on either coast, and Dell begins to close down after 96 hours.

The Loss of Sovereignty

In the lame-duck session of Congress after the GOP triumph of 1994, Bob Dole and Newt Gingrich colluded with Clinton to bring us into a World Trade Organization where we are outvoted 15-1 by the European Union. In its most important ruling, the WTO has held that the

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foreign sales corporations of U.S. exporters like Microsoft and Boeing, set up to receive tax benefits voted by Congress, violate the rules of free trade.

Europe is now authorized to impose $4 billion in tariff penalties on U.S. exports if Congress fails to rewrite our tax laws to conform to WTO commands.

When America bailed out the world in the Asian crisis of 1997-98, Indonesia, South Korea, Russia, and Brazil devalued their currencies, slashing the dollar price of their exports. To enable them to earn the hard currency to pay back Western banks and the IMF, America agreed to keep her markets open. Soon, steel from Indonesia, South Korea, Japan, Russia, and Brazil was being dumped in the United States, and American mills were reeling.

The recent steel decision is instructive. By 2002, 25 steel companies had gone bankrupt, and the International Trade Commission had identified dumping as the industry killer. Invoking U.S. trade law, President Bush imposed tariffs. The dumpers howled and ran to the WTO, which declared the U.S. tariffs unjustified. Either the Congress removes them or the EU is empowered to impose $2 billion in tariff penalties on U.S. exports.

Consider what submission to the WTO has meant. Our Congress is ordered by foreign bureaucrats to alter U.S. law or our companies face penalties. Presidential decisions to protect vital American industries are declared invalid by Eurocrats. The terms of access to the U.S. market are now to be decided in Geneva by Lilliputians of the New World Order.

Why are we letting this happen?

Libertarians teach that free trade provides a check on government power. By enabling citizens to buy outside their borders, free trade forces governments to reduce regulations and taxes to stay competitive.

A fine theory. Has it worked out? Hardly. History shows that the opposite is true. Bismarck's *Zollverein*, or customs union, went hand-in-hand with the rise of the Second Reich. The EU evolved from a free-trade common market into the socialist superstate of today that is the model for the world government under which all nations surrender sovereignty and how we live will be decided by Platonic guardians.

In the protectionist era from 1789 to 1933, U.S. taxes rarely took more than 3 percent of GNP, except in wartime. Government relied on tariffs. Before 1913, except for the Civil-War era and briefly under Cleveland, we had no income tax. But in the free-trade era, U.S. tax rates on incomes, currently 35 percent, have risen as high as 70 percent, and spending has exceeded 20 percent of GDP in peacetime. The free-trade era is the era of Big Government.

As a former Friedmanite free trader, let me say it: free trade is a bright shining lie. Free trade is the Trojan Horse of world government. Free trade is the murderer of manufacturing and the primrose path to the loss of national sovereignty and the end of our independence.

NAFTA: The Big Sting

In 1993, the NAFTA debate gripped the country. Clinton had the backing of the political establishment, the Heritage Foundation, AEI, Brookings, *National Review*, *New Republic*, *Wall Street Journal*, *Washington Post*, Chamber of Commerce, Business Roundtable. Perot, Buchanan, Nader, and the AFL-CIO were opposed, as were the people. But that did not matter. Before the vote, the bazaar opened, and Congressmen began selling votes to Clinton for whatever they could get. NAFTA won.

Ten years later, returns are in. We were told our trade surplus with Mexico would grow, that NAFTA would create jobs here, that the rising wages in Mexico would end the invasion of illegal aliens.

But, the year after NAFTA passed, Mexico devalued the peso, and the United States began to run a string of trade deficits that has reached $40 billion a year. Drug cartels in South America shifted operations to Mexico. U.S. exports to Mexico are up, but it is not finished goods we send south but parts to be assembled—and factories and jobs as owners shutter plants north of the Rio Grande in search of wages that are 10 to 20 percent of what they have to pay in the United States.

By 2000, a million Mexicans were working in *maquiladora* plants south of the border at jobs once held by Americans. But now, the creative destruction of globalization has come to Mexico. Factories there are being shut down and moved to America's new enterprise zone, China.

And the Mexican people? Half of the 100 million are still mired in poverty. Tens of millions are unemployed or underemployed. Real wages are below what they were in 1993. And the migration north continues as 1.5 million are caught each year breaking into the United States. Of those who make it, one-third head for California where their claims on welfare, Medicaid, schools, and prisons have tipped the state toward bankruptcy as the taxpayers have begun a great exodus to Nevada, Idaho, and Colorado.

NAFTA has helped to convert California into Mexifornia and the Golden State into a Third-World country. Ten years after its passage, Mexico's leading export continues to be Mexicans.

Factory Floor to the World

While Americans are sacrificing the future for the present, China is sacrificing the present for the future.

Beijing's boom began after it devalued its currency in 1994. While a blow to Chinese consumers, devaluation gave Beijing a competitive edge over the other "Asian tigers." Beijing then invited Western companies to locate new factories there to tap its pool of low-wage labor. As the price of access, Beijing demanded that Western companies transfer technology to Chinese partners. What the companies do not transfer, the Chinese extort or steal.

By offering excellent workers at $2 a day, guaranteeing no union trouble, allowing levels of pollution we would not tolerate, and ignoring health and safety standards, China has become the factory floor of the Global Economy and surpassed the United States as the world's first choice for foreign investment.

What analyst Charles McMillion calls "the world's most unequal trading relationship," can be seen in the trade statistics. In 2002, the U.S. trade deficit with China was $103 billion. In May, it was running at $120 billion, the largest deficit between two trading nations in history.

THE BUSH **TAX CUTS** AND BUSH **DEFICITS** ARE CREATING MILLIONS OF MANUFACTURING JOBS—**IN CHINA**.

It is thus a myth to say President Bush is presiding over a "jobless recovery." The Bush tax cuts and Bush deficits are creating millions of manufacturing jobs —in China. America buys 14 percent of China's production and delivers Beijing a trade surplus of 12 percent of its entire GDP. American purchases probably account today for 100 percent of China's economic growth.

The U.S.-China relationship cannot truly be described as trade. It is rather the looting of America by China and its corporate collaborators in the United States. Beijing understands what economic nationalist Friedrich List wrote long ago: "The power of producing wealth is infinitely more important than the wealth itself."

China has now amassed $360 billion in reserves from her trade surpluses since 1990. Much of that is invested in U.S. bonds and T-bills, earning Beijing billions in interest from the U.S. Treasury. America may be the most advanced nation on earth, and China a developing country, but you could not tell that from studying the trade statistics.

In 2002, China ran up its largest trade surpluses with us in electrical machinery, computers, toys, games, footwear, furniture, clothing, plastics, articles of iron and steel, vehicles, optical and photographic equipment, and other manufactures. Among the 23 items where we had a surplus with China were soybeans, corn, wheat, animal feeds, meat, cotton, metal ores, scrap, hides and skins, pulp and waste paper, cigarettes, gold, coal, mineral fuels, rice, tobacco, fertilizers, glass. Beijing uses us as George III used his Jamestown colony.

One who has studied how China deals with craven capitalists who come courting is columnist Terry Jeffrey. On inspecting the Web site of Motorola, Jeffrey found this description of how it sees its future:

> Motorola is moving toward … taking China as its home and development base. Motorola Chinese Electronics … has increased its investment several times in China without taking away a single dollar. The company reinvested all the profits in China. … Since the very beginning Motorola has brought forward the idea of trying to be a good citizen of China, taking China as its home and thriving with the Chinese people. … The development goal is to become a true Chinese company.

WHEN **U.S. COMPANIES GO GLOBAL**, THEY SHED THEIR **LOYALTY TO AMERICA**.

The hilarity of Motorola's kowtow to the mandarins of the Middle Kingdom aside, this passage reveals a hidden cost of globalization. When U.S. companies go global, they shed their loyalty to America.

Consider Boeing, last surviving U.S. manufacturer of commercial aircraft. Apparently, Boeing has gone beyond building plants in China to make horizontal stabilizers and vertical fins for its fleet. On Jan. 1, this story ran in the *New York Times*:

> The State Department has accused two leading American companies of 123 violations of export laws in connection with the transfer of rocket and satellite data to China during the 1990s. The Boeing company and Hughes Electronics Corporation, a unit of General Motors, were notified of the accusations last week.

Hamilton, Clay, Lincoln, and T.R. would recognize China's policy for what it is and counter it. But this generation of free traders does not have a clue as to what is going on, or does not care. Either way, the consequences will be the same: de-industrialization of America, decline of the dollar, a deepening dependency on foreign countries for the necessities of our national life, diminished sovereignty, and eventual loss of our independence. If you disbelieve this, look at the once sovereign and independent nations of Europe.

Implosion of the Global Economy

One need not have a Nobel Prize in economics to understand that U.S. trade deficits cannot continue rising indefinitely. As Choate reports,

> In the 1970s, [the United States] mounted a decades-long deficit of $75 billion. … In the 1980s, the deficit soared to $843 billion as Japan began to take away our industries. … In the 1990s, that trade deficit doubled to $1.7 trillion. … At this pace, we're probably going to have a $6 trillion cumulative deficit in this decade—and that's probably an understated number given the pace we are losing our manufacturing base.

But the world is not going to continue lending Americans $500 or $600 billion a year to indulge our appetite for foreign goods. The U.S. dollar has already lost 25 percent of its value against the Euro, and foreigners have begun to buy up America, purchasing our land, stocks, bonds, and T-bills. Foreigners now claim a lion's share of the $300 billion we pay in annual interest on the U.S. debt and have liens against all future profits of our Fortune 500 companies.

Consider the altered situation we face today compared with five years ago. When the Asian crisis broke, our economy was booming. We could see budget surpluses out to the horizon. With the IMF, we poured over $200 billion in fresh loans into Thailand, Indonesia, the Philippines, South Korea, Russia, Argentina, and Brazil. To enable them to earn the cash to pay back the sums they owed private creditors and international banks, we pledged to keep America's markets open to their exports.

These, then, are the three pillars of the Global Economy: first, the willingness of America to bail out nations about to default. Second, the willingness and capacity of America to run enormous trade deficits indefinitely. Third, continued wealth transfers to the Third World.

And this is why the Global Economy is in peril. When Argentina declared it could not service its debt, America and the IMF refused to lend new money. Argentina defaulted. A tottering Brazil was bailed out, but the message was clear. The days of automatic bailouts of bankrupt regimes are over.

And with the dollar sinking, the U.S. budget deficit soaring, our merchandise trade deficit at $562 billion and rising, and manufacturing jobs vanishing at the rate of 80,000 a month, America's willingness and ability to continue sacrificing for the Global Economy are coming to an end.

Perhaps the most inexplicable free traders are the neoconservatives who champion "unilateralism," talk of a *Pax Americana*, and cheer the coming American empire of pith helmets and jodhpurs. Do they not understand that trade is not an end in itself but a means to an end: national power? Can they not see that our growing dependence on foreign oil and nations like China for the necessities of national defense imperils our security? Can they not see that these mammoth trade deficits must sink the dollar and that no nation with a falling currency can maintain the troops and subsidies to sustain an empire?

In 1962, Prescott Bush stood with Barry Goldwater and Strom Thurmond to vote no on JFK's Trade Expansion Act. President Bush rejects the economic patriotism of his grandfather and embraces the Wilsonian faith that free trade will lead to global democracy and world peace. Like his father, he also embraces Wilson's faith in open borders and moral interventionism. Wilsonism may cost him his presidency. ■

[give us barabbas]

A Pre-emptive War on "The Passion"

Defending Mel Gibson's masterpiece.

By Michael S. Rose

A FILMMAKER'S GREATEST temporal hope is that his work will generate publicity, that his latest effort will create a buzz that spreads far and wide. Good or bad publicity—some say it really doesn't matter. Mel Gibson ought to be happy.

His newest film, "The Passion," has already received more publicity than several of Hollywood's latest blockbusters combined. The man and his film have become focal points of contention across the nation, spawning incipient editorials from Boston to Los Angeles and back. In a low-blow special, the *New York Times* even attacked Gibson's ailing octogenarian father who lives more than 4,000 miles away and has nothing whatsoever to do with his son's latest production.

The corker: "The Passion" isn't due out in theaters for another eight months. In fact, when it was first attacked it hadn't been viewed by anyone outside of the production team. For that reason alone, "The Passion" is being assaulted in an unprecedented way: a pre-emptive war has been launched by those who want either to rewrite the Good Book or scatter its ashes at sea.

Of course, "The Passion" started with an advantage. The $25 million production from Gibson's Icon studios chronicles the 12 hours leading up to Jesus' crucifixion. The passion of Christ has always been controversial, and the latest dramatization of the greatest story ever told is being criticized not for its infidelity to the Gospel, but rather for its faithful adherence to Matthew, Mark, Luke, and John. In other words, Gibson's 10-year labor of love stands accused of following the Gospel accounts of the passion too closely!

Actor-producer-director Mel Gibson, a staunchly traditional Catholic, is no Nikos Kazantzakis. The renowned Greek novelist's version of the passion, *The Last Temptation of Christ*, was used as the basis for a silver-screen palimpsest of the same name in 1988. Directed by Martin Scorcese, that effort portrayed an effete Christ unknown to the four evangelists. Likewise, the film adhered to the most progressive of modern exegetical fads. An example: Mary Magdalene, when she wasn't prostituting herself amongst the heathens (with hickeys and all to prove the point), functioned as a kind of "girlfriend" to Christ, their relationship replete with sexual undertones in Scorcese's flick.