

FIFTH COLUMN

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OCT. 16, 2009 -- In the Spanish Civil War of 1936, there developed within the ranks of the Spanish forces troops favorable to the enemy – and this enemy within was called a Fifth Column. Unfortunately, in the trade war today there is a Fifth Column leading the American forces.

After World War II, Japan started today's trade war by closing its domestic market, subsidizing its manufacture, and selling its export at cost or below, and making up the profit in the closed market. As Governor of South Carolina in 1960, I was drafted in this trade war by America's textile industry. They asked me to testify before the old Tariff Commission to tell how Japanese textile imports were being sold at less than cost, damaging U.S. production and costing jobs.

Later, in 1968, the Senate adopted my textile amendment to a trade bill which was blocked by President Lyndon Johnson when the bill was returned to the House of Representatives. Corporate America was working on me to protect their investment and jobs. Then under Presidents Carter, Reagan and George Herbert Walker Bush, my bills to protect American textile jobs passed both Houses of Congress only to be vetoed by each President, espousing "free trade."

While Japan was not practicing "free trade," Presidents permitted violations of trade agreements in their zeal to conquer communism with capitalism in the Cold War that was going on at the same time as the trade war. I'll never forget the lawyers for the *Zenith* dumping case against Japan telling me how industry had spent \$3 million in almost three years to finally win before the United States Supreme Court

only to have the judgment set aside by President Reagan. Under law, a President can set aside the judgment for national security purposes. Reagan's Cabinet was met around the Cabinet table waiting for President Reagan and had voted unanimously to uphold the Supreme Court judgment. President Reagan rushed in late saying Nakasone held him up on the phone. The President said: "He's in trouble at home and we're going to have to set aside the *Zenith* judgment."

After this, Corporate America, realizing they could get no relief in Congress, began off-shoring. And when President Clinton passed NAFTA with Mexico and Permanent Normal Trade Relations with China, jobs hemorrhaged. In the last ten years, we have lost one-third of our manufacturing jobs. Today, the United States has less manufacturing jobs than in April 1941. Long before the recession, South Carolina had lost its textile industry, North Carolina its furniture industry, Michigan its automobile industry. The defense industry has been off-shored. We had to wait months to get flat panel displays from Japan before we launched Desert Storm. Boeing can't build a fighter plane except for the parts from India. Sikorsky can't build a helicopter except for the tail motor from Turkey. Under law, the Secretary of Commerce lists those items vital to our national security but Congress fails to make sure we can produce these items for our defense. Today, we can't go to war except for the favor of a foreign country.

Now the economists are enthused that the dollar is down because it will increase exports. But we don't have much to export. With the cheap dollar foreigners

are buying up America's vital technology and production – IBM to China, Westinghouse Nuclear to Japan, Sparrow Point, the Bethlehem Steel plant that furnished the steel for World War II, to Russia, Bell Labs, with all of its research patents to France.

The financial and business leadership that I worked with for years to protect their U. S. investments, production, and jobs, have now joined the other side. They have become a Fifth Column in the Trade War. Rather than protect and create jobs in the United States, they now want to protect their big profits in China and India.

Secretary Paulson's and President Obama's stimulations were for the bailout and bonus crowd, not to create jobs for America. With the market at ten thousand, the bailout and bonus crowd have taken care of themselves as we continue to lose jobs. More jobs are being lost to off-shoring than the recession. The bailout and bonus crowd ignore the off-shoring problem and actually oppose a recovery. Introduce a trade bill in the Congress to protect America's production and jobs, and coming down on your head crying "free trade," "don't start a trade war" will be the bailout and bonus crowd – Wall Street, the big banks, the Business Roundtable, the National Association of Manufacturers, the U. S. Chamber of Commerce, the National Retail Federation of America, and the morning paper editorialists with the newspapers making the majority of their profits from retail advertising and their economists. The bailout and bonus crowd furnish the contributions for the campaign, and the first order of business for a Congressman or Senator is to get the money to get re-elected.

The U. S. was founded in a trade war. The Mother Country prohibited manufacture in the colony, and the Navigation Act of 1651 required the colony's exports to be carried in English bottoms. The timber was from Maine, but ships were built in England. The Townsend Act triggered the Boston Tea Party which began the Revolution. Four years before the forefathers could agree on the freedoms of speech, religion, press and assembly, foremost in their minds was trade. Article I, Section 8, on the Constitution of 1787 authorized Congress to regulate trade. The Constitution doesn't provide for "free trade" – only regulated trade. We financed and built the industrial giant, U.S.A., with protectionist tariffs. Edmund Morris in *Theodore Rex*, writes:

This first year of the new century found her worth twenty-five billion dollars more than her nearest rival, Great Britain, with a gross national product more than twice that of Germany and Russia. The United States was already so rich in goods and services that she was more self-sustaining than any industrial power in history.

We didn't pass the income tax until 1913.

Now Congress demurs in its duty to regulate trade. No one is about to introduce a trade bill unless it is sanctioned by the President. President Obama issued campaign buttons hailing American jobs in the Pennsylvania campaign. And he pledged to "end tax breaks for companies that ship jobs overseas." But today he vacillates over the "buy America" provision in the stimulus and the headline of *The Wall Street Journal* reads: "Obama Administration Shelves Plan to Change How U. S. Treats Overseas Profits." An industrial plan is necessary to compete in

globalization. But the failure of the President and Congress to limit the off-shoring of jobs amounts to an industrial plan to get rid of jobs. In globalization you can't produce for a profit in the United States. The President and Congress conspire with the bailout and bonus crowd as a Fifth Column in the trade war.

The President and Congress can get back on the side of the country by replacing the corporate tax with a 5% VAT. With the average corporate tax of 27% income and China's 17% VAT rebated on exports, the 44% incentive to off-shore to China is

removed. This will begin to make the United States competitive in the trade war. A 3% VAT will more than replace revenues lost from canceling the corporate tax; one percent more over ten years will take care of the cost of health care; and one percent more for a total of 5% will begin paying down the debt. I suggested this solution months ago to my friends in the Congress and White House, but Larry Summers is determined to keep us on course creating jobs in China. Paraphrasing Jock the Butcher in Henry VI: "First we must kill all the economists."

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).