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Behind The Sound Bites Of Republican Presidential Hopeful Rep. Duncan Hunter: U.S. Multinationals Have Become Chinese Corporations

Rep. Duncan Hunter (R-Calif.), a 2008 candidate for President of the United States, sounds like an anti-free trade populist these days. But he's got reason. As former chairman of the House Armed Services Committee he experienced first-hand the difficulties the military is facing when it comes to arming its forces with American-made weaponry. The United States secured the freedom of the world three times during the last century -- winning World Wars I and II, and prevailing in the Cold War -- because of its "Arsenal of Democracy," he says. The U.S. industrial base was able to turn out an Air Force bomber once every hour. "They could have built the entire bomber force of B-2 aircraft, which numbers 21, in one day and had three hours left over," he says.

But that Arsenal of Democracy is in trouble, and that trouble is being caused largely by the shift of production overseas, particularly to China, and mostly by the large multinational companies that have controlled the trade agenda for the past 20 years. Those multinationals are now, in fact, "Chinese companies," doing the bidding of the Communist Chinese government in setting U.S. policy, which runs counter to the interest of U.S. workers, taxpayers and U.S.-based manufacturers, says Hunter.

There are two "real experiences" that have recently shaken him. The first was when his committee was seeking solutions to the deadly surge of improvised explosive devices in Iraq, and addressed the urgent need to improve armor on the American fleet of tactical vehicles. Hunter sent a team from his committee to find manufacturers that could produce high-grade armored steel as quickly as possible. The team found only one company left in the United States able to respond.

The second involved the well publicized Joint Direct Attack Munition in which a Swiss company refused to provide the crystals needed for the guidance system of the country's most important "smart" bomb. When the committee sought out U.S. sources of the crystal, it found only one company left making this essential technology.

"We're down to one-sies and two-sies on critical aspects of the defense industrial base," says Hunter. "This is a security problem! I have two reasons for wanting to maintain a strong industrial base in this country. Number one, good high-paying jobs for our people and good profits for our businesses so they can continue to make capital investment and, secondly, national security. It could get to the point where it is primarily a national security problem."

Manufacturing & Technology News editor Richard McCormack sat down with Hunter in his Capitol Hill office recently to probe beneath the surface of his sound bites associated

with his Presidential campaign related to national and economic security issues. Here is what he has to say:

In the late 1980s, Ronald Reagan said the United States had to ensure both its economic security and national security and that the high-tech industrial base was worth preserving.

Hunter: Ronald Reagan also said there is no such thing as free trade if one side is cheating. What we've done is we have acquiesced to cheating. That was manifested in the split in the National Association of Manufacturers. The big guys said, essentially, we don't mind the one-way street because we're on the other end of the street. We are Chinese corporations for practical purposes. That is the essence of what their conversation was to the domestic manufacturers, and hence the split.

Q: As President, is there anything you could do about this acquiescence to cheating?

Hunter: Right now, China rebates their taxes to their manufacturers. They give a 17-percent subsidy to their products and a 17-percent penalty to our products. Before you even compare labor, component prices and commodity prices, they have a 34-percent advantage before the game even starts. Then they devalue their currency by 40 percent to make sure the American manufacturer doesn't win. That is cheating. We need to have a government that says that is cheating. [Fed Chairman Ben] Bernanke had that in so many words written in his speech that he was going to give in China [in December], but it was changed before he gave it to the Chinese leadership. That is not acceptable.

Another point about Ronald Reagan is that when Ronald Reagan saw a bad arms control deal, he changed it. He didn't acquiesce to it. Presidents have a unique role in putting together security deals and trade deals with other countries. There is no independent businessman who can go make a separate trade deal with a country. A trade deal is a business deal between nations that is essentially put together by the executive.

I am going to put together good trade deals and I'm going to leave bad trade deals. It is in our interest to have deals that give American manufactures that are innovative, smart and well financed a chance to win and you can't do that when the other guy has 74 points on the board before the opening kickoff. This is like having a football team in the NFL where all the other teams have voted that they all get points on the scoreboard before the game starts, except the United States. When we lose a competition, they say: "What's the matter? Can't you play football?"

Q: With the reauthorization of Fast Track coming up will these issues play themselves out, and will you have a role in that debate?

Hunter: I've always had a role in opposing what I consider to be bad deals. NAFTA and CAFTA were bad deals, so I opposed them. When we passed NAFTA, we had a \$3-billion trade surplus with Mexico that a lot of people said we were going to build on. I predicted that we would go to a trade loss. We promptly went to a \$15-billion loss the next year. These are bad deals. The most business-like thing in the world is to make good deals. That is what business is, but our trade negotiators are bad businessmen. They've been finessed into not enforcing the rules, and they have not put together good deals because the multinational corporations have an interest in a one-way street.

Q: There are so many fundamental questions this issue raises about who the federal government represents. Does it represent the interests of U.S. multinationals or does it represent U.S. workers and domestic manufacturers?

Hunter: For practical purposes, many of the multinational corporations have become Chinese corporations. They like the fact that they are subsidized by their new government, which is China, and that they're able to push American products that are made in the United States off the shelves. They have developed an influence in this country that has not been offset by the Arsenal of Democracy, which is the industry base that is left in this country. I intend to energize the industrial base that is left in this country.

Q: A lot of people look at the 2006 mid-term elections and say that the deciding issue was fair trade and that most of the freshmen Democratic members of the House and six new Senators were all against free trade as it is currently practiced. Was free trade the deciding issue in the loss of Republican control of Congress?

Hunter: No, the deciding factor for my Republican colleagues who lost was the tens of millions of dollars spent against them. In the last district I was in in California, \$10 million was spent against the Republican incumbent. I saw tons of money going after the Republicans who lost. Trade was not a major issue. But I would say this: certainly while trade may not have been articulated as a major issue in this election, the economic conditions in which good high-paying manufacturing jobs have been lost set the stage for what I would call a suppressed Republican vote.

The classic Republican position that is welded strongly into the middle class of Americans who have traditionally supported the Republican Party is to support our industrial base and support high-paying manufacturing jobs in this country. That is directly contrary to what I consider to be an artificial position that has been taken in Washington, D.C., which is the support of bad trade deals. These bad trade deals are promoted by folks who don't represent the true American interest.

Q: We have followed your Buy American legislation over the past five or six years, only to watch much of it flounder in the Senate.

Hunter: I offered my first bill in 1982, it was HR-5050, the Two-Way Street bill. It put the same taxes on foreign vehicles coming into our country that foreigners put on our vehicles going into their country. It was very simple. It was a mirror.

Q: The Buy-American legislation that you sponsored a few years ago pretty much died at the hands of Sen. John McCain, who is your rival for the presidency. Can you use this to your advantage?

Hunter: We have had significant victories in our position and we have been able to blunt massive attacks on the Buy-American provision coming from the Senate. It's been a battle and we'll let the other candidates explain their position to the American people. I'm going to explain mine.

But there is an equity argument. When the American taxpayer pays for a defense item, for practical purposes it defends the Free World. Over the years, we have passed a lot of things over the objection of the Senate. I passed a preference for American machine tools and prime contracts that is now the law of the United States. In terms of repairing

American ships that support our warfighter we passed what we call Repair America. Those people are getting paid by the taxpayers of the United States and they should repair their ships in the United States. We passed that. We maintained the line with respect to the Berry Amendment and we put special teeth into the Berry Amendment to enforce it. We prevented the Senate from allowing the dissipation of the titanium industry and the specialty metals industry. The United States carries the defense burden of the Free World. If we are going to carry that burden then Americans should be able to make the defense platforms that defend the Free World.

Q: Why do you run into headwinds in Congress when these issues are raised?

Hunter: My message resonates with the American people. We'll see who agrees with whom.

Q: Do you think your message will gain traction in the electorate?

Hunter: They understand there is not an advantage to your factory closing where you were making \$22 an hour and moving it to China. It's not a good enough answer when the guy stands up and says in the end you're going to go to heaven because Adam Smith wore a powdered wig in 1772 and said that this would all work to your advantage in the end.

Q: That may not be a good answer, but it sure is promoted by hundreds of prominent economists from conservative think tanks, and, frankly, Republicans who have given voice to this message and are viewed as being representatives of the big multinational interests. You run counter to that.

Hunter: That's why I'm running! We're going to reconnect Main Street and middle-class America with the Republican Party. We're going to reach out and get Reagan Democrats. But let me just remind you, it was the Clinton administration that passed NAFTA. This idea of bad trade deals has been accepted by the elites across the political spectrum, and it's wrong and it's bad business practice. It doesn't make any sense to give away the biggest market in the world and get nothing in return. The problem with the idea that you're going to receive in consumer benefits what you lose in income is blunted by the facts because in America the consumers are also the workers.

Q: Do you see this as being a Democratic message?

Hunter: No, this is a Republican issue. I see this as a major issue in the Presidential campaign. There are two Republicans on Mount Rushmore. Both of them were against unfettered free trade.

When the other guy has 74 points on the scoreboard before the game, it takes a lot of tax cuts to make up for that.

The problem is under the GATT law that we've agreed to, every one of our trading competitors -- every country in the world -- has a right to rebate their taxes to their exporters except us. We agreed to that. I've seen the Senate memos when we were putting this together saying this is going to be terrible for us. We're agreeing that everybody gets points on the scoreboard except us, and we signed that.

When the smoke clears and you realize that you're the only team in the NFL that doesn't get points on the scoreboard before the game starts, you say: "What happened?"

And they say: "Well, we took a vote."

And you say: "Well, can we have some points?"

"No."

"Why not? Why can't we deduct our taxes?"

"You've got the wrong kind of tax system. We voted that you have the wrong kind of tax system."

"When can we get points?"

"We'll get back with you. We'll be meeting next year, and then after the Super Bowl, we'll meet again"

Q: Why is there such opposition to your [Hunter-Ryan] currency manipulation bill?

Hunter: China is doing what [Fed Chairman] Ben Bernanke himself says they're doing, which is subsidizing their exports and companies through currency devaluation. That is cheating. That dis-serves all of the innovative effort, all of the streamlining and all of the capital investment that has been made in American products. There is no individual American business that can single-handedly compete against the Treasury of Communist China. The Republican position is not to appease communists. That is what we do when we allow them to continue that operation. It's a real disservice for Bernanke not have called this an illegal subsidy, which is exactly what he called it before he changed his speech.

Q: Have you talked to him about that?

Hunter: No.

Q: Do you think there is any chance for a value-added tax to be considered by Congress?

Hunter: There may be. But distinguishing between our taxes and the taxes the rest of the world have for purposes of allowing them to give tax rebates for their exporters and not allowing us to do the same was totally a matter of smart negotiators on their part and dumb negotiators on our part. The idea that we have to change our entire tax system to try to fit into an unfair provision is not reasonable. We need to do what Ronald Reagan did when he saw a bad arms control deal. We make a new one. Right now, we have a trade deal that dis-serves our country and we need a new one.

Q: As president, what would you do about these trade deals?

Hunter: I would junk CAFTA and NAFTA. I would junk this deal with China. But let's do one thing at a time. Number one, allow our businesses that are being damaged by the illegal subsidy, which is known as their currency devaluation, to go after the cheating. Bring the Chinese to the table and make them understand that we're not going to allow them to have access to the American market unless they do it under the rules. To some degree, it's going to be dependent on them as to whether they want to do it the easy way or the hard way. They're not going to be allowed to have the 74 points on the scoreboard that they currently have before the kickoff. Either we're both going to start at 74 points or we'll both start at zero, but we're not going to start with a 74-percent disparity.

Q: By taking such a hard line, do you risk making the Chinese a military enemy?

Hunter: That was the same question put to Ronald Reagan with respect to arms control deals. If you insist on making new deals and not going with the old ones, do you risk upsetting people? The answer is yes. But on the other hand, they have been more practical in these business deals than our negotiators have been. They would never allow us to have a 74-point advantage over them. I think they have little respect for us. The Chinese perceive that we have been fractured in our trade policy -- caused by our multinationals, which now have a substantial investment in China. They are employing the multinationals to neutralize American trade policy and have them do what they did in the National Association of Manufacturers, which is to have them stand up and clearly represent interests other than those of domestic manufacturing.