Saving America's Superpower Status

By Roger Simmermaker

July 13, 2011

Even though less that 10 percent of working Americans holds a factory job, which pales in comparison to nearly 33 percent half a century ago, the increasing and undeniable consensus is that American-made definitely matters.

What's more, the 10 percent figure severely underestimates the overall impact and contribution of American manufacturing on the American economy. When you consider all the other jobs that depend on the manufacturing sector, from the truckers that move American-made cars to the car dealers that sell them, for instance, American manufacturing contributed a hefty 28.5 percent to the U.S. economy in the first quarter.

And the American manufacturing sector is expanding, too. The Institute for Supply Management (ISM) reported on July 1 that manufacturing sector has expanded 23 months in a row, and the overall economy has expanded 25 months in a row despite a dismal June jobs report.

We could save America's superpower status and move America's manufacturing economy forward even more if we could get the U.S. Congress to move on three distinct areas. Article 1, Section 1 of our U.S. Constitution says "All legislative powers herein granted shall be vested in a Congress of the United States," so that is where we need to start. Here are the three things congress needs to focus on right now before we lose our superpower status to China or some other predatory foreign nation, of which there never seems to be a shortage.

1. A more competitive U.S. trade policy

While other trading nations like China smartly practice protectionism abroad, America continues to practice free trade at home. While the U.S. applies less than a 3 percent average tariff on imported goods, other nations apply significantly higher tariffs on American exports. Brazilian tariffs add $21,000 to the price of an American-exported $25,000 car, and $17,000 to the price of $20,000 worth of American-exported golf balls. And because of high tariffs in India, a $25,000 American-exported car there winds up costing almost $75,000, or an effective tariff rate of nearly 300 percent!

The National Association of Manufacturers, which by the way favors a free trade policy for the United States, once estimated that various taxes and regulations (including energy, litigation, and heath care costs) add 22.4 percent to the costs of operating in this country compared to our nine largest trading partners. If taxes are tariffs, that represents a 22.4 percent tariff on ourselves. Since the average import tariff—taxes foreign producers must pay in order to access our lucrative U.S. market—is only about 3 percent, that means that we charge American producers over 7 times as many taxes for the privilege of selling to American consumers as we do foreign producers. We do this even as lawmakers continue to add more and more regulations on domestic production while simultaneously advocating even further cuts in import tariffs.

2. Stop the Chinese cheating

Dozens of Chinese companies that have shares listed in the U.S. have been misleading investors, according to U.S. regulators. If Americans are to reliably invest in America, we must be confident of markets. The chief executive of China MediaExpress Holdings rang the opening bell a little over a year ago, but now the company has been delisted from the NASDAQ for their part in misleading investors, and rightly so.

Surely we can let Chinese companies, such as Bright Food Group, invest in Europe instead, where there is no mechanism for takeovers to be subjected to a national security test. With the encouragement of the Beijing government, Bright Food Group is looking for a top European company to acquire, which the Wall Street Journal says has “the potential to reshape global trade and investment flows” and is “creating anxieties in the European Union.”

Chinese companies operating in America have grown over 130 percent each year the past two years, and have acquired no less than 34 existing American companies. While the American door to foreign investment and trade remains wide open, barriers to American investment in Beijing remain.

U.S. Commerce Secretary Gary Locke – who may replace Republican presidential hopeful Jon Huntsman as ambassador to China – says China now has a new system of foreign investment reviews based on “vague” parameters of national security and a “potentially abusive” policy that allows competitors to propose reviews at random.

Yet the tired old refrain from Beijing remains: assurances that foreign firms will be treated equally with domestic ones, all while accusing the United States of protectionism.

American executives continue to complain about China’s copyright and patent infringement. In a recent survey of the American Chamber of Commerce in China survey, 58% of those responding claimed their overseas operations face "material damage" from Chinese infringement, and 70% said protections from infringement by Beijing are "ineffective."

3. Step up infrastructure spending

Here’s one area where we’re being outspent and outsmarted by China largely because we foolishly pursued a free-trade policy thinking unlimited and unrestricted importation of cheap goods would raise our standard of living. We were wrong to do that, and we should have known better.

When President Harding was challenged by the argument that consumers benefit from cheaper imports, he replied, “One who values American prosperity and...American standards of wage[s] and living can have no sympathy with the proposal that easy entry and a flood of imports will cheapen our cost of living. It is more likely to destroy our capacity to buy.” The problem with free trade is that it creates an overabundance of cheap goods but reduces the ability for the average American to buy them at the same time.

When Bob Herbold, a retired chief operating officer of Microsoft Corporation, took a trip recently from Los Angeles to China, it left him wondering which one was the developing country and which one was the developed country. The Los Angeles airport is cramped, dirty, and decaying. Both Beijing and Shanghai have new, clean, and well-designed airports ready to handle the high volume that creates problems in Los Angeles.

It’s no surprise China has the money for new airports while ours descend into disrepair; we sent them tons of dollars to build them, and got cheap imports in return. These Chinese airports were largely built with money that used be ours, while we rang up $2 trillion (that’s triillion with a “T”) in trade deficits over the last ten years alone.

China builds high-speed rail links that commute passengers 800 miles in under five hours, while certain state governors in America refuse the federal funds for similar projects under the banner that government spending is bad. Meanwhile, two blue-ribbon commissions have given notice that current systems of transportation — rail, highway, and aviation — will be ill-equipped to handle the expected 100 million in population growth by 2050. We can either pay now or pay later.

We’ve already learned the hard way that we can’t consume our way to prosperity via free trade policies, and we might soon learn the hard way that we can’t cut our way to prosperity either via a “starve the beast” mentality that demonizes the very government spending that enables us to strengthen infrastructure that will keep us a competitive nation.

If we don’t wake up soon from a string of several bad dreams, it won’t be a question of *if* China will overtake America as the world’s number one superpower – it will be a question of *when*.

****

Roger Simmermaker is the author of *How Americans Can Buy American: The Power of Consumer Patriotism* and writes "Buy American Mention of the Week" articles for WorldNetDaily.com and his website www.howtobuyamerican.com. Roger is a member of the Machinists Union, has been a frequent guest on Fox News, CNN, and MSNBC, and has been quoted in the USA Today, Wall Street Journal, and Business Week among many other publications