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China-Mart Takes Over

By [Paul Craig Roberts](#)

My poor beloved country, trapped in a Middle Eastern quagmire and tricked by [Osama bin Laden](#) into subsidizing to the tune of \$300 billion (spent or appropriated) a training ground for Muslim terrorists and insurgents while our once fabulous economy disintegrates.

If the US were still rich and just wanted to throw several hundred billion dollars at bin Laden as a good will gesture, that would be one thing. But we are borrowing the money that we are using to train Muslim terrorists to kill and maim our troops in Iraq and [Londoners in England](#).

The money is being lent to us mainly by Asians, especially the Chinese. China has [so many dollars to lend to us](#) because we send so many dollars to China to pay for the goods and services that patriotic American corporations have decided to supply to us from China instead of from America.

US corporations decided that the way to get rich was to destroy their American consumer base by [closing their American factories](#), throwing their US employees out of work and hiring Chinese instead. The Chinese work for less, you see, and [free trade economists](#) say lowering costs makes us better off.

What US corporations and the free trade economists overlook is that giving Americans' jobs to foreigners raises foreign incomes and lowers American incomes. When [credit cards](#) and [home equity](#) lines are maxed out, there will be nothing to support the US consumer market. The American corporations who moved their capital and technology to China will have to find new customers.

Maybe the Chinese government will let the relocated US firms sell to Chinese customers, or maybe the Chinese government will let the US firms go bankrupt. The latter favors China's strategic interest. Chinese businessmen will purchase the bankrupt firms, and Chinese businesses will sell to Chinese customers.

Americans are pouring so much money into China that China can finance our wars while it buys up our companies. Everyone was shocked that a Chinese company could outbid Chevron for Unocal. China has already purchased IBM's personal computer business, and is now after US appliance maker Maytag (whose appliances are made in Mexico).

The outsourcing mania has hit the Pentagon, and [China](#) will soon be supplying the ships for the US Navy. The Pentagon, seeking lowest cost, is pushing defense contractors to outsource offshore for more materials, components and systems.

This means the end of US shipbuilding capability. Component suppliers to American shipbuilding are already skeletal thin, with most components only having sole suppliers. For example, *Manufacturing & Technology News* ([July 8](#)) reports that 80% of the components for the Virginia Class submarine come from [sole sources](#).

With not enough US Navy ships being built to support even an industry of sole suppliers, Asia is fast becoming the only source for US Navy ships. While President Bush spends \$300 billion recruiting and training terrorists for bin Laden in Iraq, US Navy ship procurement has fallen 33% since 2001.

Meanwhile China is on a rip. China is now the third largest shipbuilder after South Korea and Japan. In five years China's submarine fleet will be twice the size of America's. In 10 years China's navy will be larger than the American fleet.

This is amazing performance for a country that as recently as 1989 had essentially no shipbuilding industry.

This year the US is producing 6 ships, one-tenth of South Korea's output. In 2006 the US is scheduled to produce only 4 ships, because China has outbid us for the steel. The US "**superpower**" can no longer afford to compete against China for essential materials.

Cynthia Brown, president of the American Shipbuilding Association says that "**the manufacture of entire components and systems will migrate to China in the next several years under current Department of Defense policy with respect to outsourcing.**"

But, hey, we will get ships cheaper, and it is making us rich!

Dr. Roberts, [\[email him\]](#) a former Associate Editor of the Wall Street Journal and a former Contributing Editor of National Review, was Assistant Secretary of the Treasury during the Reagan administration. He is the author of [The Supply-Side Revolution](#) and, with Lawrence M. Stratton, of [The Tyranny of Good Intentions : How Prosecutors and Bureaucrats Are Trampling the Constitution in the Name of Justice](#). [Click here](#) for Peter Brimelow's Forbes Magazine interview with Roberts about the recent epidemic of prosecutorial misconduct.

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