

## Losing America's Livelihood

By William F. Jasper

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**The U.S. is headed for Third World status unless we change government policies that are driving U.S. businesses offshore, destroying jobs and putting entrepreneurs out of business.**

*Up to 14 million jobs ... are at risk of being shipped overseas, two UC Berkeley economists said Wednesday in a research report.*

— Contra Costa Times October 30, 2003

*"We're trying to move everything we can offshore," HP [Hewlett-Packard] Services chief Ann Livermore told Wall Street analysts at a meeting Wednesday.*

— Forbes, December 5, 2002

*But as the US economy has slowly shifted toward service jobs, factory jobs have been steadily lost — in fact, in just the past 39 months, some 2.8 million have vanished.*

— Christian Science Monitor December 11, 2003

*Will America be a Third World country in 20 years?*

— Paul Craig Roberts, columnist-economist, January 21, 2003

John Williams has been shrimping since 1960. Together with his wife, Kathleen, he operates three shrimp boats out of Tarpon Springs, Florida, north of Tampa Bay. He has weathered recessions, squalls and hurricanes. But he is now facing a tidal wave that has already buried thousands of his fellow shrimp fishermen. It is a tidal wave of foreign shrimp — nearly one billion pounds of it — crashing onto the U.S. market from Red China, Vietnam, Thailand, India and more than a dozen other countries.

Last year Williams' outfit, Gulf Partners, Ltd., hauled in about one million pounds of shrimp. "We've produced about the same amount of product for the past several years," he told THE NEW AMERICAN, "but the price we get has dropped dramatically. Our gross revenue has dropped more than 50 percent. But our operational costs haven't gone down; in fact, they've gone up." According to Williams, who is secretary-treasurer of the Southern Shrimp Alliance, an eight-state coalition of shrimpers, the value of U.S.-harvested shrimp was cut in half, from \$1.25 billion in 2000 to \$560 million in 2002. Employment at southern shrimp plants dropped 40 percent.

The plight of America's shrimping industry is symptomatic of the dire consequences potentially awaiting every U.S. industry. It also starkly illustrates how suddenly an entire sector of our economy can be targeted and hollowed out, if not completely destroyed.

For generations, shrimping has provided a good livelihood for several hundred thousand Americans in Gulf Coast communities from Texas to Florida. Then, virtually overnight, foreign producers almost completely took over the U.S. market and now provide 88 percent of the shrimp consumed in the U.S. And it isn't because the foreign shrimp industry is more efficient or produces a better quality product. The real tsunami hit U.S. shrimpers in 2002, when the European Union, Japan and Canada banned shrimp from China, Thailand and Vietnam because of detected residues of chloramphenicol, a potent, broad-spectrum antibiotic suspected of causing aplastic anemia and other blood conditions. China, Thailand and Vietnam unloaded their shrimp cargoes on the U.S. market instead, even though federal

regulations prohibit use of chloramphenicol in food-producing animals and animal feed products.

Shrimp fishermen like John Williams are fuming. "Another year like this and there won't be any domestic shrimp industry left to speak of," Williams told THE NEW AMERICAN, noting that he recently saw a repossessed \$800,000 shrimp boat sell for \$100,000 at a bank auction. "This is just plain wrong when a whole industry of hardworking, taxpaying American citizens can be put out of business like this by foreign competitors subsidized by their governments."

What Williams finds even more galling is that *our government* is subsidizing his foreign competitors, too! Yes, the same federal policymakers who have slapped domestic shrimp producers with onerous regulations, are not only helping his foreign shrimpers with incredible trade privileges, but actually aiding them with loans, grants and loan guarantees as well. Through assistance provided by the International Monetary Fund, the World Bank, the Export-Import Bank and other foreign aid programs, "we're not only giving them loans and subsidies, but advanced technology too," Williams notes with exasperation.

In 2002 and 2003, Rep. Ron Paul (R-Texas) introduced the Shrimp Importation Financing Fairness Act, which aimed to stop some of these policies that are aiding the destruction of our domestic shrimping industry. The Paul bill would declare a moratorium on federal regulations that are making U.S. shrimping non-competitive and end funding of federal programs and international institutions that provide financial aid to countries that are dumping their subsidized shrimp on our market.

Rep. Paul's legislation names seven countries — Thailand, Vietnam, India, China, Ecuador, Indonesia, and Brazil — as the main dumping culprits. But paragraphs 8 and 9 of Section 2 are the real shockers in the bill. Most Americans would be stunned to learn what our political leaders are doing with our tax dollars. Those two paragraphs read:

(8) Since 1999 our Government has provided more than \$1,800,000,000 in financing and insurance for these foreign countries through the Overseas Private Investment Corporation, and our Government's current exposure relative to these countries through our Export-Import Bank totals some \$14,800,000,000, bringing the total subsidy of these countries by the United States to over \$16,500,000,000.

(9) Many of these countries are not market-oriented, and hence their participation in United States-supported international finance regimes amounts to a direct subsidy by American taxpayers in the shrimping sector of their international competitors.

That's \$16.5 *billion*. With help like that, is it any wonder that these countries are able to produce the glut of shrimp that is destroying our shrimping industry?

### **Different Industries, Same Story**

What do Gulf Coast shrimp boat owners like John Williams have in common with tool and die makers in the Great Lakes region, sawmill owners in the Pacific Northwest, Midwest farmers, Texas ranchers, New England manufacturers, or California software engineers and computer consultants? The same thing that their business counterparts throughout the U.S. in virtually every industry share: the threat of extinction due to perverse government policies that penalize American producers and reward their foreign competitors. They are caught in a vise of regulatory policies that have driven their operating costs far above those of their foreign competitors, and U.S. trade policies that encourage foreign producers to dump their products on the American market. On top of that, the U.S. government pours

billions of U.S. tax dollars into subsidies for their foreign competitors!

America's tool and die industry is in danger of going the way of our shrimping industry. Why should that concern the vast majority of Americans who are not directly involved in this industry? Because it is essential to all manufacturing. The industrial machinery that is used to manufacture almost everything — from cell phones, toothbrushes and Barbie dolls to computer chips, medical diagnostic equipment and fighter jet engines — begins with tool and die makers. We cannot expect to sustain a modern society, let alone defend ourselves and maintain our prosperity and technological leadership, without them. But our tool and die industry is rapidly disappearing. In Michigan, about 34,000 tooling jobs have vanished in the last five years, according to state labor data. The National Tooling & Machining Association (NTMA) reports that about 30 percent of the country's toolmakers have gone out of business since 2000 and many more are expected to follow.

"Guys that were earning \$20 an hour two years ago making very high-precision tools are now stocking shelves at Wal-Mart," said NTMA President Matt Coffey in a recent *Detroit Free Press* article on the plight of the tooling industry. Coffey estimates that there are fewer than 10,000 U.S. tooling companies today, down from roughly 14,000 a few years ago. Which could mean that 140,000 tooling jobs have disappeared nationally since 2000. This trend will prove disastrous for our country, if allowed to continue.

"One of the advantages our manufacturers always have had is that the toolmakers were here and were good," Peter Morici, former chief economist for the U.S. International Trade Commission, told the *Free Press*. "It undermines the whole manufacturing base in the long term if they go away," he noted. "When all these little toolmakers go away, they don't re-open. Their sons do something else and that skill is lost. The decline of toolmaking is like the growth of a desert. Once it starts, it's tough to stop from spreading."

Mr. Morici's comments echo the alarm expressed by Bob Davis, general manager of Modern Die Systems Inc. of Elwood, Indiana, in an interview with THE NEW AMERICAN last year ("Your Job May Be Next!" March 10, 2003). "Our government has set it up so that it is unprofitable to manufacture here in the U.S.," he told this writer. Mr. Davis noted the tremendous disincentives to production posed by taxes, regulations, employee medical insurance, and labor union obstruction — the combined effects of which are driving many businesses into the ground, or out of the country. We are killing the goose that laid the golden egg. "Our country's entire production capability will be stripped bare if this continues," Davis said. "And with it will go all of the jobs and small and medium-sized independent businesses that are the bedrock of the American middle class."

### **Shooting Ourselves in the Foot**

America's small- and medium-sized businesses traditionally have been a vital source of jobs, as well as a wellspring of creativity, invention and innovation that has propelled us to global economic and technological dominance. Limited government interference in the marketplace combined with a general acceptance of Christian morality was the key that unleashed the American entrepreneurial spirit and gave rise to our prosperity and the development of a large middle class. But the free enterprise system that made our economic miracle possible is being suffocated in a socialist swamp of regulatory red tape. U.S. regulatory costs — especially from regulations allegedly aimed at environmental and safety risks — are particularly hazardous to small and medium businesses.

The true extent of that hazard is amply exposed in an important study released in December 2003 by the National Association of Manufacturers (NAM). The comprehensive NAM study significantly noted that "compliance costs for regulations can be regarded as the 'silent killer' of manufacturing

competitiveness.” The report revealed that the regulatory, tax and mandate burden is adding *at least* a staggering 22.4 percent (nearly \$5 per hour worked) to the cost of doing business in the U.S. relative to our major foreign competitors. To appreciate the magnitude of this burden, consider that these external costs imposed by government are *more than twice* the average direct labor costs of U.S. manufacturers, which are 11 percent.

NAM President Jerry Jasinowski noted that the NAM study documents that “we are essentially shooting ourselves in the foot competitively by making it too expensive to make products in America.” What’s more, the regulatory agencies have negated many of the impressive gains in production efficiency of the past decade. “Taken together,” notes Jasinowski, “external non-production costs have offset a large part of the 54 percent increase in productivity achieved since 1990.”

“U.S. manufacturing has demonstrated the ability to overcome pure wage differentials with trading partners through innovation, capital investment and productivity,” said James Berges, President of Emerson, a St. Louis-based manufacturer of industrial equipment. “But when the additional external costs described in this [NAM] paper are piled on, the task becomes unmanageable, even in the best companies.”

In fact, the piling on can be worse than unmanageable; it is often fatal. Thousands of small and medium businesses already have been slain by this silent killer and many more will succumb to its deadly effects. ([See sidebar.](#))

### **Driving Jobs Offshore**

Even large corporations cannot absorb the crushing U.S. regulatory burden for long without losing competitiveness *vis-à-vis* foreign producers. However, large corporations have options not readily available to many smaller businesses: They can more easily move their manufacturing and processing operations overseas, outsource many of their service sectors to cheaper foreign providers, and import cheaper foreign employees under various visa programs. And that is precisely what they are doing, in huge quantum jumps that defy any historic comparison.

America is in the midst of an enormous job outsourcing boom that gives every indication of accelerating. In addition to the continued massive hemorrhaging of America’s manufacturing and blue-collar jobs that began two decades ago, we now have a huge and growing crisis involving the flight of millions of hi-tech and white-collar jobs. If appropriate action is not taken to address the factors propelling this massive exodus, it is not an exaggeration to say that America is headed toward has-been status. A much-quoted study by Forrester Research Inc. last year predicted that at least 3.3 million white-collar jobs and \$136 billion in wages will shift from the U.S. to low-cost countries by 2015.

An October 2003 report by researchers from the University of California-Berkeley’s Fisher Center for Real Estate and Urban Economics suggests that the Forrester predictions may be extremely conservative. According to the Berkeley researchers, as many as 14 million service jobs are at risk of outsourcing.

The authors of the Berkeley report, Ashok Deo Bardhan and Cynthia A. Kroll, note that “the recent boom in outsourcing is causing growing apprehension in the U.S. that this may well be *the largest out-migration of non-manufacturing jobs in the history of the U.S. economy.*” (Emphasis added.)

Many of these jobs are going to India. By tabulating reports in Indian newspapers and business journals for the month of July 2003 alone, Bardhan and Kroll reported that they found “25,000 to 30,000 new outsourcing related jobs announced by U.S. firms. In the same month, there were 2,087 mass layoff

actions carried out by U.S. employers resulting in a loss of 226,435 jobs.”

“The jobs being created in India and elsewhere are in a wide range of service sectors,” say Bardhan and Kroll, “such as geographic information systems services for insurance companies, stock market research for financial firms, medical transcription services, legal online database research, and data analysis for consulting firms, in addition to customer service call centers, payroll and other back-office related activities.”

In addition to the millions of U.S. jobs that soon could be leaving for India, China, Russia and other offshore destinations, there is the added threat to American workers from imported labor. Hundreds of thousands of American information technology (IT) workers have lost their jobs in the past several years to foreign replacements through the L-1 and H-1B visa programs. American software engineers, computer designers, technicians, electrical engineers and other hi-tech employees are being replaced by workers from India, Pakistan, the Middle East and China.

No other country in the world has adopted such reckless and suicidal immigration policies. Incredibly, the Bush administration is advocating an amnesty for millions of illegal aliens that dwarfs the amnesty proposals of Bill Clinton. Moreover, President George Bush and many members of Congress enthusiastically favor *more* outsourcing, *more* L-1 and H1-B visas, and *more* immigration overall. At a December 15, 2003 press conference, President Bush stated: “I have constantly said that we need to have an immigration policy that helps match *any* willing employer with *any* willing employee.” (Emphasis added.) There is virtually an *unlimited* supply of willing employees worldwide who would be more than happy to immigrate to the U.S., but how is that going to help put Americans back to work?

It won't, says Jan Frelick, who has experienced the outsourcing and foreign “temps” up close and personal. Mrs. Frelick worked for computer giant Hewlett-Packard in the San Francisco Bay area but transferred to HP's facility in the Sacramento area in 1990. As computer security administrator for her division and a member of the division's business control team, she had a ringside seat from which she watched HP outsource droves of jobs. “Then, on August 24, 2001,” Frelick told THE NEW AMERICAN, “it happened to me. I wasn't ‘downsized’ — the term they deceptively use — I was *replaced*. So were almost all other employees in many units. The IT Support Desk, for instance, which previously was staffed completely by Americans, is now staffed by people from India.”

### **False Solutions, Toxic Antidotes**

The cheery advocates of globalization blithely dismiss concerns about massive job losses, the wholesale gutting of our economy and the flight of entire industries from our shores. Their mantra-like response is that the huge exodus of jobs, manufacturing, and technology is actually a good thing representing the elimination of obsolete remnants of the “old economy,” to make way for the higher value, cutting-edge technologies and jobs of the new global economy. These glib advocates are dealing in voodoo economics and globaloney social science. The jobs and technology we are outsourcing do not have to do with genuinely obsolete technology like buggy whips and whale oil lamps, as the globalists assert. They have to do with the production of real wealth, real products and real services that are essential to sustaining a modern, prosperous society.

Where are the wonderful new jobs the globalists keep promising? Hundreds of thousands of skilled and experienced white collar and blue collar workers — engineers, computer programmers, toolmakers, accountants and technicians — are unemployed, or have been reduced to taking near-minimum-wage jobs. Political forces, not market forces, are driving these devastating changes. As we have noted above, it is perverse government policies that are responsible for making American companies uncompetitive,

subsidizing our foreign competition, outsourcing jobs and flooding our job market with immigrants and "temporary" foreign workers. America has gone through economic downturns before and seen periods of high unemployment. But the economy has always rebounded and the jobs have returned as businesses have revved up production. However, that is not going to happen with the thousands of businesses and the millions of jobs we have been losing.

The Bush administration and its allies in Congress — Republican and Democrat — have given no indication of reversing our disastrous course. Indeed they are proposing supposed solutions that would prove to be even more calamitous. They are saddling U.S. businesses with even more oppressive mandates and regulatory overkill, while pushing for more job outsourcing, more temporary worker visas, far greater immigration quotas, an amnesty for illegal aliens and the removal of virtually all tariffs.

Moreover, the president has staked out 2004 to push for completion of the so-called Free Trade Area of the Americas (FTAA) agreement, a plan to merge the countries of the Western Hemisphere into a European Union-style common market. However, like the original European Common Market, the FTAA is much more than a trade pact. It has been designed to evolve into a supranational regional government, but in a much shorter time span than it took the Europeans to arrive at that stage. Like the EU, the FTAA's central executive authority would be strongly socialistic and would gradually claim the power to overrule the national laws and constitutions of its member states. The FTAA Declarations, Plans of Action and Charter drafts call for regional "integration," in accordance with the charters of the UN and the World Trade Organization. The FTAA would establish a bureaucracy of agencies to monitor, and eventually dictate, regional health, education, labor, environment, foreign aid, immigration and security policies. Like the EU, the FTAA is set up to acquire, gradually, full legislative, executive and judicial powers. As such, it is plainly a power grab disguised in the garb of a trade agreement.

The most frightening aspect of the proposed FTAA is the fact that its realization would spell the end to our national sovereignty and sweep aside constitutional impediments to the concentration of tyrannical power. But the more immediately felt effects would include a rapid dissolving of our borders and an enormous deluge of immigrants (both legal and illegal) from Latin America and the Caribbean. At the same time, billions of dollars of agricultural products, textiles, manufactured goods and other products will flood our markets devastating every industry sector in the same way that our domestic shrimp industry has been wrecked.

These so-called solutions are manifestly suicidal. If America is to be spared sinking into Third World status, we must completely reverse course. That means awakening and energizing a minority of the American public sufficient to compel Congress to: abolish the socialist regulatory monster that is destroying our country's competitiveness; take back control of our borders and enforce sensible, reduced immigration; end all U.S. taxpayer subsidies to foreign competitors; and defeat the FTAA. It's really very simple. Not easy, but simple.