Creating Jobs in Europe, Not America

by Phyllis Schlafly April 2, 2008

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Boeing Wins Protest of

$35 Billion Tanker Contract

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The indignation of Americans is growing rapidly about the U.S. Air Force granting a French company a $35 billion tanker-aircraft contract that could eventually grow to $100 billion and is estimated to create 100,000 jobs in Europe. French government subsidies are one of the factors that enabled the lucky company (known as EADS) to underbid Boeing.

Rep. Duncan Hunter (CA), the ranking Republican on the House Armed Services Committee, is leading the battle in Congress to overturn this decision. He thinks it is outrageous that U.S. taxpayers should be paying to create jobs in foreign countries.

It is bad enough that the United States has been hemorrhaging millions of manufacturing jobs that are critical to sustaining our middle class. It's even worse that government policies are deliberately outsourcing jobs that are critical to our national security.

All during the Clinton and Bush Administrations, U.S. negotiators signed trade agreements that allow foreign competitors to create and maintain unfair border-tax schemes that massively discriminate against U.S. manufacturers and service providers, and give foreign competitors a dramatic advantage in the U.S. market. The principal border-tax scheme used against us is the Value Added Tax (VAT).

When foreign manufacturers export their products to the United States, the Value Added Taxes they paid are generously rebated by their governments. Isn't that cool! General Motors, Chrysler and Ford would surely be in better shape if the U.S. government rebated the heavy U.S. taxes they have paid.

But that's only half the story. When U.S. manufacturers try to sell their products in foreign countries, they are required to pay border taxes not only on the value of the product itself, but also on the value of all transportation, insurance and other costs.

The bottom line is that these border-tax schemes heavily subsidize the products other countries sell to us, while erecting a high tax barrier against our goods when we try to sell overseas. The combination of foreign governments' export subsidies and import taxes amounted to a $428 billion disadvantage to U.S. manufacturers and service providers in 2006.

My late good friend, the well-known Senator Everett Dirksen, used to quip about government policies by saying, "A billion here, a billion there, and soon we'll be talking about real money."

The border-tax problem does, indeed, involve real money. In 2006, it was four times as costly as the Iraq war (VAT: $428 billion; Iraq war: $101 billion, according to Congressional Research Service figures), and two times greater than the U.S.-China trade deficit ($232 billion). The United States has no mechanism to stop or offset this foreign border-tax racket, which creates a severely unlevel playing field. Our complaints and petitions to the World Trade Organization have fallen on deaf ears.

But how could we expect any better treatment? We are only one vote out of 152, and most of the other countries don't like us anyway. This border-tax subsidy started shortly after World War II. U.S. officials, steeped in a Marshall Plan foreign-handout mentality, agreed to allow France to protect its domestic market, going and coming, by border-tax subsidies and taxes. What followed was monkey-see-monkey-do. Other countries found they could play the same anti-American game. Today, 149 countries use the border-subsidy-and-tax scheme to discriminate against U.S. products. In addition, the foreign border-tax rates have grown and grown. France's border tax rate of 2 percent in the late 1940s has risen to 19.6 percent today, and the average for all 149 countries is 15.5 percent.

These figures show that the push for the United States to lower or eliminate our tariffs is one of the costliest con jobs ever perpetrated on Americans. We cut our tariffs in the name of "free trade," but 149 foreign countries simply replaced their tariffs with approximately equivalent border taxes benignly called "Value Added," and then doubled the indignity by handing out subsidies to make their products more saleable in U.S. markets.

The American people rose up with a mighty roar a couple of years ago to kill the Bush Administration deal to outsource control of 22 East and Gulf Coast port operations to Dubai Ports World, which is controlled by a Middle East government. We are looking for a similar grassroots uprising to kill the deal to outsource the building of aircraft essential to our national defense.

America's industrial base is a vital part of our national security. We can't afford to put it under the control of foreign governments. The French tanker-aircraft deal should be a Red Alert about the unfair treatment of Americans by various trade agreements and contracts. Then, perhaps we can build momentum to protect what's left of our manufacturing base and middle-class jobs by establishing a level playing field for foreign trade.