

was 1 of 10 Republicans who did this evening. They were Senators BOND, BROWNBACK, COLLINS, DOLE, DOMENICI, LUGAR, SNOWE, SPECTER, VOINOVICH, and WARNER. The motion required 60 votes. It had 53. It was seven votes short. The Senator from Pennsylvania took exception to my characterization earlier that the Republicans could have done more and helped us pass that. I want the RECORD to reflect that on the final vote, before Senator REID changed his vote for procedural reasons, 43 of the 46 Democrats voted in favor of the motion. Ten Republicans voted in favor.

It is clear we could have had more, certainly, but it would not have been enough to make up the seven-vote deficit. When less than a third of the Republicans voted in favor of it, it is pretty clear that most of those on the other side of the aisle did not support that motion, despite the heroic vote by the Senator from Pennsylvania.

(At the request of Mr. REID, the following statement was ordered to be printed in the RECORD.)

VOTE EXPLANATION

● Mr. KERRY. Madam President, I am necessarily absent for the cloture vote today on the AMT bill which is the vehicle for the auto stabilization legislation. If I were able to attend today's session, I would have supported cloture on the bill.●

U.S. TRADE AND MANUFACTURING POLICY

Mr. REID. Madam President, my good friend Senator Ernest Hollings contacted me and asked if I could have printed in the RECORD a statement he has written about U.S. trade and manufacturing policy. It is my pleasure to do so.

Senator Hollings was a longtime chair of the Senate Commerce Committee and a champion of American manufacturing. His statement contains some insightful and provocative thoughts of his and I encourage all of my colleagues to read it.

Madam President, I ask unanimous consent to have printed in the RECORD Senator Hollings' statement.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

ECONOMISTS AND FREE TRADE

(By former Senator Ernest F. Hollings (D-S))

The trouble with the economy is too often the economists who advise, oversee and, in some cases, even manipulate it.

This is the crowd that advised on and overly embraced sub-prime mortgages, derivatives and credit default swaps. The crowd that advised on deregulating the financial industry. And the crowd that, after over stimulating the economy for the past eight years to the tune of \$5 trillion of deficit spending, is now calling for, you guessed it, even more financial stimulus!

According to the Congressional Budget Office, last year's deficit or financial stimulus

was \$1.035 trillion. And as the economists try to decide on the amount of stimulus sufficient to jolt our clearly broken economy, we have already spent \$691 [12/5/08] billion on additional financial stimulus just since October 1st—and it is not working.

To really prime the pump of the economy, it should be "billions for immediate infrastructure—and not much more for financial stimulus."

The need now is to create jobs and to stop increasing the interest costs on the federal debt, costs that already exceeds \$500 billion a year—\$500 billion which we should be spending on universal health care and not on economic steroids. More of the wrong kind of stimulus will only serve to stimulate more production in China, at the expense of more jobs being lost here at home.

Of course, the economists for the global financial institutions and the big multinational corporations know this, but because their loyalties are more to their institutions and less to our nation, they continue their calls for ever more "free trade" and for continuing U.S. trade and current account deficits.

The irony is that economists learn in their very first class in school that it was a trade war which brought us our initial freedom as a country, and that semi-protectionism later helped build the United States. England started a "trade war" with the Colonies by adopting the Navigation Act of 1651 that required all trade be carried in British vessels. Manufacturing was forbidden in the Colonies, even the printing of the Bible, and then the Townsend Acts drafted by Adam Smith placed heavy import duties on a wide range of items. All of this precipitated the Boston Tea Party that started the Revolution.

While we obtained our freedom in 1776, it wasn't until 1787 that we empowered Congress, in Article I, Section 8, of the Constitution, to regulate commerce, both domestic and foreign. President George Washington's first message to the first Congress in 1789 warned that, "A free people should promote manufactories to render them independent of essential, particularly military, supplies." Thereafter, the United States was financed and built for 100 years with semi-protectionism, and we didn't even pass the income tax until 1913. At the advent of the Transcontinental Railroad, it was suggested that the needed steel be obtained from England—but President Abraham Lincoln strongly objected and required the steel to be produced in the United States. And Edmund Morris, describes how the U.S. won the trade war with England in his remarkable book "Theodore Rex" about President Teddy Roosevelt. President Roosevelt exclaimed at the time, "Thank God I am not a free trader."

Under the new phenomenon called "globalization", the so-called "comparative advantage" which underpinned the early centuries is no longer God-given or determined by the weather, as was the case, two centuries ago, with David Ricardo's English woolens and Portuguese wine. Now commercial success is largely created, or not, by government policies, and the United States government refuses to compete for such success, even though, as The Economist magazine reported recently, "Business these days is all about competing with everyone from everywhere for everything."

Right after World War II, Japan started its trade war by competing in international trade for market share rather than profit. Japan closed its domestic market and sold its exports at cost, making up the profit in its closed market. It subsidized production and targeted certain items in trade—first textiles, then electronics, machine tools, robots and, finally, automobiles. As a consequence, Toyota is today #1 as General Mo-

tors, Chrysler and Ford struggle just to survive.

China's post-WWII trade war began when it closed its domestic market to articles domestically produced, but opened it to foreign production in exchange for research and technology. General Motors, Intel and Microsoft, among others, have established major research facilities in China, and the U.S. is now running well more than a \$1 billion per month trade deficit with China in just advanced technology products. China has accumulated dollar reserves in excess of \$1.3 trillion, and it is now far and away the world's superpower in trade.

These behaviors by Japan, China, India and others are manifest in almost all of America's imports, but they are most manifest in automobiles, where the focus and the consequences are crystal clear.

The United States Congress looks at the BMW plant in South Carolina, my home State, and the Nissan plant in Mississippi as examples of relative success and wonders what's the matter with Detroit?

Yet BMW received a tax deferral benefit of \$100 million to locate in South Carolina and Nissan received over \$300 million to locate in Mississippi. And all Detroit got—Ford, GM and Chrysler alike—was tax incentives to leave the United States and offshore its jobs and production.

The supervisory personnel from Germany and Japan who run BMW's and Nissan's plants have health care and retirement benefits paid for by Germany and Japan. Detroit has to pay for the health care and retirement benefits of its supervisory personnel.

BMW and Nissan have deductible health care for its employees. Detroit has to pay full health costs on its employees.

BMW and Nissan hire forty-five year olds and under in order to minimize health costs. Detroit has a lot of senior people and legacy costs.

The major parts that BMW and Nissan use to assemble cars in the United States are produced 19% cheaper in Germany and 5% cheaper in Japan because BMW's and Nissan's VAT taxes are rebated when parts are shipped for assembly in the United States. Detroit pays all local, state and federal taxes on its parts.

Nissan, with a largely closed domestic market, does not have to make a profit, and thus located in the United States for market share. Detroit needs to make profits.

BMW and Nissan high-ball the costs of their imported parts so as to minimize profits and taxes to the United States. Detroit has to pay taxes on its profits.

And now, no surprise, the U.S. has a net deficit of \$10 billion a month in foreign car imports, or more than \$1 trillion in the last eight years, all because of highly and in some cases illegally subsidized competition with Detroit.

And yet some influential economists still call this "free trade".

Senate Majority Leader Harry Reid charged Ford, General Motors and Chrysler "to get their act together [and] to come up with something." But Detroit can't do it alone. The new President and Congress must come up with something at the same time for Detroit to recover long-range. Using his authority to protect our national security, President John F. Kennedy instituted his seven-point policy of protection for textiles in 1961. Under Section 201 of the Trade Act, President Ronald Reagan threatened quotas on automobile imports in order to get Voluntary Restraint Agreements from Japan. So clearly the authority is there for President-elect Obama and Congress to impose quotas on imported cars so that Detroit can recover long-term long-range.