



In 1765, the infamous Stamp Act taxed the colonists who had no representation in Parliament. In 1773, that Stamp Act was adjusted to favor the British East India Company which imported tea to the American colonies. Protests by the colonists arose in Philadelphia, New York and Boston.

On the night of December 16, 1773, Samuel Adams whipped up a huge crowd of American colonists in Boston. That crowd shouted defiance at the British Parliament, the British East India Company and the British appointed Governor. The tea was on board the Dartmouth which sat in the Boston Harbor. Captain Roach was concerned about the atmosphere and pleaded with the Governor to allow his ship to leave without unloading the tea. The governor refused and on hearing that message, Samuel Adams cried to the crowd, “This meeting can do no more to save the country!”

***As though on cue, the Sons of Liberty disguised as Indians led a party of 8,000 colonists who dumped 45 tons of tea from three ships into the Boston Harbor in the middle of the night.***

The following morning on December 17, 1773, Paul Revere mounted his horse and rode to Philadelphia to spread the news of what became known as the Boston Tea Party. It was over a year later that Paul snuck into Boston to set up a signal from the Old North Church that he could read from across the bay. Paul then rowed a boat across Boston harbor under the noses of the British fleet anchored there. That night on April 18, 1775, Paul waited for a signal before beginning a midnight ride that became a legend in American history.

But, did you know that when the Revolutionary Army needed cannon, Paul Revere built a factory and made cannon? And when they needed gunpowder, Paul

put up a factory and made gunpowder. That demonstrates the importance of domestic manufacturing for national security. Of course, the same must be said about food and energy.

My company is Revere Copper Products and I serve Revere as Chairman. We believe we are the oldest basic manufacturing company in the USA as we were founded in 1801 by Paul Revere. At that time, the leaders of our country feared another war with the British. The USS Constitution needed copper sheets to sheath its hull to prevent the growth of barnacles which caused it to lose speed. But the only copper sheets available were from Britain.

This was no accident as the British before the revolution had not allowed the colonists to erect forges or furnaces or rolling mills. After American independence, England's Lord Brougham proposed destroying America's infant industries by selling manufactured goods to them below cost. He proclaimed that it was, "Well worthwhile to incur a loss...to stifle in the cradle those rising manufactures in the United States."

But the leaders of our country were clever back then and the US government loaned Paul Revere \$10,000 to build the first copper rolling mill in the New World. The first order covered the roof of the Massachusetts state capital and the second order was used to sheath the USS Constitution and pay back the loan. Our country was then prepared for the War of 1812.

Today, Revere's mill in Rome, New York produces copper and brass sheet, strip and coil. Many customers are US manufacturing companies. Since 2000, about 30% of these customers have shut down or moved offshore. You can see why if you go to any big box store and look at any item made of copper or brass - you will likely see that the product is now made in China. That's because the cost of manufacturing in China is so much cheaper, you believe.

***Once you start looking at the facts, however, you will see a very different picture.***

Let's say the production cost of a brass doorknob in China is 100 yuan. If the exchange rate for converting yuan to dollars is controlled by the government of China at 7 yuan to \$1, then the production cost is equivalent to \$14.28. But if the exchange rate was market driven, it would be about 4 yuan to \$1 and the production cost in China would be equivalent to \$25. So a factory that produces that doorknob for \$18 in the USA is going to lose market share and be shut down.

***Currency manipulation works the same way for any food products grown in China. Indeed, the manipulation of its currency reduces the competitiveness of***

***every other product, good and service in the world when compared to its production in China.***

But it is not only currency that is being manipulated. It's their tax structure, health care, environmental stewardship, government loans not repaid, piracy of intellectual property, reverse engineering and many other forms of direct and indirect subsidies. Currency manipulation on top of these subsidies can reduce costs as much as 80% when producing anything in China. This happens without even considering the cost of labor.

***Why does it seem that the USA is getting hit harder than any other country in the world?***

Just maybe that is because the USA is the only country in the world without a national trade strategy. That can be seen in our tax system. Every other trading nation in the world uses a Value Added Tax or VAT to protect its domestic production of manufactured or farm goods or services. The USA is the only major trading nation in the world without some form of a VAT.

A VAT is a tariff but such a tariff is acceptable under the rules of the World Trade Organization or WTO because it was grandfathered when the WTO rules governing international trade were set up.

The average VAT tax in the world is 18%. When any good or service produced in the USA is shipped to another country, it must pay an average VAT tariff of 18%. The good it competes against in the foreign country also pays that country's VAT. So you might think that is fair.

But the revenues from the VAT are used to reduce the cost of goods produced in that country. These countries have lower tax rates on production plus they provide health care for the workers paid for by the VAT. That offsets the VAT paid by its domestic producers.

Then, on top of this distinct advantage, all of these countries rebate or refund the VAT tax on any goods produced in their countries that are exported. So if you produce and export from a foreign country, you not only get the more attractive tax and health care costs, you do not even have to pay the VAT tax.

Of course, if you export to any other country in the world, you have to pay the VAT of that country. But not if you export to the good old USA, because we stand alone without a VAT to protect domestic production.

***Every other country in the world has to change or we have to change, it's that simple...***

Do you wonder why the Free Trade Agreements or FTAs don't seem to work? Part of the reason is that the FTAs are designed to reduce tariffs. The USA reduces its tariffs and our foreign trading partner reduces their tariffs. But they increase their VAT or other border adjustable taxes to offset their reduced tariffs. We don't and that is not fair to domestic US producers.

The result of all these factors is that our nation's trade deficit is growing at a rate of \$100 million an hour! China alone holds about 1.75 billion US dollars worth of foreign currency mostly from its surplus trade with the USA while Japan has over \$1 billion.

This money is invested by these nations in Sovereign Wealth Funds controlled by these governments. These funds buy Fannie Mae and Freddie Mac bonds that are secured by mortgages. When it appeared that Fannie was headed toward bankruptcy, China and Japan insisted that the US government step in and save their investments or they would stop putting their money in US dollar securities.

Of course, the mortgages couldn't be paid because so many Americans have lost their jobs. The official unemployment figures are now 6.1% but that does not include another 4 to 5% that became discouraged and quit looking for work. There are an additional 5% not counted because they accepted part time jobs when they couldn't find a full time job.

***That adds up to 15% of the workforce that is unemployed or underemployed!***

Since 2000, the USA has lost more than 3 million manufacturing jobs alone due to outsourcing jobs to foreign countries. In a normal recovery that would be about 1 million due to productivity increases.

***So why are we NOT doing anything about this?***

You must realize a simply truth - those multinationals importing components or subassemblies or with operations in China benefit from Chinese protectionism and really don't want it to stop.

Any goods and services that compete in global markets, either directly or as part of a supply chain, are exposed to these protectionist forces. Future losses will go far beyond the continued loss of manufacturing jobs and extend to the agriculture, food processing and service industries. Indeed, Alan Blinder, former Federal Reserve Vice Chairman, was quoted in the Wall Street Journal on March 28, 2007, saying



that, "...as many as 40 million American jobs (are) at risk of being shipped out of the country in the next decade or two."

***What should be done to counter this protective behavior by other nations?***

Two weeks ago, the Coalition for a Prosperous America sponsored a Joint Coalition Meeting in Washington, DC. That meeting was attended by 30 leading citizens representing The AFL-CIO, the Alliance for American Manufacturing, the American Manufacturing Trade Action Coalition, The Copper & Brass Fabricators Council, the Steel Manufacturers Association, the Tooling, Manufacturing and Technologies Association, The US Business and Industry Council plus numerous economists, foundations and university professors.

I had the honor of moderating that meeting. We agreed on certain principles in a document titled, "Fixing America's Economy." We will seek a commitment from all candidates for national office to support these principles.

**First, SUPPORT policies that promote American interests by requiring full reciprocity, fairness, and transparency in all U.S. trade agreements, including such areas as labor and environmental standards.**

**Second, SUPPORT actions to combat the illegal, mercantilist practice of prolonged currency misalignment, including legislation to make it actionable under US trade law.**

**Third, SUPPORT aggressive enforcement of U.S. laws to halt foreign illegal trade activities such as dumping, subsidies and intellectual property theft. In addition, U.S. policy must ensure that all goods sold here meet U.S. food and product safety standards.**

**Fourth, SUPPORT the elimination of tax disadvantages which undermine the competitiveness of U.S. producers both at home and abroad or which discourage investment in America.**

**Fifth, SUPPORT reduced U.S. dependence on imported energy.**

So far that resolution has gained signatures from an impressive list of groups, industries and associations. We will be hitting the road with it very soon.

Today, I have tried to share with you a vision and a mission that CPA is trying to reclaim America, its sovereignty and its greatness. It is important for you to support us. Please become a friend, member or donor of CPA by filling out the cards you were given at the door. We have a lot of good people and organizations working together through the Coalition for a Prosperous America. We have farmers,

manufacturers, workers, ranchers and many associations representing an increasingly large cross-section of the economy. We want America to be strong again. We want America to prosper. Ben and Tom and Paul could not do it alone, and neither can we.

When Paul Revere tried to rouse the countryside with his wake up call, what did the people do? They certainly didn't go back to sleep. We all need to wake up and listen. But we must be careful who we listen to....

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#### **REVERE MISSION STATEMENT**

Our Mission is to be the best in the world at what we do and have fun doing it. This means using to the fullest extent the talents of all Revere people working as a team in a safe, environmentally sound and ethical manner to achieve absolute customer satisfaction through superior quality and reliability.

Our future will consider equally, our employees and shareholders, our customers and our country.

***Wake up, America!***

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