

Copyright 2003 CNBC, Inc.  
CNBC News Transcripts

**SHOW:** Capital Report (9:00 PM ET) - CNBC

November 11, 2003 Tuesday

**LENGTH:** 1487 words

**HEADLINE:** Fred Smith of the **Competitive Enterprise Institute** and Pat Buchanan of MSNBC discuss the Bush administration's handling of steel tariffs and possible political and trade ramifications

**ANCHORS:** ALAN MURRAY

**BODY:**

Announcer: You're watching CNBC's CAPITAL REPORT. Once again, Alan Murray and Gloria Borger.

ALAN MURRAY, co-host:

Welcome back. Coming up in this half-hour, who is George Soros, and why is he giving millions of dollars to defeat George W. Bush? We'll take a closer look at the power that money can buy when it comes to partisan politics. That's ahead on CAPITAL REPORT.

But first, the Bush administration is in the hot seat over steel imports. European and Asian countries are now demanding that the US drop its tariffs on imported steel or else face retaliation in the form of tariffs on products like oranges and textiles from states like Florida and the Carolinas. Those states also happen to be critical to the president's re-election plans. Could we be heading for a trade war in the middle of an election year? Joining us now, Fred Smith, president of the **Competitive Enterprise Institute**, and Pat Buchanan, co-anchor of MSNBC's "Buchanan & Press."

Pat, let me start with you. These steel tariffs have been declared illegal by the World Trade Organization. They are opposed by all the president's economic advisers. Why doesn't the president just drop them?

PAT BUCHANAN (Co-host, "Buchanan & Press): Because he wants to save the United States steel industry. There are about 30 companies that went into bankruptcy after foreign countries began dumping subsidized steel into the United States and killing our industry. The president's first obligation is to the American steel industry, to national self-sufficiency and to American workers. And what he ought to do: hold the tariffs and let the other countries shut down their mills and keep ours alive.

MURRAY: Fred, almost three million manufacturing jobs lost since this president took over. Clearly there's a trade problem here, isn't there?

Mr. FRED SMITH (**Competitive Enterprise Institute**): Well, a lot of them because of the kind of policies that protectionism has. For every steel mill job that we have basically saved, what about the steel-using industries' jobs? When you make it harder for steel-using industries to get quality steel at economical prices, you're making them less competitive in the world market. What we giveth with one hand, we have taken away twice as much with the other hand.

MURRAY: It's like a 30 percent tax on steel for the auto companies.

Mr. SMITH: On autos. And effectively, what we've done--what we're doing is we're not protecting, really; we're shielding from competition. America could win a lot more gold medals at Olympics if we didn't let foreigners compete.

MURRAY: Pat, the president's hearing a lot of complaints from these steel-using industries, the auto industry being one.

BUCHANAN: Yes, indeed. But where I disagree with the president, I think he should march down the road toward protecting all American industries, quite frankly.

MURRAY: Oh.

BUCHANAN: I mean, look, you're right, you have a difficult policy when you just keep out foreign steel, although American steel mills are now producing back close to capacity. We've saved them. There's overproduction abroad. But look, you cannot let the Europeans threaten you like this. It's a European-dominated WTO. They outvote us there 15-to-1. We have a 565-billion-dollar merchandise trade deficit. All they've got to do is threaten us with a trade war. We would clobber them.

MURRAY: But...

BUCHANAN: It's a bluff.

MURRAY: But, Fred, the rules of the WTO are pretty straightforward, aren't they? We're violating them. And so the...

Mr. SMITH: We're violating--and incidentally the Europeans violated them and we win cases against the Europeans. The tragedy with what's going on now is a beggar-thy-neighbor policy both from the Europeans with agricultural policies and the United States on steel policies, both of them getting in the way of the abilities of Americans and Europeans to get the best buy in the world economy.

MURRAY: But what do you think, Pat, about--go ahead.

BUCHANAN: We should never have gone into the WTO. I opposed it. You surrendered your sovereignty to a bunch of Europeans. We are outvoted 15-to-1. We ought to abolish

the WTO. We ought to set American trade policy for the benefit, self-sufficiency, economic independence of the United States of America and maintain the highest standard of living for American workers.

MURRAY: But, Pat--go ahead.

Mr. SMITH: But, Pat, look, self-sufficiency is always a nice buzzword, but self-sufficiency--do you really want to go back to growing your gardens in your back yard? Essentially, allowing Americans to get the best buys they can...

BUCHANAN: Fred...

Mr. SMITH: ...is the best way to ensure self-sufficiency. We're world-class competitors. Our steel industry, our auto industry are stronger today because of free trade, because back when we had protectionism, we drove the auto industry into the hand of feather-bedded unions and incompetent management.

BUCHANAN: Fred, look...

Mr. SMITH: They got better with free trade.

BUCHANAN: ...after World War II, all the way virtually up to 1960, the United States survived with--4 percent of GDP was imports, 8 percent was exports. It was that way the entire first half of the 20th century up to about 1970. We now have the greatest trade deficit in world history. The currency is falling. The value of the dollar is falling. Our dependency on China is growing.

Mr. SMITH: Wait a minute. That's not a trade...

BUCHANAN: We've never been more dependent than we are today.

Mr. SMITH: Trade deficit? Trade deficit?

MURRAY: Let me ask you a political...

BUCHANAN: He doesn't care about trade deficit.

Mr. SMITH: Nobody should. Nobody should.

MURRAY: Let me ask you a political question, because any way you look at it, the president did this.

Mr. SMITH: Sure.

BUCHANAN: I'll tell you why he did it.

MURRAY: The president doesn't believe what you believe, Pat. The president believes...

BUCHANAN: I'll tell you why he did it. I was in West Virginia. He did it to help the steel folks in West Virginia. Clinton abandoned them. I was out there. They turned his picture to the wall. Bush won West Virginia because of his promise on steel.

MURRAY: Yeah, but look at West Virginia and Pennsylvania and Ohio now. They're turning away from Bush. They're--you got...

BUCHANAN: Look, you know, they're turning away because Ohio's lost 160,000...

Mr. SMITH: Wait a minute.

BUCHANAN: ...manufacturing jobs. Why? Ask Fred.

MURRAY: Fred.

Mr. SMITH: Why did they lose jobs? They've lost jobs in part because of the protectionist policies that Pat's pushing out there. What we did is--West Virginia was won largely because we turned away from the anti-energy policies that the Goreites wanted in the form of Kyoto. That's what happened in West Virginia. Ohio, a little more complicated there, but there's a lot of coal in Ohio, too. Look, the point is trade deficits essentially are a deal where we get their goods and services today and they say, 'Look, sometime in the future, we'll offset it with your goods and services.'

BUCHANAN: Fred, that is nonsense.

Mr. SMITH: That is exactly what happens.

BUCHANAN: Ninety-seven percent of all the money went abroad over there in this big deficit last year came back purchasing assets, companies, T-bills, claims on future American profits...

MURRAY: OK, I gotta ask you...

BUCHANAN: ...future American interest and dividends.

MURRAY: We're running out of time here. I need predictions now. Not what you want to happen; what you think is going to happen. Is the president going to give up on steel tariffs, Fred?

Mr. SMITH: This president is going to move responsibly to recognize this was a mistake, it wasn't good politics, it wasn't good economics. He's going to eliminate the steel tariffs.

MURRAY: Steel tariffs are gone. Pat.

BUCHANAN: If he throws them out, he buckles, he capitulates, it will hurt him politically and I think it will hurt economically. Frankly, the Republican Party is too free trade. It's got to get a new policy. Gephardt's on the right track.

MURRAY: But what will he do? What will he do?

BUCHANAN: I think he'll split the difference. He'll let in some steel and he'll keep some tariffs. Watch.

MURRAY: All right. Pat Buchanan, Fred Smith, thank you both...

Mr. SMITH: A new kind of Democrat, Democrat here.

MURRAY: ...thank you both for being with us. We gotta leave it at that. Thanks very much.