

MEMORIAL DAY
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U.S. REPRESENTATIVE
4TH DISTRICT · OREGON



PETER DeFAZIO REPORTS

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Official Business

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Congress of the United States
House of Representatives

May 3, 2004

Dear Friend:

As you can see from the charts below, the federal debt and international trade deficits are at record levels and growing (see p. 2 and p. 3). Despite this mountain of borrowing against our future, families are struggling to make ends meet, good jobs are scarce and important programs like education, Medicare and veterans health care are being cut. Something is very wrong with the priorities in Washington.

I'm writing this message on an airplane, halfway across the U.S., on my weekly commute. It's not just miles that separate my hometown of Springfield from Washington, D.C., but a different daily reality.

The administration and media pundits have declared the recession over and trumpet strong employment numbers. This

is not the reality in Southwest Oregon and much of America. They refuse to extend unemployment benefits to 23,000 Oregonians and 1.5 million long-term unemployed citizens who can't find decent jobs.

They deny a need for a strong federal investment in infrastructure to put Americans back to work. The President has threatened to veto a huge component of my jobs strategy—a strong six-year transportation/highway bill, funded from existing gas taxes.

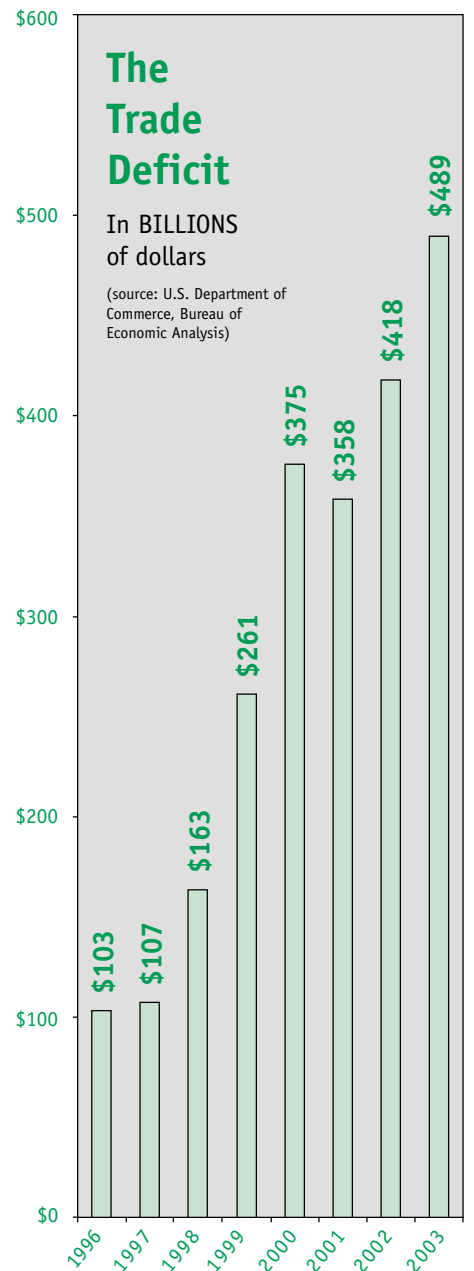
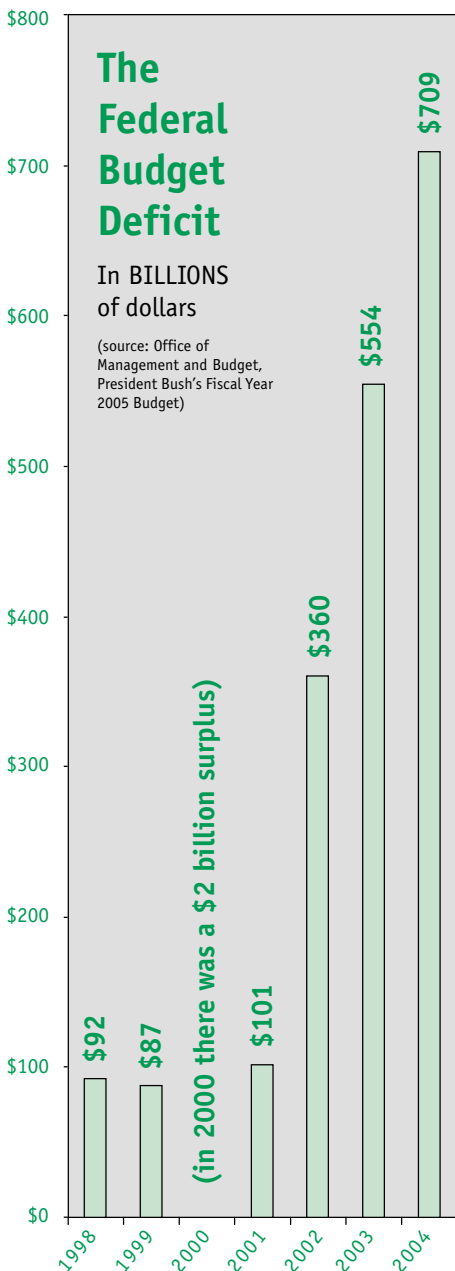
Unbelievably, the administration's Chief Economic Advisor thinks shipping jobs overseas is good (p. 2). OPEC and big oil companies are running roughshod over consumers in the face of inaction by Congress and the White House (p. 2).

The situation in Iraq changes by the hour. Yet more than 14 months after the war began, our troops still lack the basics and a well-planned exit strategy (p. 4).

As always, your views and ideas are important and welcome. Please contact me by phone, mail or e-mail (p. 4).

Sincerely,

PETER DeFAZIO
Member of Congress



Made in China: Exporting The American Dream

The President's Chief Economic Advisor, **"Mankiw told Congress on Monday that the transfer of U.S. jobs overseas is 'just a new way to do international trade.'"**

USA Today, February 13, 2004

Since 2001, Oregon has lost over 48,000 jobs—over 26,000 of those, manufacturing jobs. Nearly 10,000 jobs have been lost in Oregon due to the North American Free Trade Agreement (NAFTA). Yet Gregory Mankiw believes that exporting U.S. jobs overseas, where workers get dollars per day, is a great new way to do international trade. I don't.

U.S. trade policy is a bipartisan failure. The Bush administration has built on and expanded the Clinton administration's failed trade policies that exported American jobs.

I fought against President Clinton's embrace of job-killing trade deals, and strongly disagree with the Bush administration's argument that "it makes more sense" to flood the U.S. market with goods and services from China because it's cheaper (even with shipping, because Chinese workers earn pennies an hour).

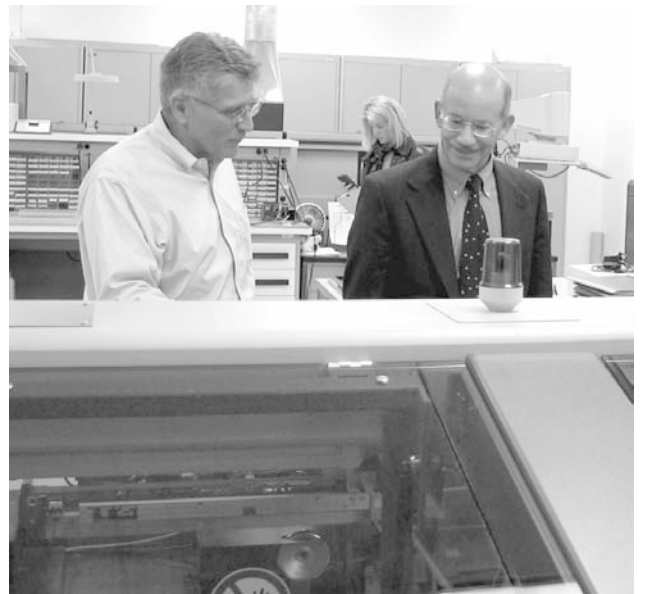
I voted against NAFTA, creation of the World Trade Organization (WTO), and privileged trading status for China. Supporters of these agreements promised more jobs for workers and profits for farmers and small businesses. The reality has been very different—record unemployment, outsourcing and a jobless recovery.

The administration talks a lot about "rules-based" and "free" trade. However, the U.S. is failing to require other countries to follow the rules. China continues to steal the intellectual property of American entrepreneurs with impunity. Videx, a small business based in Corvallis, Oregon, had an entire product line counterfeited in China. The company's sales in China plummeted from \$1.2 million a year to \$200,000. I asked the administration to file a trade action on behalf of Videx and other small businesses being cheated by the Chinese. They refused.

"Free" trade and "rules-based" trade are selectively pursued. When it is in the interest of multinational corporations, they prevail. When it is in the interest of consumers—reimportation of lower cost prescription drugs from Canada or fighting the OPEC oil cartel—these principles are abandoned.

I am a cosponsor of several bills to overhaul U.S. trade policies and stop the export of jobs:

- H.R. 3228, legislation to repeal preferential access to the U.S. market for China;
- H.R. 1769, the Job Protection Act, which would provide a tax cut



Photograph by MATT MISCH, VIDEX

Andy Hilverda, Videx VP, shows DeFazio the technology that is being stolen by the Chinese.

for manufacturers who maintain U.S. operations;

- H.R. 3888, the Defending American Jobs Act of 2004, which would prohibit companies from receiving federal grants, loans or loan guarantees if they lay off a greater percentage of workers in the U.S. than they lay off in other countries;
- H.R. 2879, legislation to repeal fast-track trade negotiating authority;
- H.R. 3820, the United States Workers Protection Act, which would prohibit federal contracts from being carried out by foreign labor;
- And several bills, including H.R. 2154, H.R. 2702, and H.R. 2849, which crack down on abuses of H-1B and L-1 visas that allow U.S. companies to import workers, even if they displace U.S. workers.

Gouging at the Gas Pump

Gas prices have soared, straining consumers' wallets and strangling the economy. Energy Secretary Spencer Abraham has said the U.S. will not "beg OPEC" for oil. Fortunately, we don't have to. Here are a few ways to get gas prices under control:

- **File trade sanctions against OPEC for collusion and market manipulation.** I've introduced legislation and asked the President for action.
- Enact H.R. 1221, the "Gasoline Price Stabilization Act," legislation I introduced which allows the

President to stabilize oil and gas prices by: imposing price caps; tapping the strategic petroleum reserve (a federal reserve of 700 million barrels of oil); requiring minimum inventory levels of oil to smooth out supply disruptions; and reinstating the **ban on exporting oil from Alaska to Asia.**

- Enact H.R. 1039, legislation to stop price discrimination that takes place when gasoline is loaded on tanker trucks and to require oil companies to disclose their pricing practices to the Department of Energy.
- Mandate increased fuel efficiency standards for vehicles as part of any energy bill.

Tightening the Belt on Spending

Since I last wrote to you in December, this year's deficit has jumped from \$536 billion to a record \$709 billion.

The 10-year deficit is projected to be more than \$5.1 trillion. The budget for next year, drafted by the House Republican leadership, will make this fiscal disaster even worse. Their budget, which I voted against, will add another \$247 billion to the deficit over the next five years; \$1.6 trillion over the next 10 years.

This massive increase in debt is not sustainable. Our children and grandchildren will be saddled with higher taxes their entire working lives to pay for today's deficits. A run-up in debt jeopardizes Social Security, Medicare and a host of other needed programs. As foreign governments control more of our debt, our national security and economic independence are put at risk. At the end of 2003, China and Japan controlled nearly \$1 trillion of U.S. debt.

We must put our fiscal house back in order. I support H.R. 3995, the **Assuring Fiscal Honesty and Accountability Act of 2004**.

This legislation would **cap discretionary spending** for the next three years at the levels requested by President Bush. The bill would also **reinstate the "pay-as-you-go" rules** that helped bring the budget into balance in the late 1990s. These rules require that any legislative changes that would increase the deficit—whether spending increases or tax cuts—must be offset by cuts or revenue increases somewhere else in the budget. H.R. 3995 would also **reform the "emergency" spending loophole** that allows Congress to spend billions of dollars a year outside the normal budget process.

But the deficit cannot be solved solely by cutting spending. In fact, **we could zero out the entire federal budget except for the Defense Department** (meaning no funding for veterans, law enforcement, etc.), **and the deficit would still be more than \$300 billion** this year and for the foreseeable future.

Getting the federal budget under control will require discipline on both spending and taxation.

Steps Towards Balancing the Budget Over 10 years

- Reduce consultants employed by the federal government by 150,000 (\$67 billion).
- Repeal subsidies to the pharmaceutical and insurance industries in the Medicare bill (\$19.9 billion).
- Freeze foreign military and economic aid at 2004 levels (\$50 billion).
- Cancel one of three virtually identical fighter jets under development (\$50 billion).
- Reduce corporate welfare (\$275 billion).
- Cancel the international space station (\$20 billion).
- Cancel Star Wars Missile Defense (\$500 billion).
- Crackdown on corporate tax avoidance (\$205 billion).
- Reinstate the Superfund tax so corporations pay to clean up their pollution (\$20 billion).
- Freeze tax cuts for those making more than \$311,000 a year (\$1 trillion).
- Reinstate a graduated tax for estates worth more than \$7 million (\$107 billion).

Memorial Day: a Time to Honor Our Veterans

A long overdue World War II Veterans Memorial will be dedicated this Memorial Day. Now Congress should dedicate itself to improve veterans health care and benefits.

More than 60,000 veterans are waiting six months or more for a doctor's appointment; 14,000 veterans have been waiting six months or more for their "expedited" disability claims; and last year 164,000 veterans were cut off from the VA health care system by the Bush administration. Despite the dismal performance, the Republican leaders championed a budget that cuts \$28 billion over 10 years in veterans health care, disability compensation and pensions.

A better way to honor our veterans is to:

- **Make veterans health care spending mandatory** under the federal budget.



DeFazio talks with a World War II veteran about veterans benefits at the new National World War II Memorial.

- **Repeal the disabled veterans tax** immediately so all veterans can receive both retired pay and disability compensation.

- **Approve the "Keep our Promise to America's Military Retirees Act,"** H.R. 3474, to open up the Federal Employees Health Benefit Plan to military retirees (the same quality benefits available to Members of Congress).

- **Repeal the penalty for military widows** under the Survivor Benefit Plan, which forces widows to give up more than one-third of their benefits when they reach age 62.

Our troops should be taken care of when we send them into battle and after we bring them home. They shouldn't have to fight the government to get the benefits they earned through honorable service.

Pentagon Wastes Billions Yet Troops Lack Basics

While the political appointees running the Pentagon shower billions of dollars on military contractors for gold-plated Cold War weapons systems, our troops are at risk for lack of basic equipment.

There wasn't enough ceramic body armor for troops during the first nine months of the Iraq war and occupation. Armored Humvees are still in short supply, as is state-of-the-art bomb detection and suppression equipment. The 2nd Battalion, 162nd Infantry of the Oregon National Guard was sent to train without the basics—fuel, ammunition, toilet paper, field radios—and were housed in moldy, crumbling barracks.

Is there a huge cash crunch at the Pentagon? Hardly. The fiscal year 2004 Pentagon budget was increased to \$369 billion and Congress allocated an additional \$141 billion in supplemental funds. The Pentagon is suffering a crisis of mismanagement. It's not an issue of money, it's an issue of misplaced priorities.

A March 19, 2004 *Wall Street Journal* story explained that the Pentagon's preoccupation with Cold War weapons systems has led to neglect of programs more relevant to today's conflicts. **The Army tried to cut nearly 2,000 armored Humvees in its 2004 budget to free up money for its exotic weapons programs.**

Pentagon spending accounts for \$1 of every \$2 in federal discretionary spending, yet **the Pentagon is the only agency of the federal government to fail every independent audit of its books.** Over the last

decade more than \$2.3 trillion of spending cannot be accounted for. The Pentagon, like all federal agencies, should be held accountable for spending tax dollars wisely.

I strongly support our troops and am fully committed to insuring they have the equipment they need. I have voted against Pentagon budgets to protest wasteful weapons programs, and have fought year after year to transfer money from obsolete Cold War weapons to meet the needs of our troops.

It is not in the best interest of national security, our soldiers, and taxpayers to put our troops in harm's way ill-equipped, while we continue funding weapons that don't counter real threats, don't work and are hopelessly over budget and behind schedule. The Crusader artillery piece (cancelled after more than \$2 billion), the Comanche helicopter (cancelled after \$7 billion), or the fantastical Star Wars missile defense system (which still doesn't work after \$100 billion) are just a few examples.

The \$7 billion squandered on the Comanche would be enough money to equip every soldier with body armor, every patrol in Iraq with armored Humvees, all National Guard troops with quality training, equipment, housing and medical care and there would still be money left over to cut the deficit, and fund education and vital infrastructure projects.

Congress must fix the fiscal management and misplaced spending priorities at the Pentagon.

My Offices Are Here to Serve You

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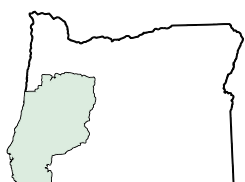
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Canadian Drug Crackdown

Under the guise of safety and protecting the health of Oregonians, the Oregon Board of Pharmacy continues to crack down on local storefronts that provide affordable FDA-approved prescription drugs from Canada.

In reality, the only things protected are the profits of the wealthy and politically-connected pharmaceutical industry. The truth is that the drug supply chain in Canada is safer and more closely regulated than the drug supply chain in the U.S.

It's time to crack down on the pharmaceutical industry for price gouging the American people.

At virtually no cost to taxpayers, we could significantly bring down the cost of prescription drugs for all Americans by doing three simple things: **1) allow the reimportation of affordable FDA-approved, US-manufactured prescription drugs; 2) permit Medicare to negotiate lower prices on behalf of the American people; and 3) demand fair pricing for drugs developed at taxpayer expense.** But, under pressure from the pharmaceutical industry, the congressional leadership and the President blocked these provisions from being included in the Medicare bill, approved last year.

I will continue to fight to allow the reimportation and negotiated price reductions to make affordable life-saving pharmaceutical drugs available to all Americans.