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Obscure US Lawmaker Challenges Parts of Admin's Econ Agenda.

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- House Small Business Committee Chairman **Manzullo** Says Current FSC/ETI Bill Must Be Rewritten To Pass The House This Fall - Rep. **Manzullo**: Urging Republican Leaders To Pass 'Clean' FSC/ETI Repeal Bill This Fall, Assemble Broader Tax Bill Later - Rep. **Manzullo**: White House 'Very Engaged' On Chinese Currency, Trade Issues

By John Shaw

WASHINGTON (MktNews) - The House Small Business Committee is not, to put the matter gently, a bastion of strength and institutional power on Capitol Hill.

The obscure House panel has limited jurisdiction and rarely attracts high profile witnesses such as Federal Reserve Board Chairman Alan Greenspan, Treasury Secretary John Snow or White House budget director Josh Bolten.

In power and reach, the Small Business panel is a far cry from the House Appropriations, Energy and Commerce, or Ways and Means committees.

But Rep. Don **Manzullo**, the chairman of the Small Business panel, has emerged as a key player on several international issues that are important to the Bush administration and the Republican leadership in Congress.

Manzullo, a Republican from Illinois, has been outspoken this year on China's currency practices and the effort on Capitol Hill to pass an international tax bill that repeals the FSC/ETI export subsidy that was declared illegal by the World Trade Organization

In the closely divided House in which every Republican vote is crucial and just a handful of defections can spell defeat, **Manzullo** has become the pivotal lawmaker in an effort to substantially rewrite the sweeping international tax bill that was approved by the Ways and Means Committee last week.

In a letter to House Majority Leader Tom Delay last Thursday, **Manzullo** said he will oppose the carefully crafted measure that was passed by the House Ways and Means Committee last week.

That bill would repeal the FSC/ETI export subsidy and replace it with a package of \$140 billion in corporate tax breaks.

Significantly, **Manzullo** was able to get more than 20 House Republicans to sign his letter which says the Ways and Means tax bill is misguided because it "will send more American jobs overseas."

The lawmakers said an acceptable international tax bill must be built around four principles: it must help American manufacturers, should not encourage firms to move jobs overseas, should provide benefits to small businesses and become law this year.

There is little chance for an international tax bill to pass the House this fall if **Manzullo** and 20 other Republicans oppose the measure.

In an interview Tuesday with Market News International, **Manzullo** said he is working with the House Republican leadership on the FSC/ETI issue.

"I've told them that I just don't think the Ways and Means bill is a good bill. It essentially encourages American companies to move jobs overseas. It's not the right approach," he said.

Manzullo said he is encouraging Republican leaders to take a new approach on the international tax bill.

"I've suggested that they consider passing a clean FSC repeal this fall and then we take our time and write a good international tax bill later, next year," he added.

Manzullo said a clean FSC/ETI (a simple repeal of the subsidy) could pass Congress easily, an assessment that not all lawmakers share.

"My thought is to pass the repeal of FSC and then negotiate with the EU on a transition period," he added.

Manzullo said a good corporate tax bill should focus benefits on the beleaguered manufacturing sector.

"We shouldn't give tax breaks to multinationals so they can move jobs overseas," he added.

Manzullo has been a relentless critic of China's currency practices. From the unlikely venue of the House Small Business panel, he held the first Capitol Hill hearing this year on the matter, focusing on the effect of foreign currency manipulation on manufacturers and exporters.

Manzullo's panel explored the issue in late June, four months before Treasury released its foreign exchange report to the Senate Banking Committee.

Manzullo, a conservative Republican, has worked closely with Democratic Sen. Chuck Schumer on a resolution calling on the administration to use "all available means" to force China, Japan, South Korea and Taiwan to stop manipulating their currencies.

This resolution passed the House last week with only one opposing vote.

"I think we sent a pretty clear message," **Manzullo** said.

He said he believes the administration is making progress with Chinese officials on a host of trade and currency matters.

"This administration is really engaged with China. They're doing their best. I think it helps them when they get a nudge in the rear from Congress," he added.

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