

America plays the sucker in global trade

By Robyn E. Blumner,

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"It's the trade deficit, stupid." Maybe if people walked around with signs and T-shirts with that slogan rather than railed against the federal budget deficit, the American worker wouldn't be in quite the fix he's in. More people need to be mad that America is a sucker on global trade. Our trading partners ignore the rules handicapping our industries and we just take it, even as millions of Americans have lost jobs because of it.

But use the words "trade deficit" in a column and readers move on. Add numbers, such as America's \$283 billion trade deficit for non-oil goods in 2009, and it's sleep-inducing. This impenetrability is why the trade deficit has been allowed to create such a mess for American workers.

It has been 15 years since the establishment of the World Trade Organization, and Americans should be asking: What has globalization bought us? Chamber of Commerce types will crow that trade is a driver of economic growth and job creation. But as U.S. exports add jobs, imports destroy them. Because our trade deficit is huge — even considering a drop due to the recession — it is a job-destroying machine, resulting in the closure of tens of thousands of U.S. manufacturing plants. The myth that these jobs have been replaced by high-tech jobs is just that, a myth. High-tech jobs are being lost as well.

The numbers are stark. In 2007 alone, 5.6 million jobs were lost or displaced due to the non-oil trade deficit, most of those in manufacturing, according to international economist Robert Scott of the Economic Policy Institute.

One significant reason for the trade imbalance is that we don't require others to play by the rules. Countries like China, Taiwan and Singapore engage in currency manipulation, a form of rule-breaking protectionism, without consequence.

China's yuan is undervalued by more than 40 percent compared with the dollar, which "acts as a 40 percent tax on U.S. imports," Scott says. That partly explains why China's exports to the United States in 2008 were five times greater than what America sent there. China's trade surplus that year was responsible for more than 68 percent of our total non-oil trade deficit.

This manipulation is no secret. We just refuse to make it official. Initially, Treasury Secretary Timothy Geithner seemed willing to deal seriously with China's obstruction to trade. But in April, Geithner delayed the release of the Treasury Department's semiannual report on currency manipulation.

Scott says we've been "hiding the elephant in the room for half a dozen years" by refusing to confront China. He says if we ended this protectionism, "we could add 1 to 1.5 million jobs in the next couple of years to the American economy with 60 percent (of them) in manufacturing."

China does other things to keep the trade imbalance in its favor. It only lets in certain kinds of imports. It allows things like raw materials, scrap metal and electronic components while barring most American-made consumer goods. It wants material to use in manufacturing but doesn't want Chinese consumers to have access to our finished products. Our open-market meets their self-serving one.

You might remember that the Obama administration got mildly tough with China last year, slapping a tariff on tire imports after the United States lost 5,000 tire industry jobs over the previous five years while the volume of tires from China tripled. China was outraged, of course.

But Washington was more than justified. Scott says an American tire manufacturer in China can produce tires for export only; the tires can't be sold within the country. This is just another way it protects its markets from foreign competition and disadvantages the American worker.

Why do we put up with this? Partly to mollify China, whose help we need in dealing with North Korea and Iran. Partly because the status quo makes Wall Street happy. But President Barack Obama made a campaign promise to "crack down" on unfair trade practices that harm our workers. With examples aplenty, let's start crackin'.