

Time for Bold Action on Trade

Our nation's trade policies have failed in almost every important dimension. They have failed to create good jobs and healthy communities at home. They have failed to foster equitable, democratic, and sustainable development abroad. They have failed to safeguard our long-term national security interests. And they have utterly failed to ensure that American producers and workers are able to compete successfully in the global economy.

These failures are evident in the most recent trade figures: the U.S. trade deficit hit \$726 billion in 2005, up almost 18% since last year's record-breaker. Our trade position is eroding rapidly, with many countries, and in many sectors long thought to be sources of American strength: technology, manufacturing, and agriculture, among others.

More than a quarter of the total trade deficit (\$202 billion) is with China. The Chinese government brutally represses the human rights of its own workers, in violation of China's international obligations under the International Labor Organization (ILO). And, contrary to its obligations under World Trade Organization (WTO) rules, the Chinese government manipulates its currency to gain competitive advantage, illegally subsidizes its exports, and blatantly violates intellectual property rules. The Bush Administration has failed to effectively address China's illegal actions in any of these areas, siding instead with American multinationals, who profit from many of these policies. The result has been hundreds of thousands of lost jobs, and too many bankrupt businesses and ruined communities, in addition to unsafe and exploitative working conditions for many Chinese workers. We simply cannot afford another year of inaction and lame promises.

Growing imports and offshore outsourcing have contributed to the loss of good jobs in every sector that faces international competition, including almost 2 million jobs lost to growing trade deficits in the manufacturing sector since 1998. The loss of skilled production workers, scientists, engineers, and technical and professional workers across the manufacturing sector makes it more likely that the next best idea, the next innovation, the next generation of products, and the next investment will take place somewhere else, not in the United States.

In addition, offshore outsourcing has rapidly moved into information technology, telecommunications, financial services, and health care, among other sectors, raising concerns about national security, privacy and the potential for future innovation and development.

The loss of tens of thousands of manufacturing establishments and millions of experienced workers reinforces the threat to our national security of our current trade policies. All of these establishments and workers were part of a greater industrial base that met both commercial and defense needs. The factory floor serves as a source of experimentation, innovation, and product development. Many of the engineers, scientists, and skilled workers who work on commercial products one week are the same ones who work on defense applications the

next. This vital link between production and innovation, however, is being severed as manufacturers move plants offshore.

Our country is on a dangerous and unsustainable path, one that encourages and rewards irresponsible corporate policies, while leaving workers, family farmers, domestic producers, and too many communities vulnerable and in distress. Growing debt in both the private and public sectors is powering American consumption, which in turn is driving global growth. While debt-driven growth masks underlying weaknesses in the short run, it cannot be a sustainable solution.

The current situation serves the short-term interests of the multinational corporate elite around the globe, but is already failing working families here and abroad. Falling real wages, negative savings, and growing inequality in the United States are clear signs that working people are paying the price today for these failed policies. We are mortgaging our children's future to pay for unsustainable debt and consumption today. And if we do not take dramatic steps soon to reverse this unsustainable trend, then the resulting collapse could be devastating to global economic prosperity and stability.

Turning around a problem this big will take enormous political will, but failing to act soon will only increase the danger of an eventual hard landing.

Clearly, the first step is to stop signing and negotiating new trade agreements based on the flawed NAFTA and CAFTA models. While every new trade deal is sold as a market-opening agreement, the reality is that each new agreement just digs us deeper into the hole we're in. Our trade deficit with our NAFTA partners has grown fourteenfold since we entered into NAFTA in 1994, our deficit with China has more than doubled since the grant of permanent normal trade relations (PNTR) in 2000, and our global trade deficit has grown eightfold since we helped create the WTO in 1995. At some point, the rhetoric has to come face to face with the reality that these policies have simply failed. These deals reflect precisely the wrong model for trade: excessive protection of corporate rights and a flimsy fig leaf for workers, farmers and the environment.

We must send a strong message to the Bush Administration and Congress that we need a moratorium on new trade agreements until we can rewrite them to protect and advance workers' interests. We will fight the flawed deals with Peru, Colombia and Ecuador (the so-called Andean Free Trade Agreement); Oman; the United Arab Emirates; Thailand; Panama; South Korea; and the Southern African Customs Union; as well as the now-moribund Free Trade Area of the Americas. Some of these agreements could cause significant economic hardship for the U.S. economy, and each will have adverse effects on important groups of American workers and industries. We are working with our union counterparts in these countries, where possible, to send a united message to our governments that these deals won't work for working families.

The Bush Administration and Congress must also start enforcing our trade laws effectively and stop giving tax and financial incentives to corporations that ship jobs offshore. And we must take action to halt currency manipulation by China, Japan and other nations.

Of course, we must put in place adequate domestic policies to ensure that America's workers have the best training and education in the world, and to ensure that displaced workers have the income support, as well as the training, to make necessary transitions. We must ensure that our health care and retirement security systems can accomplish our social objectives without creating unnecessary competitive burdens for companies struggling to survive in the global economy.

But all these measures, as essential as they are, are not going to turn around the current imbalance. The trade deficit is now at 6% of GDP, and imports exceed exports by more than 50%. In order to bring our trade deficit back towards balance, stronger steps will be needed. Dramatic currency realignment would help, but the Bush Administration has rejected any meaningful steps in that arena.

It is time for the labor movement to lead on a bold course of action: to levy a temporary import surcharge to help bring our trade deficit under control, relying on the balance of payments exception under WTO rules. This is explicitly allowed under Article 12 of the WTO, which allows countries to restrict imports in order to "safeguard [their] external financial position and [their] balance of payments." The WTO has written this exception into its rules precisely because the international trade community understands that severe imbalances in one country ultimately threaten global economic stability. Financier Warren Buffett proposed one version of such a plan in a provocative article in *Fortune* magazine in 2003. His plan involved an auctioned quota system that would limit the value of imports to what can be paid for by exports.

An additional advantage of implementing a temporary import surcharge would be a significant increase in tariff revenues. These funds could be dedicated to a number of useful purposes, including boosting access to affordable health care, and increasing domestic investment in infrastructure, education, and technology. Some or all of the funds could also be dedicated to important global development initiatives (such as rural education or public health projects).

To carry out our plan to put in place the import surcharge, we will:

- Develop and implement an action plan in consultation with Congressional, business, academic, and community partners;
- Craft and build support for implementing legislation, by seeking co-sponsors, holding hearings and Hill briefings, and generating letters of support from allies;
- Educate our members, the public, and our elected leaders on the current crisis and the importance of taking urgent and effective action to address it;
- Hold a major high-profile public forum;
- Ensure that this agenda is tied to our political work in the 2006 election and beyond.

This is a strong and controversial measure, which has drawbacks as well as benefits. It should be used only in an emergency. But the current U.S. current account imbalance clearly qualifies as such an emergency. And, frankly, our elected leaders have so far failed to even propose a viable solution. The labor movement is ready to do so.

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