United States Business and Industry Council
Fighting for American Companies and American Jobs since 1933

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DOMESTIC MANUFACTURERS CALL COLLAPSE OF DOHA TRADE TALKS BIG VICTORY FOR U.S. ECONOMY; STALEMATE OPENS WAY FOR TRADE POLICY OVERHAUL

WASHINGTON, D.C. (August 4, 2008) **–** The U.S. Business and Industry Council today hailed the latest collapse of the Doha Round of world trade talks as a major victory for the U.S. and world economies. The failure of Doha allows time for development of a more responsible trade agenda for healthy, balanced economic growth. The collapse is also a major defeat for America's failed, outsourcing-focused, post-NAFTA trade strategy, as well as for mindless multilateralism in world trade liberalization.

The Council, most of whose 1,550 members are small and medium-sized domestic manufacturers, urged Congress to recognize the fatal flaws in the nation's current approach to international trade, and begin crafting a strategy that promotes U.S. economic growth and higher living standards responsibly – by encouraging domestic production.

According to Council President Kevin L. Kearns, the Doha Round was an "outsourcer's dream from the beginning." It confined most of its market-opening measures to developed countries, while it channeled most of its trade expansion benefits to developing countries and the multinational companies that produce there for export As a result, he noted, "The interests of America's genuine wealth creators – domestic manufacturers, farmers and ranchers, service providers, and their employees – were never even on U.S. negotiators' screens."

As with previous trade deals since NAFTA's negotiation in 1993, the lopsided Doha framework could have only produced major increases in U.S. imports, inadequate rises in U.S. exports, a substantial weakening of the U.S. trade laws that protect domestic producers, and therefore much higher U.S. trade deficits and levels of foreign debt.

"Such results," said Kearns "are the last things that a country literally mortgaged to the hilt needs. Only the multinational outsourcers would have benefited, and even they are now threatened by the bursting of the bubble-ized U.S. economy to which these practices inevitably led. Worse, such results are the last things needed by a world economy that still depends on U.S. consumption as its main engine of growth."

Kearns also noted that last week's Doha debacle shredded the credibility of many of U.S. trade policy's main driving ideas. "Since NAFTA turned U.S. trade policy into outsourcing policy," Kearns recalled, "Democrats and Republicans alike in Washington, along with the outsourcing lobby, have claimed that developing countries like China, India, and Brazil represented the real prizes in the world economy. Even better, we were told, their governments were ready and willing to assume global economic responsibilities."

"But as Doha has made clear," Kearns continued, "these developing countries are determined to keep free-riding indefinitely. Their plan is to persist with mercantilist, export-led growth strategies that harm companies and workers in open, high-income economies like the United States, while keeping their own markets tightly controlled."

In Kearns' words, the Doha framework pushed by the outsourcing lobby and agreed to by Washington bureaucrats "simply gave third-world free-riders a veto over free trade. The Round's mindless multilateralism proved a recipe for paralysis."

In fact, said Kearns, third-world stubbornness even caught the outsourcing lobby by surprise. The major developing countries rejected even the token – and unenforceable – market-opening measures the multinationals expected to give a Doha deal the veneer of fairness and reciprocity.

Worse, said Kearns, the free-riding impulse will remain dominant because third-world domestic markets remain so limited, despite the constant hype of trade ideologues. "The most honest words spoken in connection with Doha came from Indian Commerce Minister Kamal Nath," he observed, "who admitted 'I come from a country where 300 million people live on 1 dollar a day and 700 million people live on 2 dollars a day.' What kind of a consumer market is that for U.S.-made goods and services?"

Doha's collapse also makes a mockery of the Bush administration's expectations that China in particular will become a "responsible stake-holder" in world affairs. "No country has gained more from recent trade expansion and WTO membership than China," said Kearns, "But Beijing's protectionists made clear that even 90 percent of a loaf wasn't acceptable for them, and rejected even the most modest compromises."

In Kearns's view, because even the large third-world mercantilist nations remain economic midgets in absolute terms, continuing to coddle them Doha-style is not only counterproductive but unjustified. Instead, the United States must create an entirely new game plan for international trade based on its decisive leverage as the world's greatest net importer.

Among other steps, the United States must:

> reclaim the authority unilaterally to bring its trade flows into sustainable balance if international cooperation to achieve this end is not forthcoming;

> insist on full reciprocity in all trade agreements, whether bilateral or multilateral;

> reclaim the authority to enforce such agreements unilaterally; and

> focus trade liberalization efforts on countries not heavily dependent on export-led growth;