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PRESS STATEMENT

Congress Spends 2007 Ignoring Trade Cheat China to Pass Flawed Peru FTA

For Immediate Release
November 8, 2007

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WASHINGTON, DC – The American Manufacturing Trade Action Coalition (AMTAC) expressed disappointment over the fact that the U.S. House of Representatives has spent 2007 focusing on a flawed Peru Free Trade Agreement (FTA), which passed today by a vote of 285 to 132, instead of passing strong legislation to combat trade cheats like China.

Noting that the United States has lost more than 3.1 million manufacturing jobs since 2001 and is projected to run a trade deficit with China in excess of \$265 billion in 2007, AMTAC Executive Director Auggie Tantillo said, “The Peru FTA simply is a continuation of the flawed trade policy model of trade deficits, offshoring and job losses. The House spending the entire year focusing on an unpopular Peru FTA instead of passing a strong anti-currency manipulation bill is an enormous disappointment to U.S. manufacturers desperate for relief from China’s predatory trade practices.”

“The illegal currency subsidies given by China to its manufacturing exporters dwarf the \$9 billion in trade covered by the proposed Peru FTA. Rather than focusing on real trade problems, the House instead passed an FTA with a country that only could afford to buy 0.28 percent of U.S. exports in 2006,” Tantillo continued.

For example, China's currency has been estimated by many experts to be undervalued by anywhere from 15 to 40, to as much as even 75 percent (if purchasing power parity (PPP) numbers are used). China exported \$280,763,966,000 in manufactured goods to the United States in 2006. If China's currency were found to be undervalued by 36 percent, the subsidy to China's manufacturing exporters would total more than \$101 billion.

“Clearly, a key message from the last election – stop offshoring good middle-class U.S. manufacturing jobs – still has not registered with the new leadership in this Congress.

Like the congressional leadership from the party fired by the voters last November, they obviously believe that passing more job-killing FTAs, like Peru, is more important than stopping China from cheating,” Tantillo charged.

Trade between the United States and Peru totaled a paltry \$8.8 billion in 2006. Nevertheless, the U.S. trade deficit with Peru was \$2.95 billion, as Peru exported approximately twice as much to the United States as it imported from us.

According to the CIA World Factbook, Peru’s Gross Domestic Product (GDP) at official exchange rates was 1/170th of the U.S. GDP. In comparison, China’s GDP was 1/5th of the U.S. GDP.

Peru has less than 1/10th of the U.S. population and its per capita GDP is less than 1/16th of that of the United States. More than 50 percent of all Peruvians live in poverty.

“To expect Peru to become a major consumer of U.S. finished products is a ludicrous assumption,” Tantillo stated. “Peru has a much greater capacity to export to the 300 million-person, \$13 trillion U.S. market than it does to buy finished U.S. products. Like the U.S. free trade agreements before it, the Peru FTA only will add to the massive U.S. trade deficit,” he added.

“The United States should put all current free trade agreement negotiations on hiatus until it fixes the major trade policy problems confronting American producers and workers,” Tantillo stated.

Major problems needing immediately to be fixed include:

- Eliminating the estimated \$421 billion disadvantage to U.S. producers and service providers caused by foreign value-added (VAT) taxes by passing H.R. 2600, the Border Tax Equity Act introduced by Congressmen Bill Pascrell (D-NJ), Duncan Hunter (R-CA), Mike Michaud (D-ME), and Walter Jones (D-NC).
- Combating currency manipulation by predatory trading partners like China by passing H.R. 2942, anti-currency manipulation legislation introduced by Congressmen Tim Ryan (D-OH) and Duncan Hunter (R-CA).
- Vigorously enforcing existing U.S. trade laws to stop illegal transshipping, illegal subsidies, dumping, and copyright, trademark and patent infringements.
- Ensuring the safety of foreign-made products sold to U.S. consumers.

“Fixing these problems would do far more to help the U.S. economy, its companies, and its workers than continuing the fatally flawed concept of adopting free trade agreements with countries that can export but have little capacity to import U.S. manufactured goods,” Tantillo concluded.

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