FACT SHEET

TRADE

BACKGROUND:

Current U.S. trade policy has resulted in the loss of over three million good-paying manufacturing jobs since 1999; and for the fifth consecutive year, the U.S. has incurred a record trade deficit - $764 billion for 2006. Additionally, the North American Free Trade Agreement/Central American Free Trade Agreement (NAFTA/CAFTA) outsourcing trade model has driven down wages and working conditions for workers in the U.S. and abroad. It has torn apart health care, pension benefits, and is undermining our capacity to produce equipment vital to national security. Furthermore, it is gutting the tax base that funds our schools and other community-based public infrastructure, and is destroying the middle class dream for millions of Americans.

POSITION:

Oppose all new free trade agreements negotiated under the failed NAFTA/CAFTA template. This includes the recently signed Panama, Peru, Columbia, and South Korea free trade agreements. Furthermore, oppose the renewal of presidential Trade Promotion Authority (TPA), better known as "fast track." Finally, insist that Congress address the problem of currency manipulation, particularly as it relates to China and Japan.

STATUS:

Negotiations are complete, and the United States Trade Representative (USTR) – the President's point person on trade - has signed the Panama, Peru, Columbia, and South Korea free trade agreements. The last of these, South Korea, was signed on June 30, 2007; the same day fast track expired. Fortunately, none of the trade deals has been formally submitted to Congress – yet. However, once submitted, Congress must hold an up or down vote within 90 days and no amendments are permitted.

At this time passage of the Panama and Peru agreements appear likely. Both agreements have the support of Democratic leadership. However, Democratic leadership opposes the Columbia and South Korea agreements. There also appears to be little support for renewing fast track trade authority for this president.

In regards to currency manipulation, four bills have been introduced; one in the House and three in the Senate. All four bills are a step in the right direction. However, the AFL-CIO is supporting the "Fair Currency Act of 2007" (H.R. 782 in the House and S. 796 in the Senate). Both bills would make currency manipulation an unfair export subsidy thereby subjecting the goods of the offending nation to an import tariff. Furthermore, both bills would make it easier for the U.S. Treasury Department to take action where evidence of currency manipulation exists.

(Over)

TRADE

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KEY POINTS:

- Although labor and environmental protection language has been added to the Panama, Peru, Columbia, and Korea agreements, the basic NAFTA/CAFTA template remains. Worse, all evidence indicates the Bush administration has no intention of enforcing the new labor and environmental language. John Engler, CEO of the National Association of Manufacturers (NAM), has told his members not to worry about the strengthened language as USTR has assured him it will not be enforced.

- The evidence indicates Engler may be right. During six years in office, the Bush administration has shown no willingness to enforce what little labor and environmental standards that exist. For instance, on March 16, 2004, the AFL-CIO filed a "301 Petition" with the USTR alleging that China's lack of enforcement of its own labor laws has cost the United States over 900,000 jobs. USTR refused to pursue the petition. More recently, on May 17, 2007, a bipartisan group of 42 members of the House of Representatives filed another 301 Petition, this time over China's currency manipulation. USTR has refused this one as well.

- Governments such as China and Japan engage in currency manipulation when they peg their currency to the U.S. dollar at an artificially low rate. By driving down the value of the Yuan (China) and Yen (Japan), goods manufactured in those countries become less expensive to sell in the United States. According to some economists, China's exchange rate policy is equivalent to a 40 percent export subsidy for Chinese goods. This situation is intolerable and should not be allowed to continue.

- The Currency Reform for Fair Trade Act (H.R. 2942) and Fair Currency Act (H.R. 782/S. 796), define currency misalignment as the prolonged undervaluation of a nation's currency maintained by government intervention, and treat this manipulation as a prohibited export subsidy. It provides injured U.S. industries with the standard remedy for damaging trade subsidies; a tariff equal to the amount of the subsidy.