

Job Loss Due to President Bush's Trade Policy

John English

The Problem

Since President Bush took office, the United States' trade deficit—the gap between what the United States exports and imports—has reached historic levels. Large sustained trade deficits mean that the United States is consuming much more than it is producing. Just like a household that spends more than it earns, this national gap must be financed by borrowing. Chronic trade deficits over the past decade have led to a rising foreign debt, the displacement of millions of jobs from the manufacturing sector, and downward pressure on the wages of non-college educated workers.

- Since President Bush took office, the U.S. trade deficit has nearly doubled from \$379 billion (2000) to \$700 billion (2007).¹
- The trade deficit with China alone tripled from \$83 billion in 2000 to \$256 billion in 2007.²
- As a share of the economy, the overall trade deficit rose from 3.9% of GDP in 2000 to a peak of 5.7% in 2006, before moderating slightly to 5.1% of GDP in 2007.³
- In President Bush's first term, the United States lost 1.9 million jobs to trade deficits.⁴
- In 2007, the bilateral trade deficit with China represented 1.85% of the entire economy.⁵ Growth in this deficit since 2001 has displaced 2.3 million net jobs.⁶
- Between 2000 and June 2008, the United States lost 3.4 million manufacturing jobs.⁷ Recent estimates have predicted that next year China will overtake the United States as the world's largest producer of manufactured goods.⁸

What has President Bush done?

Rejected 301 petition on Chinese labor abuse.

- The Bush administration rejected a 301 petition filed by the AFL-CIO requesting that the USTR investigate China's labor practices and, pending the findings of the investigation, impose trade sanctions.⁹

Negotiated and signed various trade agreements using NAFTA-model.

- Between NAFTA's implementation in 1994 and 2004, trade deficits with NAFTA partners eliminated 1 million jobs, 65% high-paying manufacturing jobs.¹⁰ Yet, President Bush replicated the NAFTA-model in all of his administration's trade negotiations.
- Bush dismissed the progress achieved on linking labor standards and trade agreements established in Clinton's Jordan Free Trade Agreement and instead chose to return to the NAFTA-model for trade agreements.

- As President, George Bush used the NAFTA model to negotiate bilateral free trade agreements with Korea, Colombia, Panama, Peru, Oman, Bahrain, Chile, Singapore, Australia, and Morocco. Besides the Australia FTA, each of these agreements put American labor into competition with low-wage labor while selectively protecting the skilled professions.¹¹ These agreements also followed the NAFTA model in radically restricting the menu of economic policy options open to these countries by making access to the U.S. market contingent upon their adoption of a range of policies, many of which (harmonization of intellectual property law, for example) bear no relationship to international trade *per se*.
 - The Korea FTA immediately increases Korean access to the American auto market without guaranteeing U.S. manufacturers reciprocal access to the Korean market. This agreement threatens to eliminate thousands of car and truck manufacturing jobs.¹²
 - The Bush administration's failure to include strong labor standards in the Colombia FTA is particularly worrisome given the well-documented history of violence against trade unionists in Colombia.¹³
- In addition, Bush pushed for and signed the Dominican Republic-Central American Free Trade Agreement (DR-CAFTA), which expanded NAFTA to Central America.

President Bush has opposed tax law changes to remove incentives for companies to produce overseas.

- Corporate profits earned in the United States are subject to the corporate income tax while corporate profits earned overseas are not taxed until they are converted back into U.S. currency—a loophole that provides offshore tax shelters to companies that shift production overseas.¹⁴

What has President Bush failed to do?

President Bush failed to act on Chinese currency manipulation.

- Part of the explanation for this excessive trade imbalance lies with China's policy of managing the value of its currency for competitive gain. By not allowing its currency to rise against the dollar, China makes its products cheaper relative to American goods, exacerbating the United States' bilateral trade deficit with China. China purchased \$460 billion in U.S. treasury bills and other foreign exchange reserves in 2007 alone in order to keep the value of its currency artificially low, relative to the dollar.
- The view that China manipulates its currency is nearly unanimous. In fact, the U.S. China Economic and Security Review Commission called for Congressional action stipulating currency management as an illegal export subsidy in its 2007 policy recommendations.¹⁵
- The Bush administration has consistently refused to label China as a country that is managing the value of its currency for competitive advantage, and has even denied that a revaluation would impact the bilateral deficit.¹⁶ In fact, a bipartisan group of senators

recently characterized President Bush's approach to Chinese currency manipulation: "We agreed that the administration's implementation of existing statutes concerning currency and associated trade effects... is inadequate and in need of reform."¹⁷

- President Bush's U.S. Trade Representative rejected a 301 petition requesting that the United States initiate dispute settlement proceedings against China for its currency management policies.¹⁸

President Bush failed to establish an effective manufacturing policy.

- For his new manufacturing czar, President Bush appointed Anthony Raimondo, a businessman who laid off workers and shifted production to China.¹⁹ Democrats blocked the nomination.
- In his place, President Bush appointed Albert Frink, who "has rarely even been in the same room as President Bush in his first year and a half on the job," according to The Detroit Free Press.²⁰

President Bush failed to enforce existing trade laws.

- In Bush's first 41 months in office, his administration initiated only 10 cases against other countries for violating WTO rules. In contrast, in the last 41 months of the Clinton administration, 33 WTO complaints were filed.²¹

¹ Bureau of Economic Analysis, Author's calculations.

http://www.bea.gov/newsreleases/international/trade/trad_time_series.xls

² U.S. Census Bureau, Foreign Trade Statistics.

<http://www.census.gov/foreign-trade/balance/c5700.html>

³ Bureau of Economic Analysis, Author's calculations.

⁴ See Mishel, Bernstein and Allegretto, "State of Working America", 2007.

<http://www.stateofworkingamerica.org/>

⁵ Author's calculations based on U.S. Census Bureau and BEA data.

⁶ Scott, Rob. "The China Trade Toll: Widespread Wage Suppression, 2 Million Jobs Lost in the U.S.," Economic Policy Institute, July 30, 2008.

<http://www.epi.org/content.cfm/bp219>

⁷ EPI Datazone, July 2008.

http://www.epi.org/datazone/states/manf_emp_states_200103-200806.pdf

⁸ Marsh, Peter. "China to overtake US as largest manufacturer", *Financial Times*, August 10, 2008

http://www.ft.com/cms/s/0/2aa7a12e-6709-11dd-808f-0000779fd18c.html?nclick_check=1

⁹ Statement by USTR, 7/21/06,

http://www.ustr.gov/Document_Library/Press_Releases/2006/July/Statement_from_USTR_Spokesman_Regarding_China_Labor_Petition.html

¹⁰ Scott, Robert. "Trade Policy's Impact on Jobs and Wages in Ohio and Nationally." February 28, 2008.

<http://www.epi.org/newsroom/releases/2008/02/nafta-rscott-20080229.pdf>

¹¹ Baker, Dean. "Selective Protectionism (a.k.a. "free trade") Rears Its Ugly Head at the WSJ," American Prospect, May 19, 2008.

http://www.prospect.org/csnc/blogs/beat_the_press_archive?month=05&year=2008&base_name=selective_protectionism_aka_fr

¹² UAW, "Korea Free Trade Agreement Continues Unfair Auto Trade Imbalance,"

<http://www.uaw.org/dclink/factautotrade.pdf>

¹³ State Department, "Country Reports on Human Rights Practices: Colombia," 2005.

<http://www.state.gov/g/drl/rls/hrrpt/2005/61721.htm>

¹⁴ Lynch, David, "Does Tax Code Send U.S. Jobs Offshore?" USA Today, March 21, 2008.

http://www.usatoday.com/money/perfi/taxes/2008-03-20-corporate-tax-offshoring_N.htm

¹⁵ USCC, "Commission's Recommendations," 2007.

http://www.uscc.gov/annual_report/2007/Comprehensive%20Recoms.pdf

¹⁶ (Treasury official Mark Sobel before Congress). McCormack, Richard. "Main Street Versus Wall Street: Currency Manipulation Riles Members of Congress," Manufacturing News, May 15, 2007.

<http://www.iie.com/publications/newsreleases/newsrelease.cfm?id=135>

¹⁷ McNeill, Erin. "Senators Say Administration Efforts on China 'Inadequate,'" CQPolitics, July 2, 2008.

<http://www.cqpolitics.com/wmspage.cfm?docid=news-000002910480>

¹⁸ Statement by USTR, June 13, 2007,

http://www.ustr.gov/Document_Library/Press_Releases/2007/June/Administration_Declines_Section_301_Petition_on_Chinas_Currency_Policies.html

¹⁹ King, John. "Manufacturing Czar Nominee Withdraws," CNN, May 5, 2004.

<http://edition.cnn.com/2004/ALLPOLITICS/03/11/manufacturing/>

²⁰ Price, Deb. "The Invisible Manufacturing Czar," *Detroit Free Press*, April 28, 2006.

<http://www.detnews.com/apps/pbcs.dll/article?AID=2006604280329>

²¹ AFL-CIO, "The Bush Record on Shipping Jobs Overseas," August 2004,

http://www.aflcio.org/issues/jobseconomy/jobs/upload/bushrecord_joboverseas.pdf