

American Manufacturing Trade Action Coalition
AMTAC

“The mission of the American Manufacturing Trade Action Coalition (AMTAC) is to preserve and create American manufacturing jobs through the establishment of trade policy and other measures necessary for the U.S. manufacturing sector to stabilize and grow.”

2007 U.S. Trade Deficit

- U.S. trade deficit was \$708.5 billion.
- U.S. manufactured goods was \$498.9 billion.

Sources: U.S. Census Bureau and MBG Information Services.

Cumulative U.S. Trade Deficit since 1980

- Total 1980-2007: **\$6.365 Trillion**
- Manufactured Goods Total 1980-2007: **\$5.249 trillion.**
- The cumulative manufacturing goods deficit since 2001 is **\$3.08 trillion.**

Source: U.S. Census Bureau and MBG Information Services.

Don't Take AMTAC's Word for It

- “The present level of the current account deficit is enormous, it is unprecedented and I believe it is unsustainable.”
 - Martin Feldstein, Professor of Economics at Harvard University, former Chairman, Reagan Council of Economic Advisors
- “[T]he United States must now attract almost \$7 billion of capital from the rest of the world every working day to finance its current account deficit and its own foreign investment outflows.”
 - C. Fred Bergsten, Director, Institute for International Economics
- “[O]ur trade deficit has greatly worsened, to the point that our country's "net worth," so to speak, is now being transferred abroad at an alarming rate. A perpetuation of this transfer will lead to major trouble.”
 - Warren Buffet, Chairman, Berkshire Hathaway

Comparative Advantage?

2007 Trade Deficits in Key Manufacturing Sectors:

- \$ 115.7 billion in vehicles
- \$ 105.1 billion in TVs, VCRs, and other electronics
- \$ 88.9 billion in textiles and apparel
- \$ 71.9 billion in computers and office machines
- \$ 44.4 billion in “Advanced Technology Products”
- \$ 28.8 billion in furniture and parts thereof
- \$ 16.9 billion in iron and steel mill production

\$ 498.9 billion in all manufactured goods

Source: U.S. Bureau of the Census and MBG information Services

Foreign Government Intervention **Negates Comparative Advantage**

- Value-Added Tax Schemes
- Manipulated Currencies
- State Sponsored Subsidies
- Intellectual Property Rights Free-for-All
- Below Market Interest Rates & Non-Performing Loans

Predatory Practices

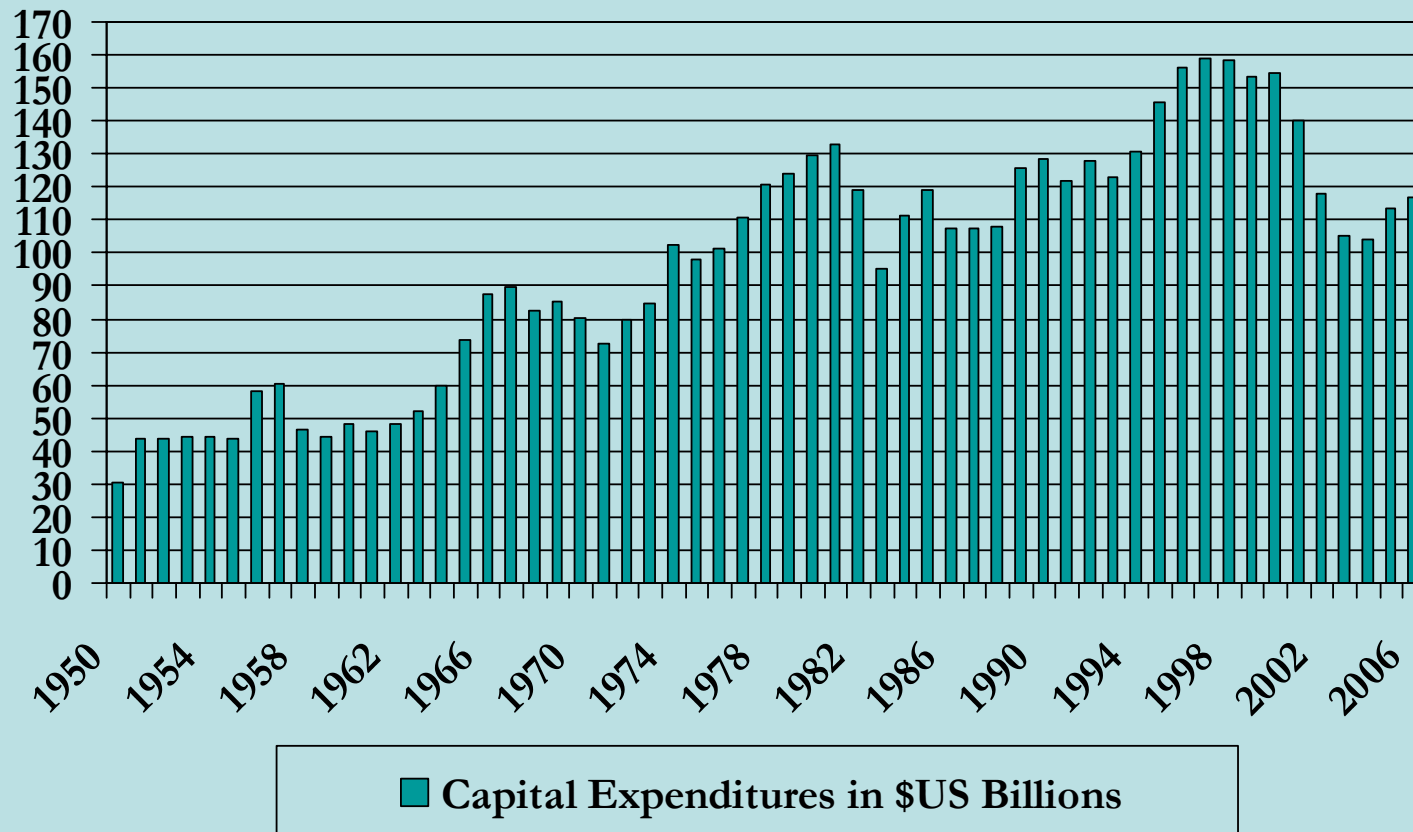
Compounded By:

- Pennies-per-Hour Labor
- Blatant Disregard for Environmental Protection
- Lack of Reasonable Labor Rights and Workplace Safety Standards
- Lack of Basic Benefits such as Health Care

U.S. Manufacturing Capital Expenditures for Plant and Equipment in Inflation-Adjusted (2000) Dollars

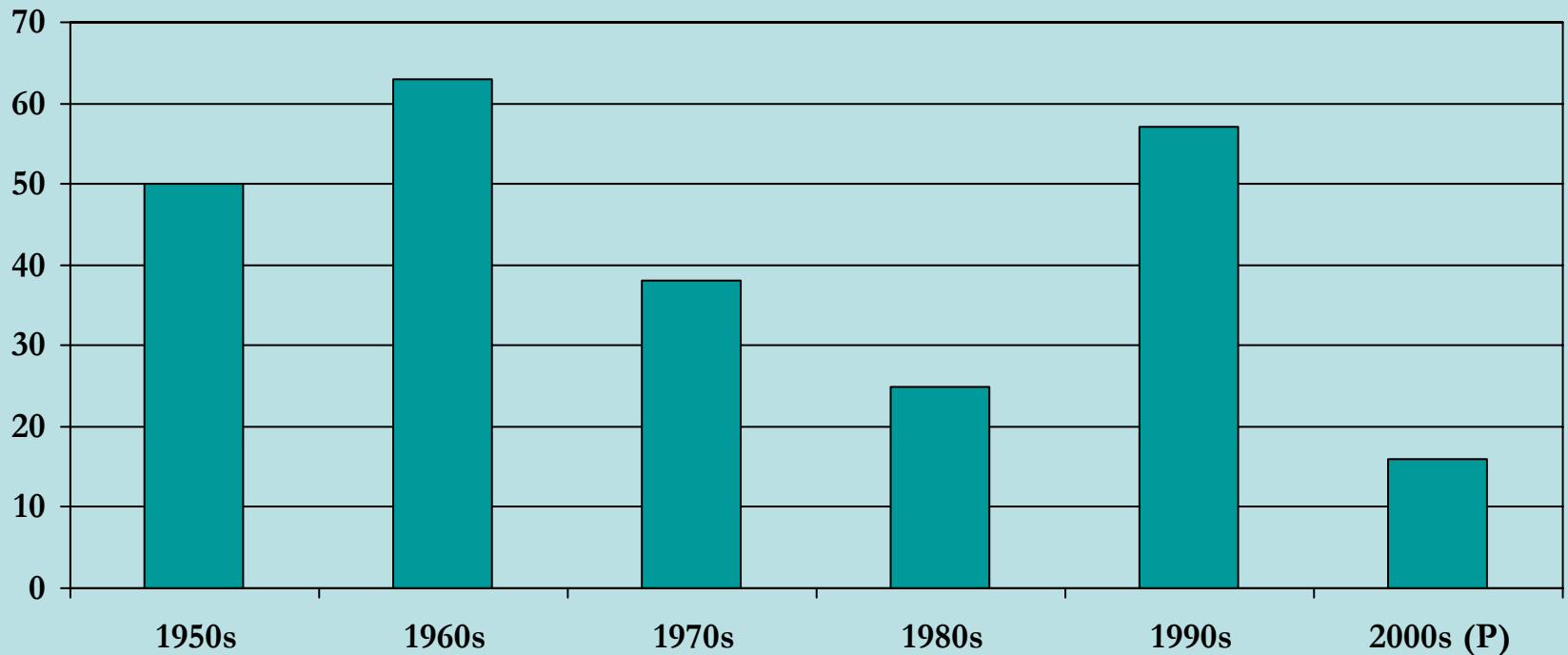
Data from 1950-1991 is for new capital expenditures only. Data from 1992-2006 is for both new and used capital expenditures. Used capital expenditures averaged 4.14 percent of all capital expenditures from 1992-1996.

Source: U.S. Census Bureau, Annual Survey of Manufactures data converted to chained (2000) dollars.



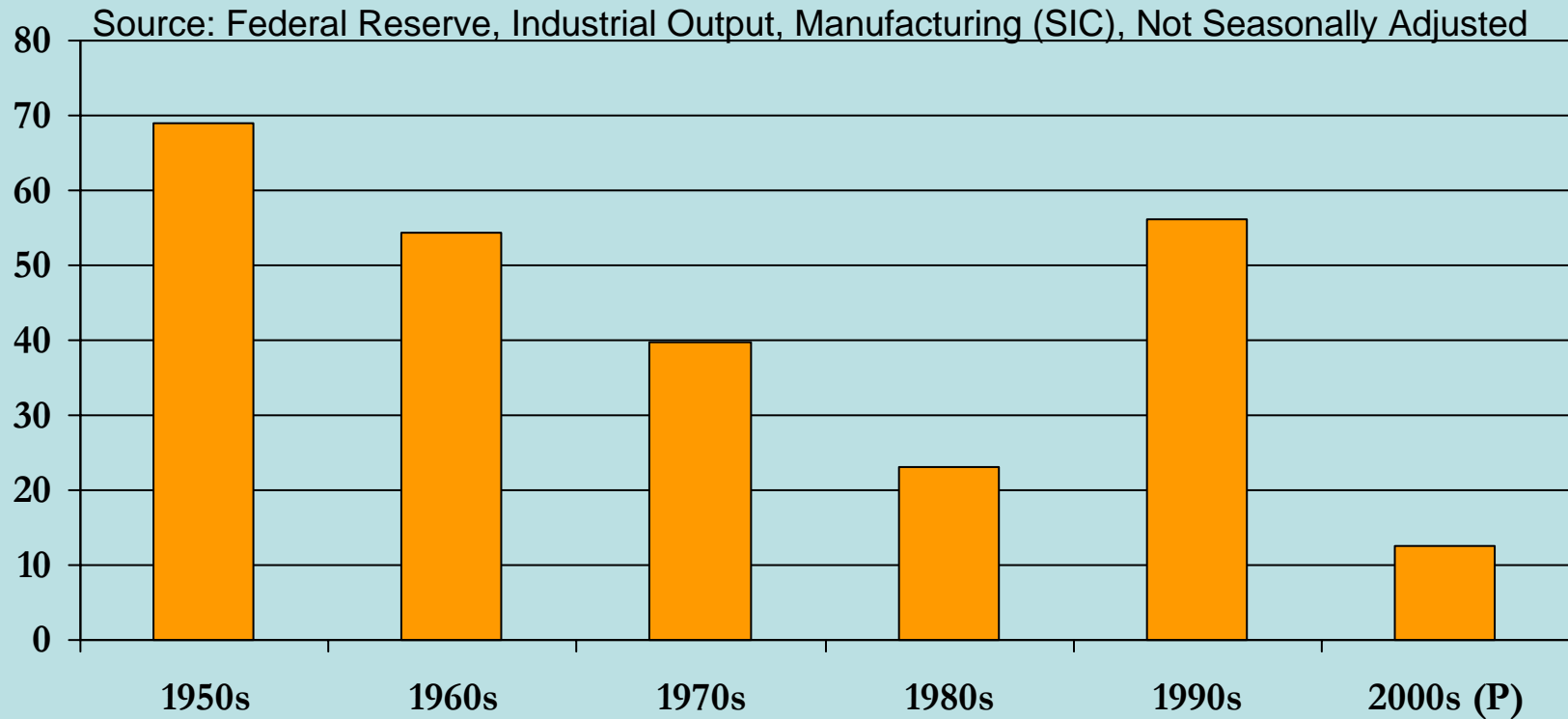
Percentage Growth in Manufacturing Capacity in the United States by Decade

Source: Federal Reserve Board, Industrial Capacity, Manufacturing (SIC), Not Seasonally Adjusted



■ Percent Capacity Growth for U.S. Manufacturing by Decade

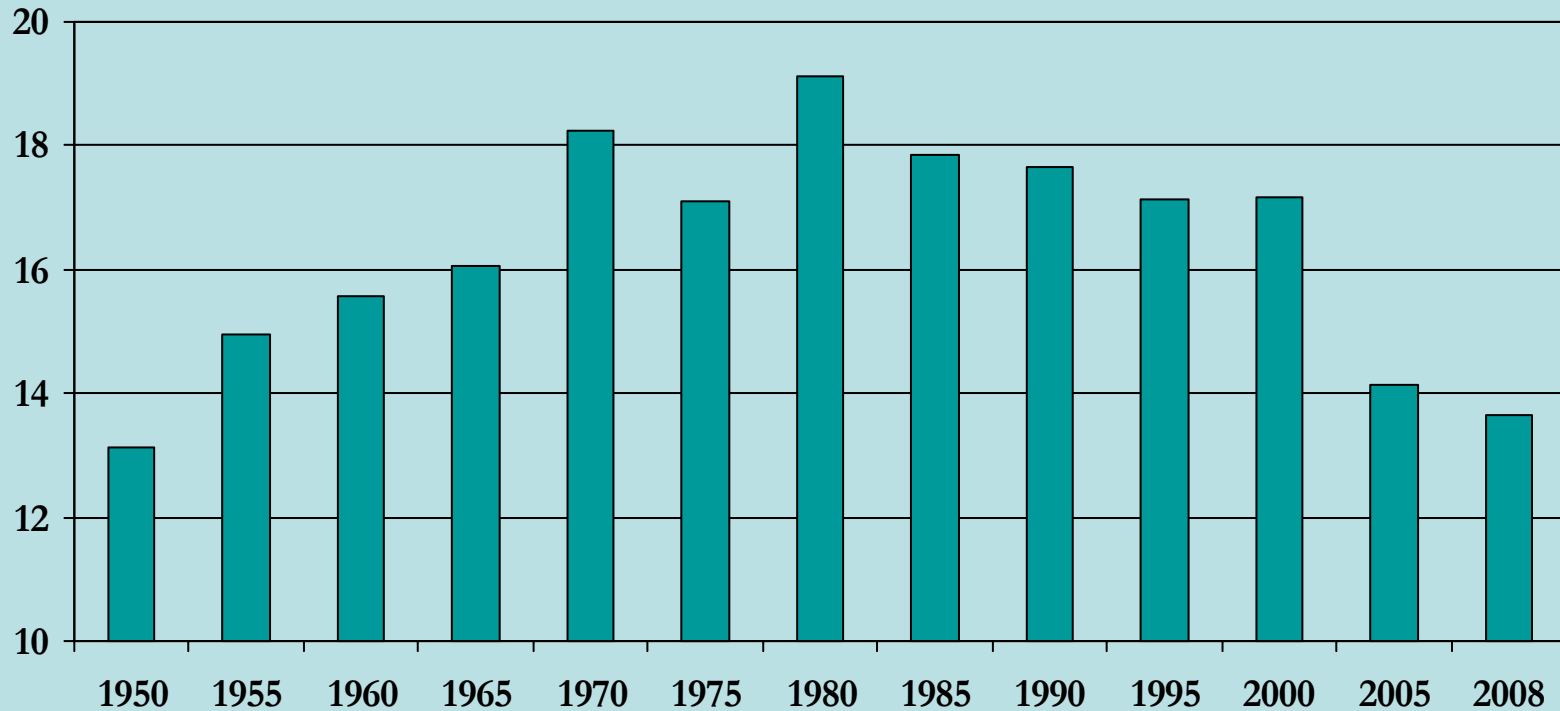
Growth in U.S. Manufacturing Output Slows



■ Growth in U.S. Manufacturing Output by Decade

Manufacturing Employment in the United States

Source: U.S. Bureau of Labor Statistics, Manufacturing Employment, Not Seasonally Adjusted

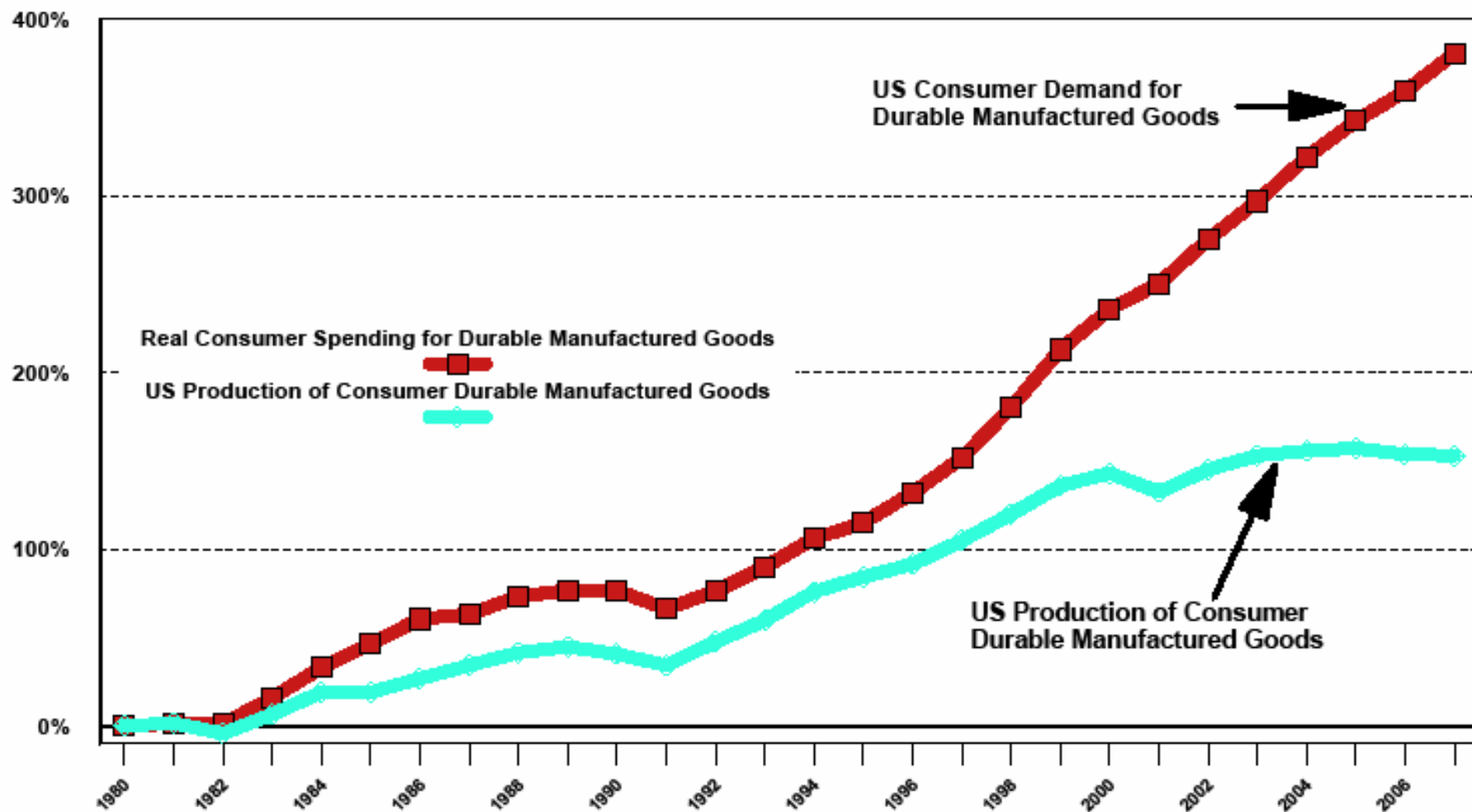


■ Employment in Millions

US Demand for Durable Goods Soars

But US Production Provides only 40% of the Growth

% Volume Demand and Production Growth Since 1980



TRADE POLICY REFORMS

1. Require Reciprocity

- Eliminate the Ability of WTO Countries to Self-Designate Their Status
 - The average U.S. bound tariff for industrial products is 3 percent, while the average worldwide WTO bound tariff is 30 percent.^[1]
 - Average U.S. Industrial Tariff was less than 1.7% in 2007 (trade weighted)

^[1] Statement of Senator Charles Grassley at Senate Finance Hearing on WTO negotiations 10/27/2005

Lack of Reciprocity in Doha Round

- Non-Agricultural Market Access (NAMA) text grants numerous exemptions to developing countries such as:
 - “Take fully into account the special needs and interests of developing countries, including through less than full reciprocity in reduction commitments.”*
 - Hong Kong Declaration, Para 14.
- The NAMA Chairman’s July 2007 text states, “There is almost unanimous support that a simple Swiss formula with two coefficients should be adopted.”
- For developed countries, such as the United States, the maximum industrial tariff allowed is proposed to be between 8 and 9 percent. In contrast, developing countries such as China will be allowed a tariff ceiling that would fall between 19 and 23 percent.

TRADE POLICY REFORMS

2. Offset The VAT Border Tax Disadvantage

- 149 Countries Now Utilize VAT Systems
- Average VAT Rate -15.4%
- \$428 Billion Disadvantage To U.S. Companies

TRADE POLICY REFORMS

3. *Make Currency Manipulation an Actionable Subsidy*

4. *Separate Trade Enforcement from USTR*

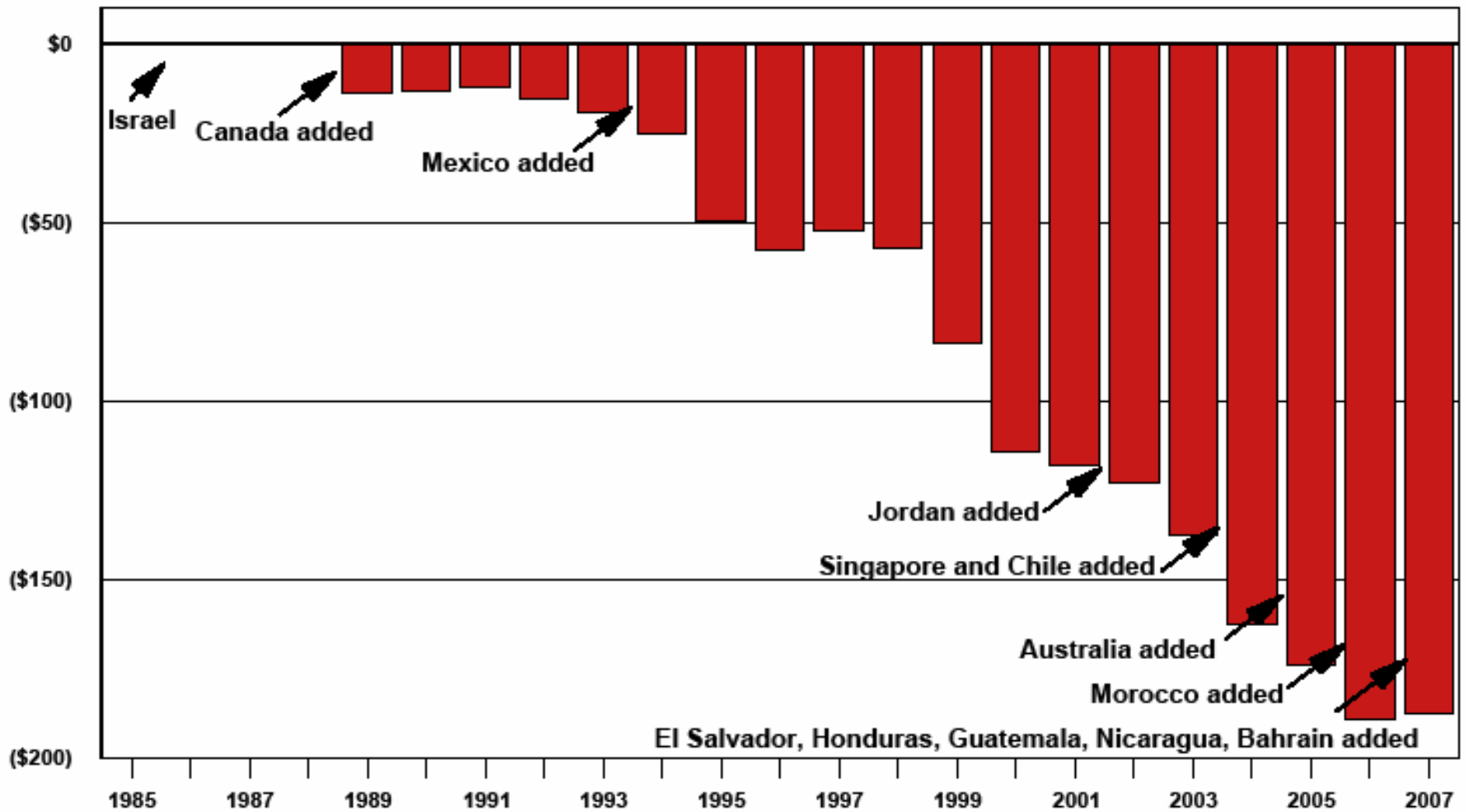
- Aggressively Pursue Dumping, Subsidy and IPR Cases

5. *Stop Negotiating FTAs With Countries That Cannot Buy Finished U.S. Goods.*

"Free" Trade Agreements = Worse Deficits

2007: **-\$187.8 Billion US Trade Deficit With All FTA Partners**

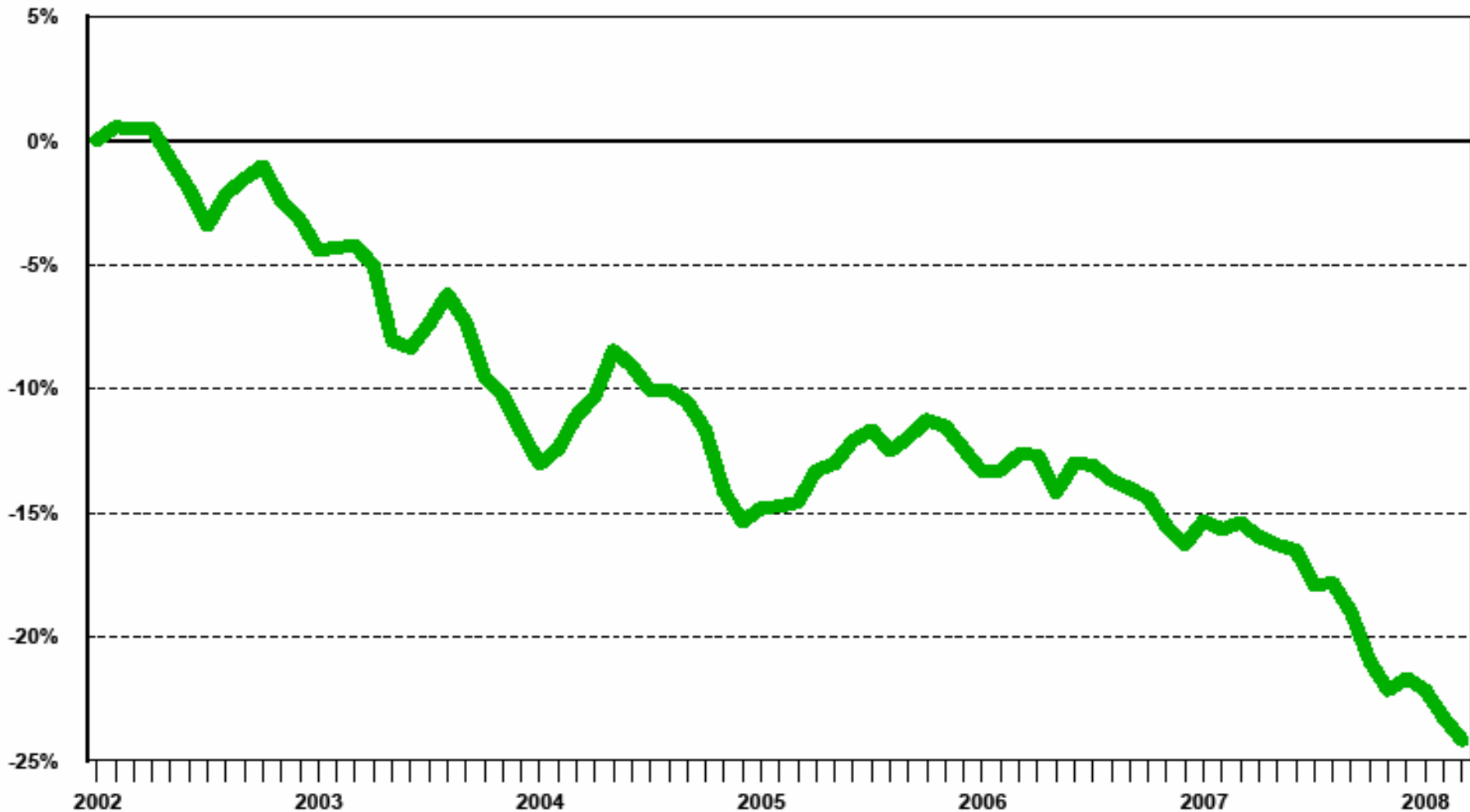
\$ Billion: US Trade Balance With All "Free" Trade Partners



Appendix

US Dollar VS. Price-Adjusted Index of World Currencies: -24.2% Decline January 2002 to March 2008

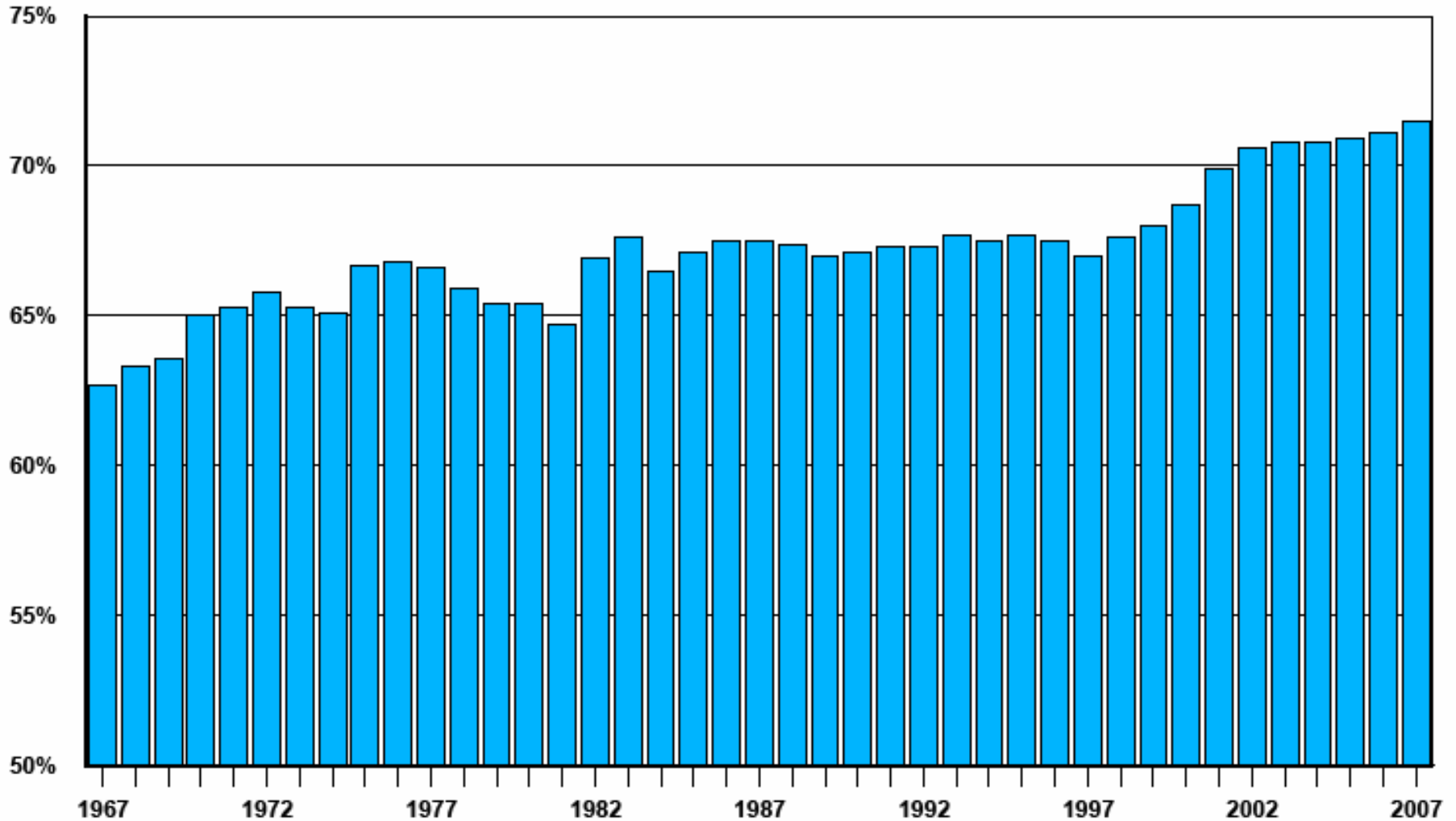
% Change in the Real, Global Value of the US Dollar Since January 2002



Federal Reserve Board's price-adjusted "Broad" Index of currency values.

Consumer Spending Share of GDP

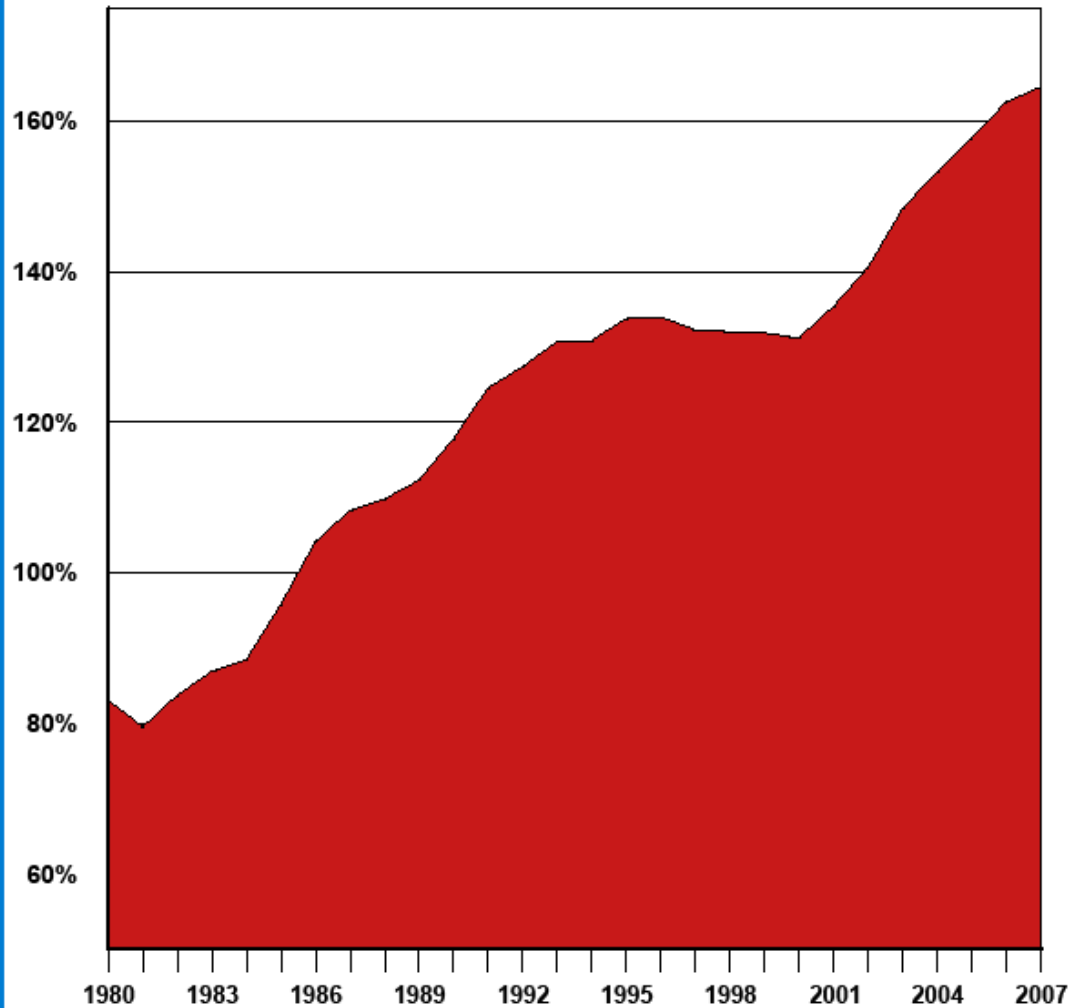
% of GDP used for consumer consumption



Household and Federal Debt Percent of GDP:

Post-WWII Debt Levels fell but have rocketed since 1981

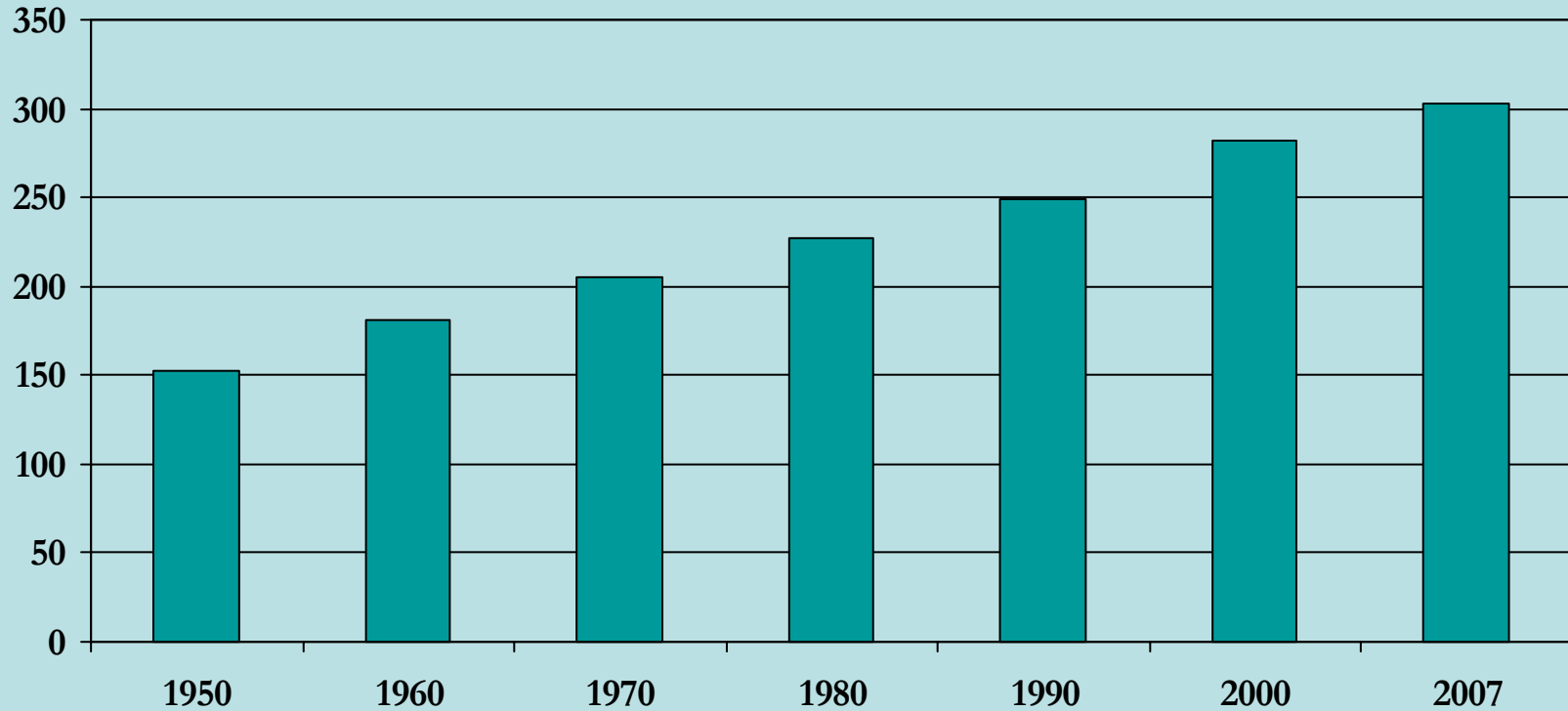
% Debt to GDP at end of each Fiscal Year



US Depts of the Treasury and Commerce and MBG Information Services

Population Growth in the United States

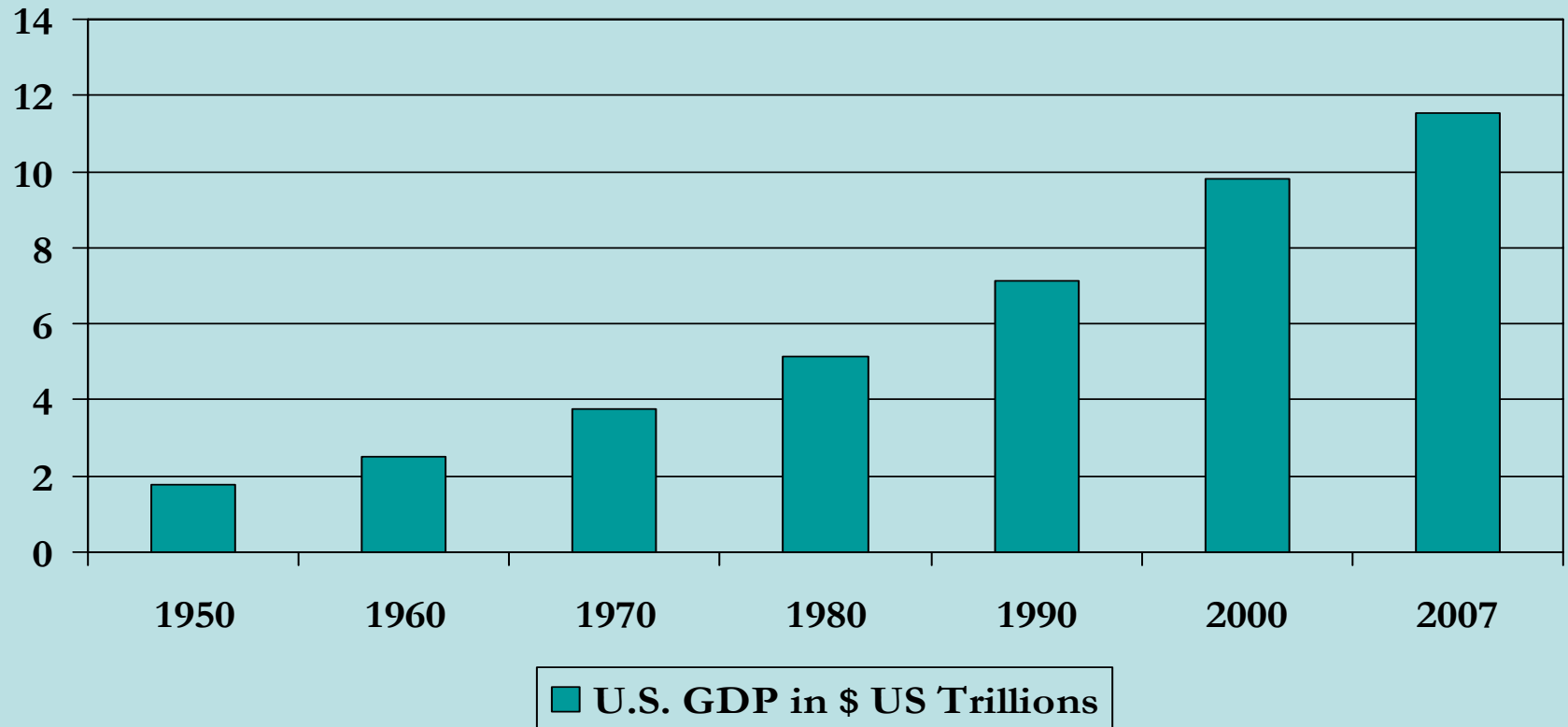
U.S. Population Has Grown by 54 Million Since 1990



■ U.S. Population in Millions

U.S. GDP in Inflation Adjusted \$US Dollars (2000)

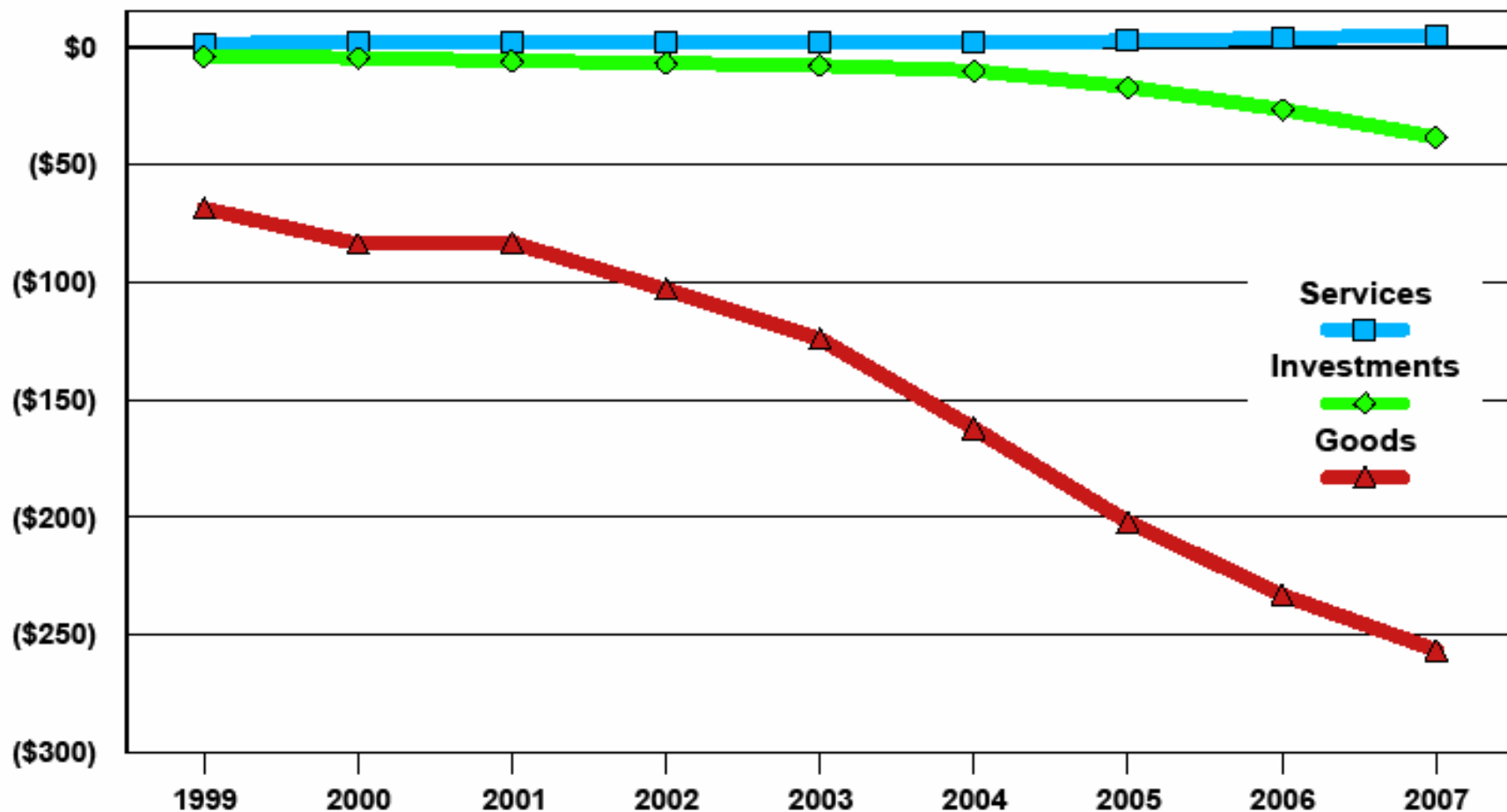
U.S. GDP Has Grown 550% Since 1950



US Current Account Deficits With China

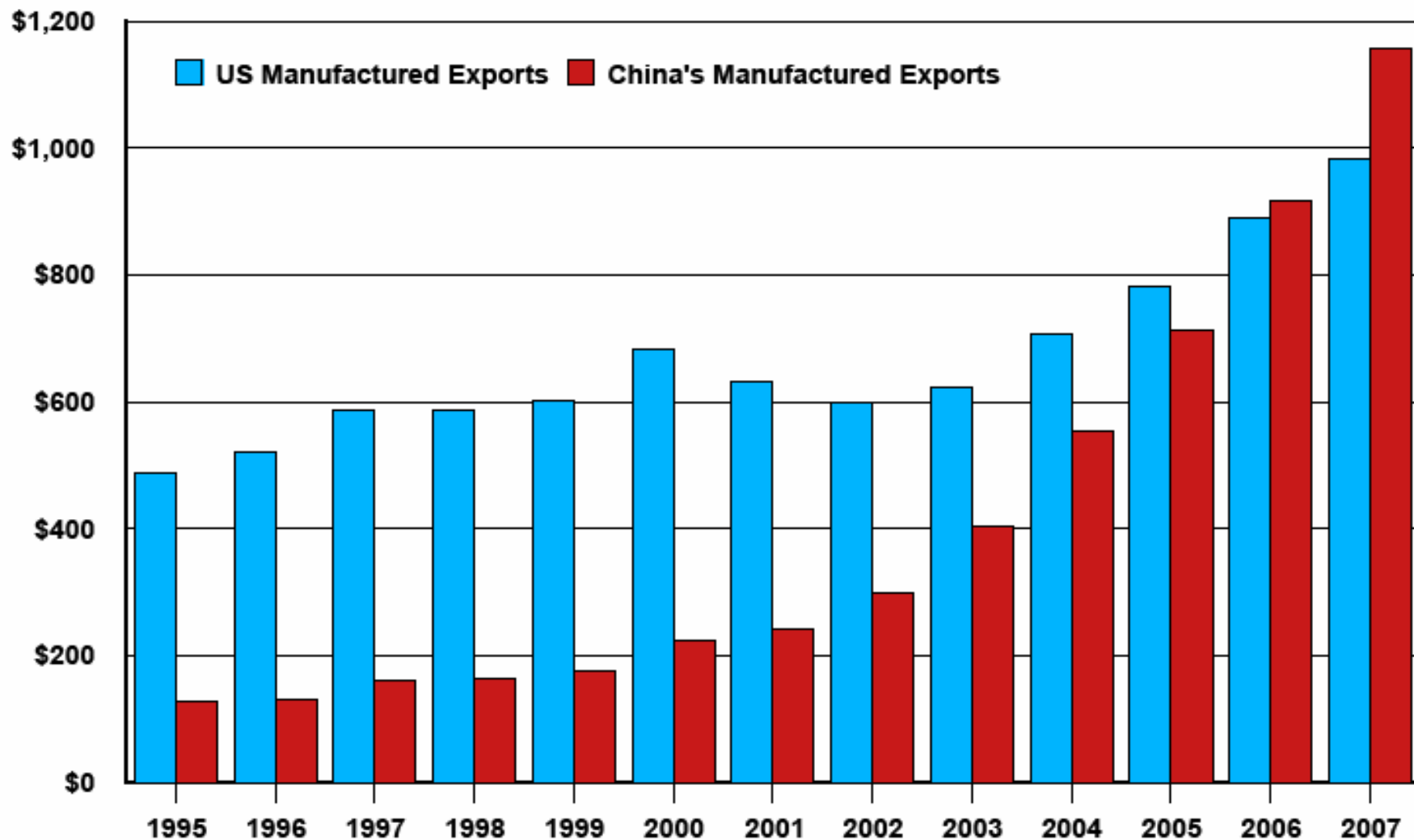
-\$1.3 Trillion from 2001 to 2007

\$ Billion: US Annual Current Account Balances with China



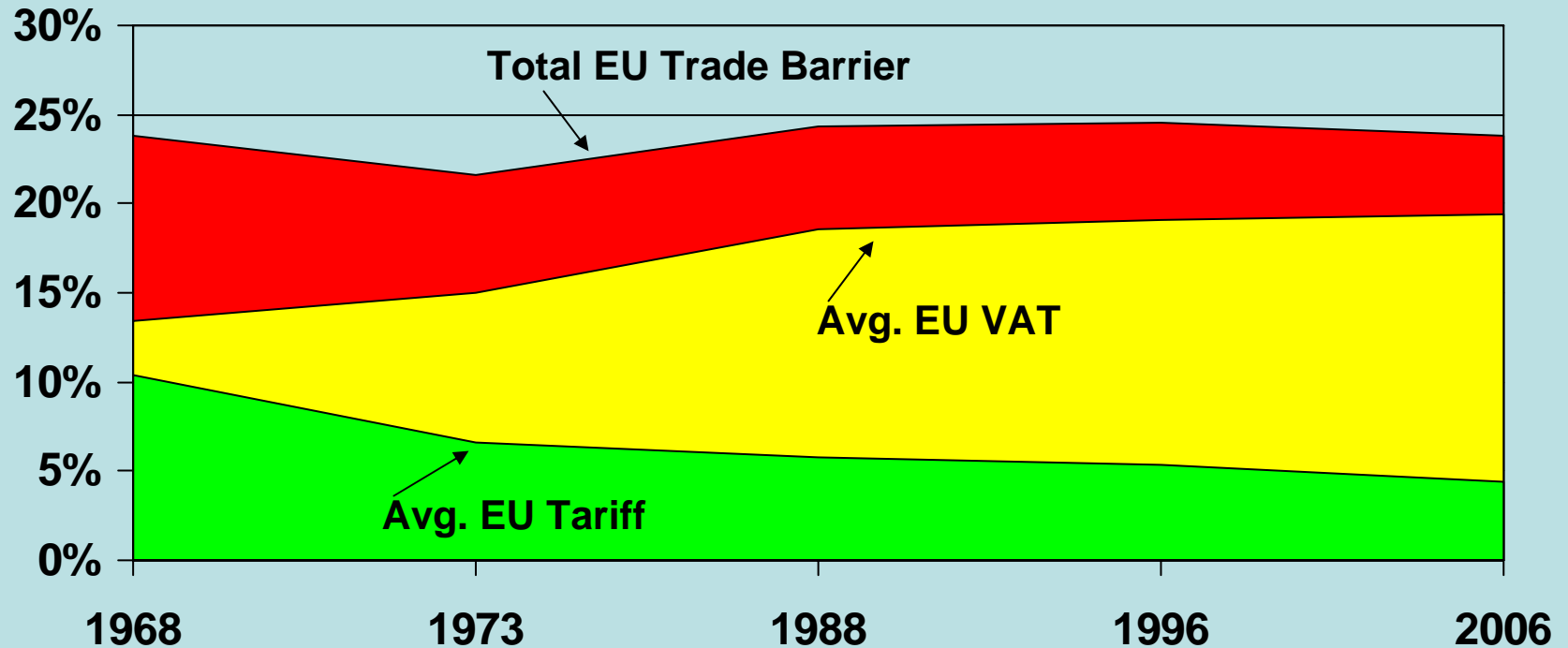
China's Global Manufacturing Exports Soar Past US Totals

\$Billions: Annual Global Manufacturing Exports from the US and China



US Department of Commerce, China Customs and MBG Information Services Manufacturing is HS 28-96 industries

VAT Hikes Keep Aggregate European Trade Barrier Constant



■ Total EU Trade Barrier **■ Average EU VAT Rate** **■ Average EU Tariff Rate**

Sources: Simple averages of MFN tariff rates on industrial products applied by EU countries are from the OECD and UNCTAD. For 2006, the latest available tariff rate from UNCTAD, for 2003, is assumed to remain constant. Simple averages of standard VAT rates of EU members with a VAT in effect are from the European Commission. Aggregate trade barrier is the sum of the average tariff rate and the average VAT rate for each year examined.