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PRESS STATEMENT

Changes in U.S. Trade Policy Needed to Stop Record Foreign Trade Red Ink

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WASHINGTON, DC – The U.S. government reported today that the U.S. trade deficit reached an all-time high of \$763.6 billion in 2006, smashing the previous record of \$717 billion in 2005. With China, U.S. trade deficit jumped from \$202 billion in 2005 to \$232.5 billion in 2006. For manufactured goods, the U.S. trade deficit jumped to \$525.8 billion, up from \$504 billion in 2005.

“The 2006 record negative U.S. trade imbalance further proves that U.S. trade policy is broken. The deficit will only worsen and the offshoring of key U.S. industrial sectors will only accelerate unless Congress steps in and makes major changes,” said American Manufacturing Trade Action Coalition (AMTAC) Executive Director Auggie Tantillo.

“Our escalating U.S. trade deficits and concomitant loss of three million U.S. manufacturing jobs are a direct outgrowth of U.S. trade policy. The U.S. government’s refusal to use access to the U.S. market as trade negotiating leverage gives other countries like China a green light to subsidize and protect their industries to the detriment of U.S. producers,” Tantillo continued.

In AMTAC’s view, the most ubiquitous and damaging protection/subsidy are foreign value-added taxes (VAT) taxes. Currently 137 countries, including every major industrial power except the United States, rebate VAT taxes when goods are exported and levy VAT taxes on imports.

In 2005, U.S. producers were disadvantaged by an estimated \$294 billion as a result of foreign VAT taxes, with China accounting for \$48 billion alone. Braking down the numbers, foreign countries with VAT taxes are estimated to have rebated \$201 billion in VAT taxes on exports to the United States while imposing an estimated \$93 billion in VAT taxes on imports from the United States.

“Until the Congress and Executive Branch eliminate the massive VAT advantage to foreign producers, the United States will never be able to reign in its record-breaking trade deficit and begin to stanch the bleeding of high-paying manufacturing jobs – two things that must happen if we are to see a reasonable increase in the standard of living for all Americans,” concluded Tantillo.

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