

# AMTAC

American Manufacturing Trade Action Coalition

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## PRESS STATEMENT

### AMTAC Supports Congressional Call for a New Direction for Trade Policy

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WASHINGTON, DC – At a press conference held in the U.S. Capitol today, the American Manufacturing Trade Action Coalition (AMTAC) joined U.S. Senators Sherrod Brown (D-OH), Byron Dorgan (D-ND), and Representatives Mike Michaud (D-ME), Walter B. Jones (R-NC), and Linda Sanchez (D-CA) among others in calling for a new direction in trade policy.

With a record U.S. trade deficit of \$763 billion in 2006, the loss of three million U.S. manufacturing jobs since 2001, Trade Promotion Authority (TPA) set to expire this summer, and U.S.-South Korea free trade agreement negotiations entering their final stages, trade policy has become a topic for increased debate in Congress.

“The U.S. government must use its control of access to the U.S. market as leverage to level the playing field for U.S. industry. A comprehensive approach, including remedying the disadvantage to U.S. producers caused by foreign value-added-taxes, is needed to reduce the trade deficit and to restore American competitiveness in sectors of the economy subject to import competition like manufacturing,” said AMTAC Director of Membership and Media Outreach Lloyd Wood.

Besides focusing on important issues like defeating TPA to restore congressional accountability to trade policy and combating foreign currency manipulation and/or misalignment, it is AMTAC’s view that the U.S. government and Congress urgently must address the crippling disadvantage to U.S. producers caused by 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. Breaking 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 held by foreign producers, the United States will never be able to level the playing field, reign in its record-breaking

trade deficit, and begin to stanch the bleeding of high-paying manufacturing jobs – three things that must happen if we are to see a reasonable increase in the standard of living for all Americans,” concluded Wood.

According to the U.S. Bureau of Labor Statistics, employment in U.S. manufacturing employment fell 17.1 million to 14.1 million between January 2001 and January 2007.

In February, the U.S. government reported 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, the 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.

Since 1993, U.S. demand for Durable Goods and Non-Durable Goods has risen by 135 and 47 percent, respectively. Despite the healthy growth in demand, imports (often heavily subsidized) have cut heavily into domestic market share as U.S. production of Durable Goods only grew by 68 percent and Non-Durable Goods grew by just 18 percent. Consequently, U.S. domestic manufacturing only has captured 51 percent of growth in demand for Durable Goods and a paltry 39 percent of growth in demand for Non-Durable Goods since 1993.

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