

Issue Brief

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The Bush Record on Shipping Jobs Overseas

Executive Summary

Over the past three years, the U.S. trade deficit has exploded and hundreds of thousands of jobs have disappeared overseas. President Bush has not been an idle bystander in this process—he has actively abetted it. Nearly every time George W. Bush has had an opportunity to fix the flawed international trade, tax and investment policies that destroy good jobs, he has refused.

■ The Bush administration has allowed other countries to violate international trade rules with impunity and refused to aggressively use dispute settlement and enforcement tools to assert the rights of the United States and to protect the interests of America's workers.

■ President Bush has refused to enforce our domestic trade laws, the first line of defense against unfair trade practices and import surges that hurt companies and workers in the United States. He refused to use U.S. trade laws to address systematic violations of workers' rights and blatant currency

"When a good or service is produced at lower cost in another country, it makes sense to import it rather than to produce it domestically."

—Economic Report of the President, p. 25, February 2004

"Outsourcing is just a new way of doing international trade. More things are tradable than were tradable in the past. And that's a good thing."

—N. Gregory Mankiw, Chairman of President Bush's Council of Economic Advisors, Feb. 9, 2004

The outsourcing of U.S. jobs "is part of trade... and there can't be any doubt about the fact that trade makes the economy stronger."

—U.S. Treasury Secretary John Snow, March 29, 2004

manipulation by the Chinese government. He unilaterally rejected recommendations from his own administration to take action against surges of imports from China and elsewhere. Now President Bush's representatives are even asking Congress to repeal some of our domestic trade laws and putting others up on the chopping block in new trade negotiations.

■ President Bush supports policies that subsidize job destruction with taxpayer dollars, including new tax breaks for foreign production and more government contracts and subsidies for companies that destroy American jobs.

■ President Bush launched a new round of trade talks at the World Trade Organization (WTO) and is actively negotiating new trade agreements based on the North American Free Trade Agreement (NAFTA) with dozens of countries around the world. These agreements contain no enforceable protections for core workers' rights, and President Bush refuses to enforce workers' rights provisions that do exist in current trade rules.

■ Finally, through budget cuts and implementation failures, Bush officials have shortchanged government programs for displaced workers and workers' rights overseas.

Under President Bush, our trade deficit has exploded and our inflows of foreign direct investment have fallen, destroying good jobs. This job loss was not inevitable. It is the direct result of President Bush's acts of omission and commission—his decision to push policies favoring imports over exports and rewarding U.S. companies for shipping more jobs overseas. And it is America's workers who have paid the price for President Bush's bad choices.

Introduction

Since George W. Bush took office in January 2001, America's workers have lost 2.7 million manufacturing jobs and nearly 900,000 professional service and information sector jobs. A significant number of these lost jobs have gone overseas. The Economic Policy Institute estimates 935,000 of the manufacturing jobs lost between 2000 and 2003 were destroyed due to our rising trade deficit, and

Goldman Sachs estimates 400,000 to 600,000 of the professional service and information sector jobs we lost over the past few years have been shipped overseas.

The lost jobs attributable to international trade and offshore outsourcing are significant and widespread. Yet nothing has been done to improve our trade balance or discourage runaway production. In fact, in the past three years economic indicators in these areas have deteriorated sharply.

■ Since Bush took office, our trade deficit has shot up nearly 37 percent, from \$358 billion in 2001 to \$489 billion in 2003. Our trade deficit in goods reached an all-time high of \$549 billion last year, while our small trade surplus in services shrank to \$51 billion, the lowest level since 1991. No other country in the world runs trade deficits like we do—European nations and Japan have only very small deficits or even surpluses.

■ While the United States enjoyed a positive net inflow of foreign direct investment of more than \$40 billion in 2001, direct investment flows deteriorated markedly in the next two years of Bush's presidency. In 2002, U.S. companies and individuals invested nearly \$90 billion more abroad than foreigners invested directly in the United States, and we saw another net outflow in 2003 of nearly \$64 billion. And in 2002, more new foreign direct investment flowed into China than into the United States, much of it in manufacturing.

To finance the nation's ballooning trade deficit, we have become more and more reliant on foreign countries that, at the drop of a hat, could throw our economy into crisis. The ability of the United States to keep running huge deficits depends on the willingness of other countries to hold dollar assets or invest in this country. Instead of taking affirmative steps to reduce the trade deficit, the Bush administration has chosen an ultimately unsustainable and potentially dangerous course of having foreign countries finance the deficit and prop up the economy through their accumulation of dollars. Asian countries have amassed huge foreign exchange reserves of more than \$2 trillion,

mostly in dollars. If foreign countries suddenly decide the dollar is not worth holding and start dumping U.S. currency, it could send interest rates soaring and our economy into a tailspin.

In the face of these disturbing trends, President Bush could have chosen to take action. He could have chosen to take aggressive steps to close our trade deficit and encourage U.S. companies to create more jobs at home than abroad. He has done the opposite. Time after time, when President Bush has had the opportunity to support good American jobs, he instead has elected to sacrifice them to corporate greed. He has consistently pushed policies favoring imports over exports and rewarding overseas production more than domestic job creation.

Standing by as Trade Agreements Are Violated

■ The Bush administration has ***refused to use WTO dispute settlement*** to address a wide array of outright trade agreement violations by other countries, including violations documented in the administration's own annual reports on trade barriers. While reliance on existing WTO rules alone is not enough to ensure fair and balanced trade, invoking the rules would be one indicator of the administration's commitment to enforcing our rights under trade rules. In a recent letter, members of Congress urged the president to act on a number of violations the administration had identified but failed to counteract, including airplane subsidies in Europe, market access barriers for autos and auto parts in Japan and South Korea, non-tariff barriers imposed by India on U.S. textile exports and India's failure to enforce intellectual property rights.

■ Despite many documented violations by our trading partners, ***the Bush administration brought only 10 WTO cases*** against other countries for violating trade rules in the three years and five months it has been in office. In the 41-month period before Bush came into office, by contrast, the United States lodged 33 WTO complaints against other countries—more than triple the number of cases filed by Bush.

■ While the Bush administration brought only 10 cases to the WTO since 2001, a full ***35 complaints were initiated against the United States*** at the WTO in the same period. This is, again, a marked shift from the three years before Bush took office, in which fewer WTO cases were filed against the United States than were filed by this country.

■ China has consistently violated WTO rules since it joined the organization in 2001, but the Bush administration waited until this year to file its first formal complaint. The administration has reported numerous instances of China violating WTO rules, including restrictions on imports of high technology products, cotton, poultry, soybeans and wheat; continued high rates of piracy and trademark infringement; denial of trading and distribution rights; and manipulation of customs procedures and value-added taxes to keep out U.S. exports. Despite these persistent and acknowledged violations, the Bush administration ***refused to bring any formal WTO cases against China until March 2004***, when it filed its first and only case, one on semiconductors. According to the Government Accountability Office,* the Bush administration also failed to use the transitional review mechanism—created as part of China's WTO accession agreement—to effectively monitor compliance. China, on the other hand, feels no such timidity. Since joining the WTO, it has filed a case against the U.S. steel safeguard and initiated several anti-dumping actions against the United States.

Refusing to Enforce Domestic Trade Laws

■ Congress created Section 301 of the Trade Act of 1974 to authorize the president to impose trade remedies to redress unfair trade practices by other countries, including persistent violations of workers' rights that give producers in violating countries an illegitimate cost advantage. In March 2004, the AFL-CIO filed a Section 301 petition demonstrating the burden China's brutal suppression of workers' rights imposes on our trade relationship: Denials of workers' rights in China artificially depress wages and export prices, costing America's workers more than 727,000 jobs. At the end of April, the ***Bush***

* On July 7, 2004, the General Accounting Office changed its name to the Government Accountability Office.

administration rejected the workers' rights petition outright, before even investigating its merits. The administration offered no substantive critique of the petition's arguments but refused to enforce the workers' rights provisions of the law on principle, claiming it would lead to "economic isolationism." If the administration will not enforce the workers' rights provisions of our trade law in the case of China, where well-documented and egregious abuses of workers' rights are undeniably putting U.S. workers at an unfair disadvantage, it is unlikely to ever enforce these provisions. While the administration has used Section 301 to enforce intellectual property rights of American companies, it will not do the same to protect workers' fundamental human rights. The Bush administration's refusal to accept the China workers' rights petition sends a clear message—it would rather render our trade law a dead letter than use it to defend workers' rights and protect American jobs.

■ The administration also has **refused to take effective action to address currency manipulation** by China and other trading partners. At the same time it denied the Section 301 workers' rights petition, the administration took the highly unusual step of announcing it would not accept a Section 301 petition on China's currency manipulation *before* the petition was even filed. China's manipulation of its currency unfairly reduces the cost of its imports to the United States (and increases the cost of our exports to China) by up to 40 percent. Despite pleas from workers and industry, the administration has refused to push China and other countries either through the use of domestic trade laws or through WTO dispute settlement to revalue their currencies.

■ When China joined the WTO, special safeguards written into U.S. law were supposed to help protect U.S. workers from the likely surge in Chinese imports. But President Bush has **refused to enforce the special China safeguards** in response to import surges. In three separate cases (regarding wire hangers, pedestal actuators and ductile iron waterworks fittings), the U.S. International Trade Commission (ITC) found increased Chinese exports were harming U.S. industry and advised

the Bush administration to take action under the special safeguard. In each of these cases, President Bush unilaterally rejected the ITC's recommendation and refused to take action, arguing that providing relief would harm consumers more than it would help workers and producers.

■ The administration also has **refused to authorize effective anti-dumping duties on Chinese products** being sold below price on the U.S. market. The U.S. trade deficit with China hit \$124 billion last year, and no other country in the world runs the kind of trade deficit with China that the United States does. Although the United States absorbs more than one-third of China's exports to the world, it accounts for less than 14 percent of the anti-dumping measures imposed against China. In those cases where the administration has found Chinese products being dumped on the U.S. market, it has provided only partial relief to U.S. workers and producers:

- Anvil International got the Bush administration to impose a 13 percent tariff on dumped steel pipe nipples, but this is just a fraction of the 100 to 200 percent dumping margins levied on the same product by the Canadian government. Anvil reports it has had to close a foundry and lay off 350 workers due to the continued dumping by China.
- The Bush administration applied single-digit dumping margins on Chinese steel pipe fittings in response to a complaint from Ward Manufacturing, much less than the 42 and 48 percent anti-dumping duties imposed on the same product by Mexico and the European Union, respectively. As our imports of the product have continued to rise, Ward has cut jobs.
- The Bush administration got rid of anti-dumping duties on Chinese persulfate altogether in 2001, using a new methodology favoring Chinese producers. The company that brought the anti-dumping case blamed the administration for ignoring "evidence of fraudulent practices" and failing to verify Chinese conduct in the investigation.

■ The Bush administration has refused to enforce our domestic trade laws effectively against other countries as well:

- To remedy injury to domestic industry from surging imports of line pipe, a safeguard was imposed in 2000, limiting all **line pipe imports** to 9,000 tons per year. In deference to an adverse WTO ruling on the measure, the Bush administration revised the safeguard to raise limits on Korean line pipe imports to 70,000 tons a year.
- In 2001, the ITC recommended **imports of wire rod from Canada and Mexico** be added to those already subject to quotas under the safeguard mechanism since 2000. President Bush unilaterally rejected the ITC's recommendation.
- In 2002, the administration asked the Commerce Department to **change its methodologies in anti-dumping cases** to be more favorable to importers in response to a WTO ruling. As part of its change, Commerce reduced tariffs on dumped hot-rolled steel, cutting the duties imposed on one Japanese company from 67 percent to 40 percent.

■ Even when the Bush administration has imposed duties on dumped goods, it often has **failed to actually collect these duties from importers**. Customs failed to collect \$130 million in anti-dumping duties in the 2003 fiscal year—more than \$100 million of which was due on imports from China. These duties were supposed to be paid out directly to America's producers and workers injured by illegal dumping. This major enforcement failure has allowed importers to continue to dump goods on the U.S. market without paying any of the duties required by law. The Bush administration has done little to remedy this massive noncompliance, although many have been calling for a fix since 2001. In fact, Bush officials now are lobbying Congress to repeal the very part of our trade law that first brought these violations to light—the Byrd law (see below).

■ After promising to impose tariffs that would last for three years to protect the nation's steel industry from floods of imports, in December 2003 Bush **rescinded the steel tariffs** after only 20 months. The Bush White House claimed the tariffs had achieved their purpose, even though five major steel companies had declared bankruptcy since the tariffs began. All together, 42 steel companies have gone bankrupt since 1998, putting more than 50,000 steelworkers out of work. In the same period, 17 of the companies have liquidated, wiping out the health care benefits of more than 208,000 retirees.

■ In response to a WTO complaint, the Bush administration has asked Congress to **repeal the Byrd law**, which channels proceeds from anti-dumping and countervailing duty orders to domestic industries and workers. Efforts to implement the Byrd law helped expose the massive noncompliance with anti-dumping orders noted above.

Subsidizing Job Destruction with Taxpayer Dollars

■ George W. Bush actively **supports tax breaks that reward companies more for shipping jobs overseas than for creating them here in the United States**, and he strongly opposes efforts to reform these tax rules. These tax breaks cost the U.S. Treasury \$7 billion each year and make it significantly cheaper for American companies to operate overseas than in this country. The tax code subsidizes job destruction and puts domestic producers and workers at a profound disadvantage. The Bush administration refused to support efforts to eliminate these tax giveaways, and, in its 2004 and 2005 budgets, proposed creating even more tax incentives for U.S. companies to ship work overseas rather than keep good jobs in America.

■ The Bush administration has mounted a relentless **campaign against Buy American laws**, which ensure federal tax dollars are invested in creating U.S. jobs and maintaining a strong industrial base. The Bush administration routinely waives Buy American laws and has sought changes to weaken them. Last year, the Bush administration even threatened to veto the Defense Authorization

bill unless provisions to strengthen Buy American laws were removed. Bush's opposition to Buy American laws is so strong he has even confronted members of his own party, led by Rep. Duncan Hunter (R-Calif.), on the issue.

■ The Bush administration is also asking state governments to **give up the ability to use state tax dollars to support local job creation.**

The U.S. Trade Representative has asked all state governors to sign away their autonomy over state procurement policy under new trade agreements, including the 34-country Free Trade Area of the Americas and bilateral agreements with Australia, Central America, Morocco and Southern Africa.

■ Under the leadership of Bush appointees, government agencies backed by U.S. tax dollars have actively promoted offshoring of American jobs and have tried to **weaken oversight of the job impacts of their programs:**

- The administration eliminated the U.S. Treasury Department's labor specialist position, which was created to monitor the labor impacts of international financial institution (IFI) programs. Since the change, the **World Bank** has financed the creation of a free trade zone in Haiti explicitly designed to export to the United States. The Treasury Department also has opposed attempts to strengthen workers' rights mandates for the IFIs in U.S. law, and has proposed eliminating congressional reporting requirements on workers' rights.
- In its initial 2003 reauthorization request, the **Overseas Private Investment Corp.** proposed extending its government-backed corporate loans and insurance to foreign-owned companies, including those with no significant U.S. employment. This change would have funneled existing support away from U.S. companies and America's workers to make new subsidies available to companies with no significant domestic workforce.
- *The New York Times* reports the **Commerce Department** actively "sponsors" and "participates in conferences and workshops

that encourage American companies to put operations and jobs in China." The Commerce Department was described as a "co-sponsor" by Chinese organizers of one such conference in New York.

Pushing More Bad Trade Deals

■ The Bush administration pressed Congress to grant it **Fast Track** trade negotiating authority and strongly opposed amendments to strengthen provisions on workers' rights and the protection of domestic trade laws in the bill.

■ The administration launched or concluded **bilateral free trade agreements** with more than a dozen countries, including Australia, Bahrain, Botswana, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Lesotho, Morocco, Namibia, Nicaragua, Panama, Singapore, South Africa, Swaziland and Thailand. These agreements move backwards from previous accords on workers' rights and contain many of the same flawed rules that have worsened our trade deficit under NAFTA.

■ Bush pushed to conclude the **Free Trade Area of the Americas**, based on the flawed NAFTA model, with 33 countries in the hemisphere. In addition, the draft text of the agreement contains proposed provisions that would eviscerate U.S. trade laws by imposing tight restrictions, and even some outright prohibitions, on methodologies used to resolve anti-dumping and countervailing duty cases.

■ The Bush administration helped launch the **Doha Round of negotiations at the WTO**, opening the door to new trade rules directly threatening U.S. jobs, including rules that would even further restrict our ability to use domestic trade laws. In addition, the administration proposed eliminating all tariffs on industrial goods by 2015 at the WTO, but refused to push countries to agree to new rules protecting workers' rights.

■ The Bush administration negotiated a **bilateral textile agreement with Vietnam** without any labor conditions, despite urging from unions and members of Congress to follow the successful

model of internationally monitored workers' rights incentives contained in our bilateral textile agreement with Cambodia. As a result, producers in Vietnam—with no obligation to respect workers' rights—enjoy the same kind of guaranteed access to the U.S. market as producers in Cambodia, which must meet labor rights compliance targets. The Bush administration's decision directly undercut the Cambodia agreement by creating an incentive for investors to produce in Vietnam instead, where independent trade unions are illegal and workers' rights can be violated with impunity.

Refusing to Enforce Trade Rules on Workers' Rights

■ The Bush administration *refused to introduce the groundbreaking Jordan Free Trade Agreement* to Congress until it gutted the agreement's enforcement provisions. The Jordan agreement was the first to include enforceable protections for workers' rights in its core. In response to a business outcry about the agreement, U.S. Trade Representative Robert Zoellick wrote an open letter to the Jordanian government pledging not to use trade sanctions to enforce it, thus ensuring the landmark workers' rights provisions would have no teeth.

■ The Bush administration *refused to accept for review Generalized System of Preferences (GSP) petitions demonstrating persistent violations of workers' rights* in Costa Rica, Ecuador, El Salvador, Peru and Sri Lanka. After accepting a petition on Guatemala for review, the administration rewarded the country with a new free trade agreement that has even weaker workers' rights rules than the GSP—despite the fact that Guatemala made no improvements to its labor code—and then rejected the GSP petition. The administration is pursuing a similar free trade agreement with Swaziland, even though that country is also under review for workers' rights violations under the GSP.

Shortchanging Displaced Workers and Workers' Rights Assistance

■ The Bush administration has *failed to effectively implement the Trade Adjustment Assistance (TAA) program to help workers*

displaced by trade, even as trade deficits have exploded and millions of manufacturing jobs have disappeared:

- Each year, some states run out of TAA training funds before the year is up, stranding dislocated workers without timely access to training they need to find new jobs. These shortfalls continued in fiscal year 2004 and are occurring earlier in the year than ever before.
- In February 2003, Health and Human Services Secretary Tommy Thompson told governors the new Health Care Tax Credit added to TAA by Congress could help more than 500,000 U.S. workers each year. Yet only 3,634 individuals accessed the new Health Care Tax Credit through TAA from November 2002 through January 2004, less than 1.5 percent of the 246,398 workers certified for TAA during the period and only 6 percent of workers who actually received TAA training and income support.
- In 2002, a wage insurance program was added to TAA designed to encourage workers to get back to work sooner by supplementing their wages under certain circumstances. The Bush Labor Department essentially has failed to implement or publicize this program; as a result, only a few dozen people have received wage insurance under TAA.
- Despite persistent high long-term unemployment and continuing manufacturing job losses, President Bush sought \$300 million less in funding for TAA benefits in his 2005 budget than Congress enacted for 2004.
- Finally, the Bush Department of Labor is denying TAA petitions erroneously due to what one judge called "overwork, incompetence or indifference (or a combination of the three)." While many of these denials go unchallenged, in at least eight cases the U.S. Court of International Trade has criticized faulty denials by the Bush Labor Department. In a recent finding for workers denied TAA benefits, the court blasted the Labor Department, stating, "this case

stands as a monument to the flaws and dysfunctions in the Labor Department's administration of the nation's trade adjustment assistance laws—for while it may be an extreme case, it is not an isolated one.”

■ While refusing to negotiate meaningful workers' rights protections in trade agreements, the admin-

istration also has tried to **slash funding for voluntary improvements in workers' rights overseas**. Each year the Bush Labor Department has proposed gutting international labor rights assistance—in its 2005 budget, the administration again called for a huge cut that would reduce funding from the current \$99.5 million to just \$18 million.

Conclusion

Instead of creating new jobs and championing the interests of America's workers, the Bush administration has chosen to actively support policies that worsen our massive trade deficit, subject workers to unfair trade practices and reward companies for moving jobs overseas. President Bush stood by as countries violated our rights under international trade rules; he refused to enforce our domestic trade laws; he negotiated new trade deals that threaten to weaken our trade laws and fail to protect workers' rights; he subsidized job destruction

with taxpayer dollars; and he shortchanged displaced workers and workers' rights overseas. President Bush refuses to reform our trade, tax and investment policies to create good jobs, and he refuses to enforce the trade rules already in place to protect those jobs still at home. The result of these misguided—and fundamentally wrong—policy choices has been the loss of hundreds of thousands of jobs. Every time President Bush has decided to help companies ship jobs overseas, America's workers and their families have paid the price.

Sources: AFL-CIO; American Enterprise Institute; Economic Policy Institute; *Economic Report of the President, 2004*; Government Accountability Office; Goldman, Sachs & Co.; House Appropriations Committee; Human Rights Watch; *Inside U.S. Trade*; *Los Angeles Times*; *The New York Times*; United Steelworkers of America; U.S. Census Bureau; U.S. Department of Commerce, Bureau of Economic Analysis; U.S. Department of Labor, Bureau of Labor Statistics; U.S. Department of the Treasury; U.S. Trade Representative; and World Trade Organization.