OBAMA-BIDEN TRANSITION PROJECT

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The Foundations of a Realistic Trade Policy

A Position Paper of the U.S. Business and Industry Council
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The primary goal of U.S. trade relationships should be the creation of a robust American economy, whose benefits reach all Americans. Multiple, realistic, interrelated, and unilaterally achievable policies are necessary to reach this strategic goal. Current and pending trade agreements and arrangements interfere with this goal and have led to 30 years of deficits with the attendant hollowing out of the U.S. manufacturing, technology, high-tech services, and agricultural bases, as well as the loss of millions of good-paying jobs. The U.S. approach to international trade must be revamped and should embody the following principals.

1. Trade must contribute to the long-term growth of the U.S. economy and healthy communities.
2. It must provide plentiful opportunities for entrepreneurs and good-paying, good-benefit jobs for working Americans.
3. It must foster world-class, broad-based domestic manufacturing, research and development, agricultural, and service complexes within the American economy.
4. It must allow the maintenance of sound, sustainable finances at the federal, state, and local levels – as well as for American families and individuals.
5. It must preserve the economic and strategic benefits of substantial self-sufficiency in goods, services, food, energy, and weapons systems.
6. It must preserve the absolute sovereignty of the American political system and economic freedom of action.
7. It must allow the U.S. government maximum flexibility in using U.S. economic power, access to the American market, and trade as a diplomatic tool.
8. It must be conducted in such a way as to safeguard the stability of the world trading and financial system

Other current or suggested goals for U.S. trade policy must be subordinated to the objectives above – for the simple reason that an America in severe economic distress will have lost its ability to address global problems. These goals to be subordinated include:

1. Expanding world trade and investment flows
2. Promoting global economic integration
3. Encouraging political, economic, and social reform abroad
4. Fostering economic progress in the developing world

However worthy these goals may be, they must not interfere with America's ability to first restore its own economy, to produce the goods and services it requires, and to feed and defend itself.

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In a world that is painfully far from consensus on the proper role of government in economic activity, achieving the above-mentioned policy objectives will typically require the unilateral exercise of American leverage and power in their numerous dimensions. Any agreements or other arrangements that create ongoing curbs on this power or prevent the necessary steps from being taken should be reformed and new ones avoided in the future.

The American political system – and not bilateral or multilateral negotiations – can best ensure that new policies benefiting the domestic economy are put in place. The first step is for Congress to free itself from Executive Branch intimidation and muster the political will to pass the legislation necessary to restore the domestic economy. Almost all the necessary legislative steps can be fashioned to be in accord with current international trade rules. Those that are not must be taken anyway and the conflicting trade rules renegotiated.

After the necessary legislation is passed, the U.S. current account is brought into balance, and the global trading system is reconfigured, then the United States can begin to negotiate new trade agreements in line with its principles. Congress's preeminence in future trade policymaking, as the Constitution requires, must be reasserted. New trade agreements must closely adhere to the negotiating instructions given by Congress. When submitted by the Executive, they should be thoroughly debated and amended as legislators see fit. Expedited procedures, such as fast track, run contrary to the principle of checks and balances that the Founding Fathers rightly concluded create the best guarantees of effective governance.

Fortunately, many of the specific measures needed to restore American preeminence are currently or soon to be under consideration by the Congress. The following policies or legislation would go far to rebuilding the American economy:

– A moratorium should be declared on all new trade agreements until the United States adopts the legislation and policies necessary to restore the American economy and to conduct future trade policy incorporating the priorities above.

– Fast track trade negotiating authority should be rejected and trade policymaking returned to its Constitutionally mandated place in the Congress.

– A cap should be placed on the trade deficit and our current accounts should be brought quickly into balance. This step can be accomplished by passing the legislation introduced last session by Rep. Michael Michaud (D.-ME.) or Sen. Byron Dorgan (D.-ND).

– Foreign currency manipulation and other foreign subsidies to producers cannot be allowed to stand while American producers go out of business. Legislation providing for strong penalties for foreign government currency manipulation must be passed immediately. Specifically, the Ryan-Hunter/Stabenow-Bunning bills address the currency issue. Other foreign subsidies must also be addressed legislatively.

– A border adjustment tax to offset trade distortions created by foreign Value Added Tax systems through rebates to exporters should be passed immediately. The proceeds of the tax should be used to offset the costs of entry to foreign markets imposed by VAT taxes on American goods and services Legislation will shortly be introduced by Reps. Pascrell, Michaud, Hunter, and Jones.

– U.S. trade laws must be strengthened and made easier for domestic producers and workers to employ. Super-301 must be restored.

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– Tax and depreciation credits for value-added job creation in the United States and purchases of U.S.-made machinery should be strengthened or instituted.

– A system of tax credits for investment of repatriated profits in new U.S. factories, high value-added job creation, and purchases of U.S.-made machinery must be instituted.

– The Office of Technology Assessment, a former Congressional agency, must be reestablished to give Congress an independent source of information about the impact of globalization on our manufacturing and technology bases.

– U.S. government funding for basic research should be substantially increased.

– A renewed system to promote effective commercialization of technologies developed by Defense Advanced Research Projects Agency and the National Labs must be created. Foreign participation in our National Lab programs should be the exception rather than the rule and must be closely monitored.

Passage of the above-suggested legislation should be the first "trade" priority of Congress, before we consider new trade agreements or return to any trade negotiations. There are other trade-related issues that might be addressed, including health care, education, and energy policies.

But the American economy – and its producers and workers – would receive a substantial boost from the adoption of the suggested legislation. Once the Congress makes it clear that foreign government distortions to the global economy will not be tolerated by the American people, we can return to trade negotiations certain that our determination will have the impact necessary to keep negotiations honest and restore balance to the global trading system.

The U.S. Business and Industry Council, founded in 1933, is a national business organization representing roughly 1,500 small and medium-sized domestic U.S. companies, predominantly manufacturers.

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