THE LITTLE BLUE BOOK OF

Big Trade Problems

Straight Answers to the Hard Questions Facing American Manufacturing

Alliance for American Manufacturing

AAM

Keeping America Strong

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Introduction: American Manufacturing Really Matters!

An innovative and growing manufacturing base is vital to America's economic and national security, as well as to providing good jobs for future generations.

How Does America Gain from Manufacturing?

- More R&D – American manufacturers are responsible for two-thirds of research and development investment in the United States; nearly 80 percent of all patents filed come from the manufacturing sector.
- More Technology – American manufacturers are the leading buyers of new technology in the United States.
- More Jobs – American manufacturing directly employs 14 million Americans and creates 8 million additional jobs in other sectors.
- More Growth – American manufacturing is the largest single contributor to the U.S. economy.

Won't "New Economy" Jobs Save Us?

Manufacturing is, and will continue to be, an integral part of the "new economy." From nanotechnology and robotics, to specialty metals, to lasers and biotechnology, we are on the cusp of incredible advances in manufacturing. America must be the nation that leads the world into the next stages of development. In order to do this, we must first stop the hemorrhaging of manufacturing jobs that is going on now, as well as working to create new jobs for the future. Those who would say that we can simply replace the old jobs with the new are extremely shortsighted. If today's manufacturing jobs can be shipped overseas so easily, what will stop "new economy" jobs in robotics and computers and other high-tech industries from the same fate? Job retention in manufacturing is always a key priority, no matter the product.

How Many Jobs Have We Lost?

For too long, though, inattention to the impact of international trade on domestic manufacturing has led to severe consequences. The trade deficit in manufactured goods has skyrocketed, reaching $674 billion in 2007, 74% higher than the deficit in 2000. Over that period, the U.S. has lost more than 3.5 million manufacturing jobs – almost 17 percent of all manufacturing in this country. Forty years ago, manufacturing accounted for roughly 53 percent of the

U.S. Gross Domestic Product. Today, manufacturing accounts for less than 12 percent.

What Is the Impact of All This?

The decline of manufacturing jobs not only has devastating effects on the laid-off workers and their families, and the communities in which plants close, but also on our ability to secure America's economic future. The increase in imports has also put downward pressure on wages paid for the jobs that remain, which in turn puts downward pressure on the U.S. tax base. The American middle class is under attack.

Is Manufacturing Really That Important to the Economy?

Today, manufacturing contributes $1.2 trillion to America's economy. Manufacturing employs nearly 14 million Americans directly and creates an additional 8 million jobs in other sectors. For example, every 100 steel or every 100 auto jobs create between 400 and 500 new jobs in the rest of the economy. This contrasts with the retail sector, where every 100 jobs generate only 94 new jobs elsewhere. Moreover, the manufacturing sector drives innovation, both in improved processes and in new and exciting products. The majority of R&D expenditures and new patents in the U.S. are generated by manufacturing.

Why Is Trade Law Enforcement So Important?

The unwillingness of policymakers in Washington to address this unfair trade crisis by either enforcing current trade laws or adopting new tools has allowed the deck to be stacked against U.S. manufacturers and workers. As a result, U.S. manufacturers have been forced to play by a different set of rules than their competitors.

This disadvantage has dangerous implications to national security as well. As more manufacturing jobs are shipped overseas and more American intellectual property is stolen, the U.S. defense industrial base is increasingly compromised.

The reality is that enforcing the law works. Imposing clear and direct penalties on those who cheat is vital to ensuring that there is a level playing field around the globe. And, enforcing the rules has shown to provide substantial benefits to the economy. The rules of international trade are just that – rules, not suggestions. The time is long overdue for the U.S. to enforce its trade laws and hold our trading partners accountable for their unfair trading practices.

CHAPTER 1

The Myths and Realities of U.S. Trade

Fixing the problems of U.S. trade, particularly the problems of unfair trade with China, begins with getting past the myths and falsehoods that surround this issue. Here are some of the most common:

***Myth #1:* Even though some jobs are displaced, trade benefits America because it lowers consumer prices for everyone.**

Trade with China has cost America more than 1.8 million jobs since 2001. When factories close down and jobs are lost, entire communities suffer, as manufacturing jobs support 4 or 5 other jobs in the community. When our trade laws are actually enforced, the benefits to our economy outweigh any increase in consumer prices by a 50-to-1 margin on average, based on nine case studies of dumping orders covering products as diverse as steel, ball bearings, shrimp, garlic, and cement. Consumers are losing in other ways: unsafe and uninspected products from China are flooding our market, and Americans who want to "Buy American" often find their choices limited because of the loss of manufacturing capacity.

Myth #2: Manufacturing jobs are declining, but they are being eliminated due to technology and productivity – not trade – and manufacturing output continues to grow.

America has lost more than 3.5 million manufacturing jobs since 2000—that's more than one in every five manufacturing jobs gone. Nearly 40,000 manufacturing facilities have closed their doors. Some claim that manufacturing is still doing well, and that these jobs are being shed because of productivity and technology. That's not the case. Manufacturing capacity is growing at a slower rate this decade than at any time since World War II, as is manufacturing output. We're losing jobs because of unfair trade practices, poorly negotiated trade agreements, higher costs for health care and energy, and tax incentives that don't make sense.

Myth #3: It's a good thing to transition from old, dirty manufacturing to "new economy" jobs like information and services.

America's leadership in the information age does not mean that we have to accept defeat when it comes to manufacturing. On the contrary, the nation that has the ideas and innovation, as well as cutting-edge technology and manufacturing, will win the global economic battles of the future. Manufacturing in the U.S. generates about $1.6 trillion, or 12 percent of our gross domestic product; accounts for nearly three quarters of the nation's industrial research and development (R&D); represents two-thirds of our nation's total exports of goods and services; and supports more than 20 million high-paying jobs. Manufacturing also ensures we have a strong industrial base to support our national security objectives. Inside modern manufacturing facilities, you'll see the most productive, highly-skilled labor force in the world applying the latest in information, innovation, and technology. Manufacturing is part of the new economy.

***Myth #4:* The trade deficit doesn't matter. Yes, it shows that America needs to save more, but it also demonstrates our purchasing power and ability to keep the global economy moving.**

The trade deficit does matter. It's a tremendous drag on our economic growth, and it reduces our ability to keep debt down and interest rates low, and to encourage job growth. But don't take our word for it. Listen to conservative economists and investors:

"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

Here are the facts: Our 2007 trade deficit was $709 billion. The cumulative trade deficit from 1980-2007: $6.365 trillion. The manufactured goods deficit from 1980-2007: $5.249 trillion. The cumulative manufacturing goods deficit since 2001 is $3.08 trillion.

Myth #5: **Trade promotes democracy, human rights, and cooperation. Citizens who oppose trade agreements are simply misinformed, or, even worse, isolationist or jingoistic.**

Many of those who voted in favor of granting China permanent, unconditional access to the U.S. market, cited its potential for opening China to greater rights. The recent crackdown in Tibet shows just how wrong those pundits and politicians who claimed that more trade will open China really are.

China uses its $256 billion annual trade surplus with the U.S. to fund weapons programs aimed at challenging U.S. military supremacy in the Pacific; to build a new electronic "Great Firewall" that limits free speech and dissent; and to crush Tibetans who seek to preserve their culture and religion.

***Myth #6:* So we are losing jobs. There's no way we can compete with the lower labor costs in places like China. We can't do anything about it, can we?**

China would never risk access to our market if we were willing to make such access conditional on an end to cheating.

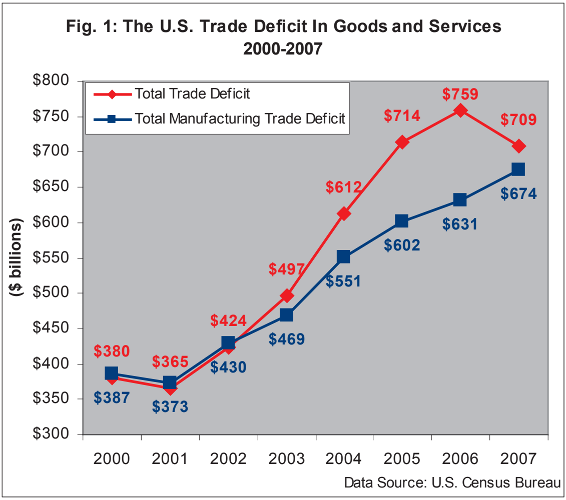
Some critics argue that enforcing our trade laws is shortsighted in this era of globalization and that the end results of these laws are limits on consumer choice and thus higher prices.

The reality is that enforcing the law works. In fact, the economic gains of enforcing the rules outweighs by more than 50 times any so-called gains from allowing artificially low-priced products into our market. Imposing clear and direct sanctions on China for illegal activities is vital to ensuring that we all have the same opportunity to benefit in the global economy.

The American Trade Deficit: Why It Keeps Growing

Why Does The Trade Deficit Matter?

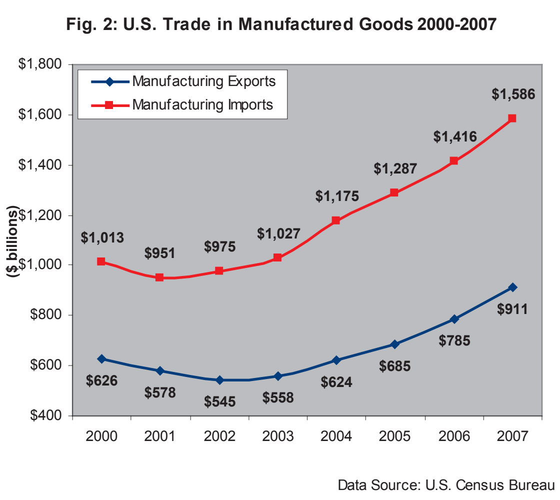
As a nation, we are consuming far more than we produce. These massive trade deficits have made the U.S. the world's largest debtor nation. Essentially, foreign countries are lending us money to buy their products. This debt must be ultimately repaid with interest. When that bill comes due, the impact on the nation will be massive and disastrous.



From 2000 to 2007, the U.S. trade deficit in all goods and services and the trade deficit in manufactured goods rose dramatically (see Fig. 1).

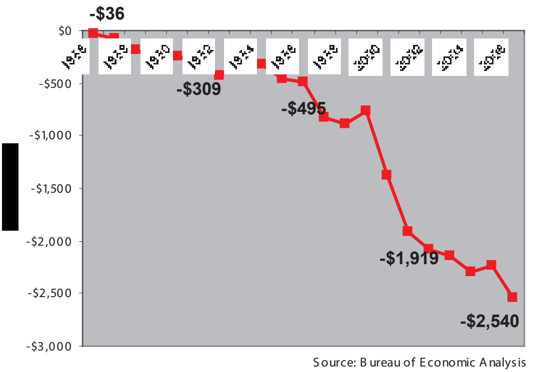
Both the total trade deficit and the trade deficit in manufactured goods rose more than 74% between 2000 and 2007. Even between 2006 and 2007, when the total trade deficit declined due to an increase in agricultural export value, the deficit in manufactured goods continued to rise.

A closer look at trade in manufactured goods reveals an increasingly bleak picture, as illustrated in Figure 2.



Over this period, manufacturing exports only rose 45%, whereas imports went up more than 56%. As a result, the U.S. now imports a staggering $1.7 trillion dollars worth of manufactured goods every year, while only exporting slightly more than $900 billion. Also, as the figure shows, manufactured goods imports grew at twice the rate of manufactured goods exports, suggesting that this problem is only going to get worse.

Fig. 3: International Investment Position of the United States



In fact, this has already had an effect on the net financial position of the U.S. Over the past 20 years, the U.S. has gone from being a creditor nation to being the world's biggest debtor nation (See Fig 3).

Manufactured goods represent the single largest part of our trade deficit. The $674 billion deficit dwarfs even the trade deficit in oil and gas. The net positive balances that the U.S. runs in services and agricultural products do not even come close to making up the shortfall caused by the manufacturing product deficit (See Fig 4.)

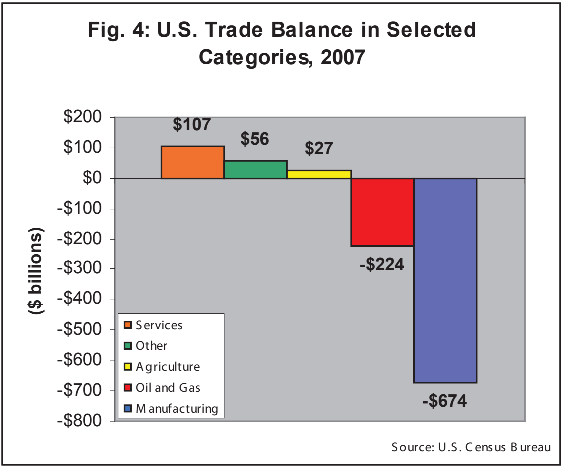
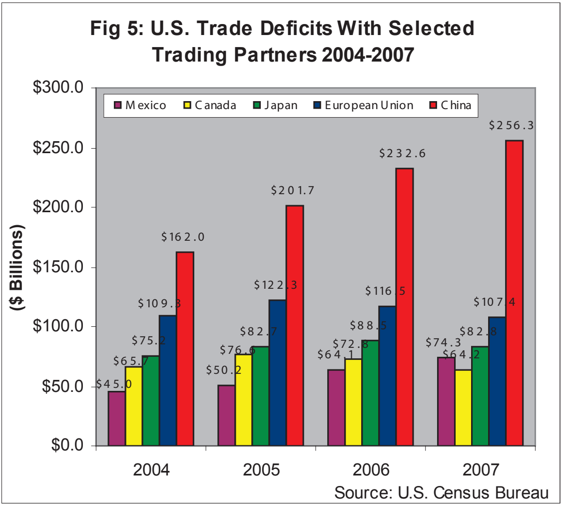


Fig. 4: U.S. Trade Balance in Selected Categories, 2007
$200
$100
$0
-$100
-$200
-$300
-$400
-$500
-$600
-$700
-$800
($ billions)
$107
$56
$27
-$224
-$674
Services
Other
Agriculture
Oil and Gas
Manufacturing
Source: U.S. Census Bureau



The U.S. also runs trade deficits with all of our biggest trading partners (See Fig. 5).

These trends are simply unsustainable, and this is why it is critically important that any solution to the problem of the trade deficit starts with manufacturing.

Chapter 3

The Makeup of U.S. Manufacturing Trade

What Does Our Manufacturing Trade Look Like?

The manufacturing trade deficit is not only large, it is widespread. We run a deficit in 8 out of top 10 manufacturing products as a share of our trade. Table 1 lists the top ten U.S. manufacturing products in terms of trade balance.

Table 1: U.S. Manufacturing Trade by Balance of Trade ($ millions)

Product	Balance	Exports	Imports
Scrap & Waste	**$17,433.1**	$22,459.6	$5,026.5
Machinery, Non-Electric	**$1,126.8**	$122,488.1	$121,361.3
Paper Products	-$3,814.9	$19,669.3	$23,484.1
Plastic And Rubber	-$9,969.8	$22,076.7	$32,046.5
Nonmetallic Mineral Products	-$11,086.6	$8,588.1	$19,674.7
Textile Mill Products	-$12,784.3	$2,627.8	$15,412.1
Chemicals	-$12,887.2	$147,363.7	$160,250.9
Wood Products	-$13,587.3	$4,960.1	$18,547.4
Fabricated Metal Products	-$20,241.8	$29,800.2	$50,042.0
Furniture	-$24,189.7	$3,494.1	$27,683.8

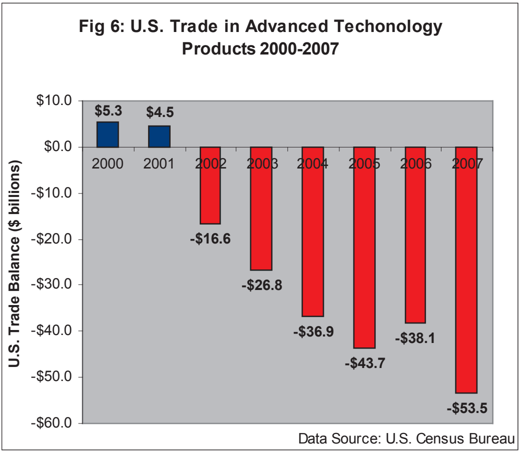
By far, the best trade balance the U.S. has in manufactured products is in scrap and waste, which is not exactly a high-value product. Moreover, this table shows the ten best trade balances, and that includes a product (furniture) where the U.S. is running a $24 billion trade deficit.

Conversely, some of our worst trade deficits are in high-value technology products. The trade deficit in computers and electronics is $175 billion, which is second only in size to the trade deficit in oil and gas.

What About All Those New, High-Tech Jobs?

An important bellweather in examining the state of U.S. trade is looking at trade in Advanced Technology Products (ATP). ATP is a classification developed by the Census Bureau to allow aggregation of high-technology products. The areas included in this group are: Biotechnology, Life Sciences, Opto-Electronics, Information & Communications, Electronics, Flexible Manufacturing, Advanced Materials, Aerospace, Weapons, and Nuclear Technology.

The United States has historically been a leader in Advanced Technology Products, but in the past few years that has changed dramatically, and for the worse (See Fig. 6).



In just 8 years, the U.S. has gone from having a \$5.3 billion trade surplus in ATP to having a \$53.5 billion trade deficit in the leading-edge products of the 21st century.

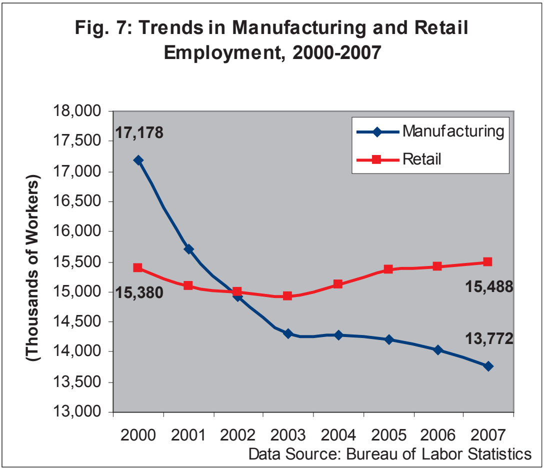
This is a particularly troubling issue considering the constant refrain of those dismissive of manufacturing that old economy jobs in the manufacturing sector would be replaced by these New Economy jobs in high-tech industries. The fact that the U.S. is rapidly falling behind in ATP trade illustrates the fallacy of this argument.

Not only will high-tech, advanced technology product manufacturing not replace the jobs lost in the traditional manufacturing sector, but if this issue is not addressed quickly, there is a very real risk of adding thousands of unemployed semiconductor manufacturers to those already losing their jobs in manufacturing. And what will save us then?

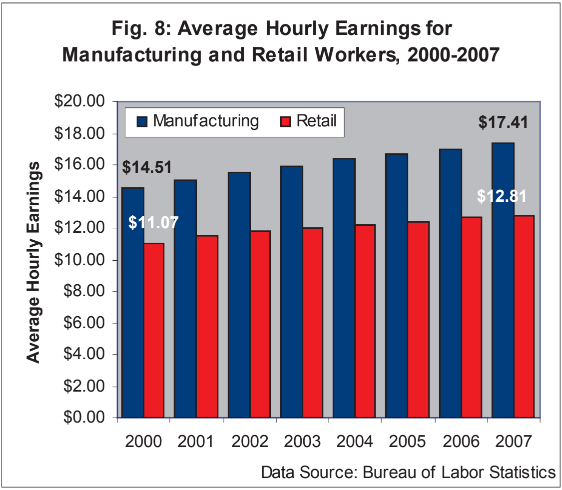
CHAPTER 4

How Our Flawed Trade Policies Ship Jobs Overseas

The American middle class was built on good manufacturing jobs. These high-skill, well-paying jobs have long provided upward mobility to generations of Americans. The loss of manufacturing jobs, however, has contributed to an increasingly income-stratified society and a shrinking middle class.



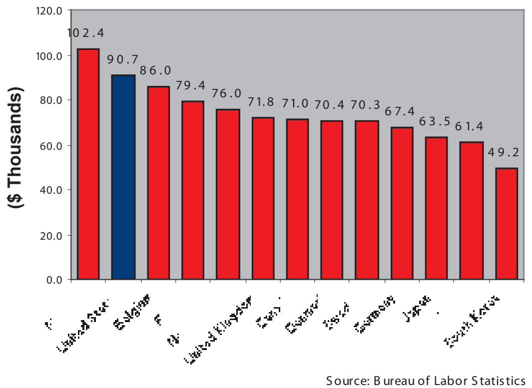
As shown in Fig. 7, manufacturing employment has fallen 20% in just the past 8 years, largely an effect of the trends discussed in international trade in manufactured products. Many of those displaced workers cannot find the same level of high-quality manufacturing jobs and have swelled the ranks of retail workers, who earn much less than manufacturing workers (See Fig. 8).



In the past 8 years, average hourly earnings for manufacturing workers have consistently been significantly higher than for retail workers. In addition, earnings for manufacturing workers increased 20% over that period, much faster than the increase in pay for retail workers.

This higher pay for manufacturing workers is well-deserved, since the U.S has some of the best worker productivity in the world. In fact, the U.S.'s GDP per employed person is more than $90,000 per employed person, second only to Norway among the industrialized countries (See Fig. 9).

Fig. 9: GDP per Employed Person in Selected Countries, 2006



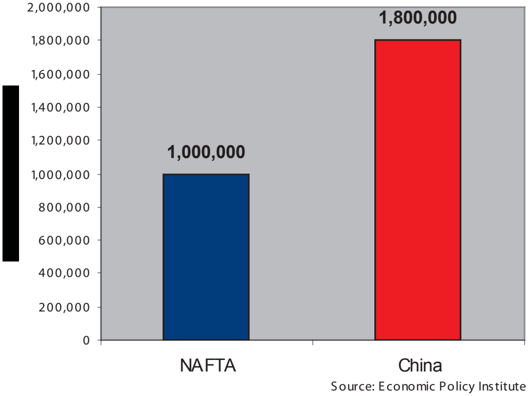
The job losses in manufacturing have been felt throughout the sector, with every major area seeing job losses (See Table 2).

Table 2: Manufacturing Job Losses By Industry, 2000-2007 (Thousands)

Sector	Employment, 12/2000	Employment, 12/2007	% Decline
All Manufacturing	17,181	13,772	20%
Apparel	473	205	57%
Textile Mills	368	163	56%
Leather and Allied Products	65	34	47%
Electric Equipment and Appliances	587	424	28%
Textile Mills	215	156	27%
Primary Metals	611	452	26%
Paper and Paper Products	600	460	23%
Printing and Related Support Activities	801	620	23%
Furniture and Related Products	677	524	23%
Plastics and Rubber Products	940	744	21%
Machinery	1,453	1,191	18%
Computer and Electronic Products	1,864	1,528	18%
Transportation Equipment	2,022	1,685	17%
Wood Products	594	507	15%
Miscellaneous Manufacturing	735	640	13%
Chemicals	975	862	12%
Fabricated Metal Products	1,762	1,563	11%
Nonmetallic Mineral Products	554	496	10%
Beverage and Tobacco Products	209	192	8%
Petroleum and Coal Products	122	112	8%
Food Manufacturing	1,554	1,486	4%

Often, the bulk of the blame for lost American manufacturing jobs is laid on NAFTA. While NAFTA has, indeed, proved to be devastating to the American manufacturing job base, it is not nearly the entire story. Unfair trade with China alone has cost more jobs in the last decade than NAFTA has (See Fig. 10).

Fig. 10: Job Losses Due to NAFTA Trade and China Trade



Job Losses Due to NAFTA

According to the Economic Policy Institute, the 1 million job opportunities lost due to NAFTA nationwide are distributed among all 50 states and the District of Columbia, with the biggest losers, in numeric terms: California (-123,995), Texas (-72,257), Michigan (-63,148), New York (-51,582), Ohio (-49,886), Illinois (-47,701), Pennsylvania (-44,173), Florida (-39,987), Indiana (-35,157), North Carolina (-34,150), and Georgia (-30,464).

The 10 hardest-hit states, as a share of total state employment, are: Michigan (-63,148, or -1.4%), Indiana (-35,157, -1.2%), Mississippi (-11,630, -1.0%), Tennessee (-25,588, -0.9%), Ohio (-49,886, -0.9%), Rhode Island (-4,482, -0.9%), Wisconsin (-25,403, -0.9%), Arkansas (-10,321, -0.9%), North Carolina (-34,150, -0.9%), and New Hampshire (-5,502, -0.9%).

The majority of the 1 million net jobs displaced were in the manufacturing sector. Growing trade deficits with Canada displaced 270,248 manufacturing jobs while growing deficits with Mexico displaced 388,682 manufacturing jobs, for a total of 658,930 manufacturing jobs displaced (64.9% of the total).

Job Losses Due to Trade with China

The 1.8 million jobs opportunities lost nationwide, according to EPI, since 2001 are distributed among all 50 states and the District of Columbia, with the biggest losers, in numeric terms: California (-269,300), Texas (-136,900), New York (-105,900), Illinois (-79,900), Pennsylvania (-78,200), North Carolina (-77,200), Florida (-71,900), Ohio (-66,100), Georgia (-60,400), and Massachusetts (-59,300)

The 10 hardest-hit states, as a share of total state employment, are: New Hampshire (-13,000, -2.1%), North Carolina (-77,200, -2.0%), California (-269,300, -1.8%), Massachusetts (-59,300, -1.8%), Rhode Island (-8,400, -1.8%), South Carolina (-29,200, -1.6%), Vermont (-4,900, -1.6%), Oregon (-25,700, -1.6%), Indiana (-45,200, -1.5%), and Georgia (-60,400, -1.5%)

In the next chapter, we will look more closely at the China problem, currently the greatest economic problem the United States faces.

Chapter 5

China: How They Cheat and What it Means to Us

The U.S. bilateral trade deficit with China now tops $256 billion a year. Our trade deficit with China far surpasses the deficits we have with any other trading partners. For example, in 2007 alone, the U.S.-China trade deficit was $117 billion more than our deficit with NAFTA countries (at $256 and $139 billion respectively).

The rise in the U.S. trade deficit with China between 1997 and 2006 has displaced production that could have supported 2,166,000 U.S. jobs. Most of these jobs (1.8 million) have been lost since China entered the WTO in 2001. Between 1997 and 2001, growing trade deficits displaced an average of 101,000 jobs per year, or slightly more than the total employment in Manchester, New Hampshire. Since China entered the WTO in 2001, job losses increased to an average of 353,000 per year —more than the total employment in greater Akron, Ohio. Between 2001 and 2006, jobs were displaced in every state and the District of Columbia. Nearly three-quarters of the jobs displaced were in manufacturing industries.

For years, China has been pursuing unfair and predatory illegal trade practices designed to tilt the playing field in China's favor. American workers and families have suffered as they have lost their jobs, and now the illegally dumped and subsidized Chinese products that have put them out of work are also endangering their health and safety. China's cheating skews the market, and American workers and their families are paying the price.

Causes of the China Problem

China uses illegal trade practices like dumping, subsidies, intellectual property theft, counterfeiting, lax labor and environmental standards, and currency manipulation to undercut U.S. manufacturers. Consider this:

- The U.S. has lost more than 3.5 million good-paying manufacturing jobs since 2000, and more than 40,000 factories have closed in the past 10 years.

- A recent EPI study found that the U.S. trade deficit with China has cost more than 1.8 million jobs since 2001.
- The U.S. trade deficit with China reached a new record in 2007 of $256 billion.

China's cheating has resulted in more unsafe imports and a greater U.S. dependence on foreign factories to produce both our everyday consumer goods and military hardware for our troops.

Taking action on China and enforcing U.S. trade law works. A recent study by the Alliance for American Manufacturing (AAM) found that when U.S. trade laws are enforced, the contribution to the U.S. economy outweigh any short-term negative price effects by more than 50 times.

Common Unfair Trade Practices

To this day, China continues to follow a policy of export-led growth to build up its own manufacturing base at the expense of other countries. Almost 60 percent of China's exports come not from Chinese firms, but from foreign-invested enterprises. Many of these companies set up operations hoping to serve the Chinese market, only to find a web of policies and practices to limit their opportunities there, coupled with incentives to export their products back to other countries.

China subsidizes its industries. The People's Republic of China (PRC) maintains numerous policies including state-sponsored subsidies aimed at promoting investment, exports, and employment. Those policies have a direct role in increasing the U.S.-China trade imbalance and negatively affect the health of our domestically based manufacturers, service providers, and farmers.

According to a recent report commissioned by the Alliance for American Manufacturing (AAM), the Chinese government has exponentially boosted its steel output over the last three years through massive, trade-distorting energy subsidies. Total energy subsidies to Chinese steel from 2000 to mid-year 2007 reached $27.11 billion. Despite China's entry to the World Trade Organization (WTO) in 2002, energy subsidies grew, totaling $25.07 billion through mid-year 2007. These energy subsidies include supports for thermal and coking coal, electricity, and natural gas.

China engages in illegal dumping.

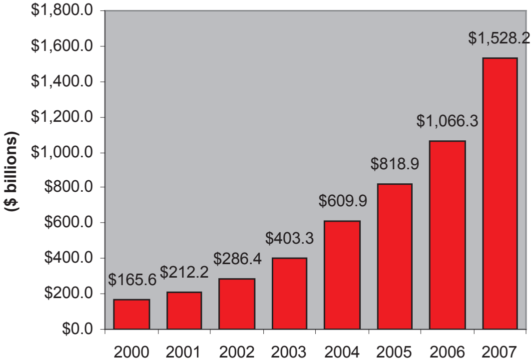
Dumping goes hand-in-hand with subsidies in nonmarket economies like China. The result of these subsidies is that companies can afford to flood export markets with products priced below their fair market value. American companies cannot compete with these artificially priced products, and are being run out of business. The International Trade Commission currently has 61 separate orders outstanding regarding

China's dumping of products ranging from paint brushes to hammers, from paper clips to industrial bearings, from tissue paper to steel. (U.S. International Trade Commission, Antidumping and Countervailing Duty Orders In Place as of January 18, 2008, By Country, January 18, 2008)

China manipulates its currency. Typically, currency manipulation occurs when a country fixes the exchange rate of its currency relative to the currency of another country. It can include a requirement for a fixed exchange rate or the mandatory use of a country's central bank for foreign exchange sales. This is done to give a country an unfair competitive advantage. From 1994 until 2005, China explicitly pegged its currency, the yuan, to the dollar, at a rate of roughly 8.28 yuan to the dollar.

The effects of China's manipulated and subsidized currency are extensive. First, China's currency manipulation has contributed to the dramatic increase in the U.S. bilateral trade deficit with China, which now tops $250 billion a year. China has amassed foreign exchange reserves of more than $1 trillion (See Fig. 11), far surpassing any other nation's reserves. China's currency manipulation also attracts foreign investment into China and away from American manufacturing facilities. This flow of investment has already cost American workers their jobs.

Fig. 11: The Growth of China's Foreign Exchange Reserves, 2000-2007



Source: State Administration of Foreign Exchange, People's Republic of China

China abuses labor rights. China's abuse of its workforce also contributes to the artificially low cost of Chinese goods. Child workers and forced laborers are used to make products for export to the U.S. Independent labor unions are forbidden, and workers who attempt to form them are fired, imprisoned, or worse. These violations of internationally accepted workers' rights artificially depresses the labor market, leading to Chinese products being cheaper because the companies only have to pay workers 15 to 50 cents per hour. (AFL-CIO, Section 301 Petition Against the Chinese Government, July 2006)

China is a notorious violator of Intellectual Property Rights (IPR). China remains on the U.S. Trade Representative's Priority Watch List for its IPR violations. Overall piracy and counterfeiting levels in China remain unacceptably high. The U.S. copyright industries estimated that in the last year 85% to 95% of all of their members' copyrighted works sold in China were pirated.

The share of IPR infringing product seizures of Chinese origin at the U.S. border was 80% in 2007, virtually unchanged from 81% in 2006. Chinese counterfeits include many products, such as pharmaceuticals, electronics, batteries, auto parts, industrial equipment, toys, and many other products, that pose a direct threat to the health and safety of consumers in the United States, China and elsewhere.

China also maintains market access barriers, such as import restrictions and limitations on wholesale and retail distribution, which discourage and delay the introduction of a number of legitimate foreign products into China's market. These barriers create additional incentives for infringement of products like movies, video games, and books, and inevitably lead consumers to the black market.

The result of all these practices is a dramatically skewed trade balance with China, as illustrated in Tables 3 and 4.

Table 3: Top U.S. Exports to China, 2007 ($ Billions)

Product	Exports	Imports
Aircraft	$7.2	$0.2
Semiconductors	$6.5	$2.3
Oil seeds	$4.1	$0.0
Nonferrous base metal waste and scrap	$3.6	$0.0
Pulp and waste paper	$2.1	$0.0
Measuring Instruments	$2.0	$1.9
Ferrous waste and scrap	$1.9	$0.0
Industrial Machinery	$1.8	$1.1
Cotton textile fibers	$1.5	$0.0
Plastics	$1.3	$0.2

At first glance, trade with China does not look like as dire a situation as it is. As you can see in the above table, the U.S. exports $13.7 billion worth of aircraft and semiconductors to China and only imports $2.5 billion worth of those products.

Still, those numbers pale in comparison when we look at the top U.S. imports from China (See Table 4).

Table 4: Top U.S. Imports from China, 2007 ($Billions)

Product	Exports	Imports
Telecommunications Equipment	$1.2	$29.6
Automatic data processing machines	$1.0	$28.5
Baby carriages, toys, games and sporting goods	$0.0	$26.7
Furniture	$0.1	$16.1
Televisions	$0.1	$15.1
Footwear	$0.0	$14.1
Automatic data processing machine parts	$1.1	$9.9
Office machines	$0.1	$9.0
Apparel (general)	$0.0	$8.5
Women's Apparel	$0.0	$7.6

The top U.S. export to China, Aircraft, only has an export value of $7.2 billion, which would not even make it on to the top ten of U.S. imports from China. In fact, the U.S. spends more than four times as much importing Telecommunications Equipment from China as it earns selling aircraft to China.

How You Can Help Fix This Problem

We can make a difference. Tell your representatives to stop the hemorrhaging of American money and jobs, and support U.S. workers and production. If we are to prosper as a nation, a strong manufacturing base is the key. Please send lawmakers these strong messages:

Stop China's Cheating

- China's regime manipulates its currency, subsidizes its industries, disregards domestic labor and environmental laws, permits the theft of intellectual property, allows unsafe goods to be exported, and dumps goods into the U.S. market
- Congress should take steps to sanction China unless it stops these market-distorting and job-killing practices

Enforce, Strengthen and Modernize America's Trade Laws

- Congress needs new tools to ensure that our workers and producers have an opportunity to compete in the global marketplace, specifically, the ability to apply countervailing duties to non-market economies and to ensure that currency misalignment can be effectively countered through domestic trade laws
- Congress should oppose any trade negotiations or trade agreements that weaken or undermine America's domestic trade laws

Strengthen American Manufacturing

- Congress should take steps to ensure that our health care system, energy policy, tax code, and research and development priorities support domestic manufacturing, create new job opportunities in America, and remove incentives to ship jobs and production overseas

To reach your representatives, call:

House: (202) 225-3121

Senate: (202) 224-3121

More information on these and other challenges facing American manufacturing can be found at: **www.americanmanufacturing.org**

Glossary

Advanced Technology Products: A classification of products developed by the Census Bureau to allow aggregation of high-technology products. The areas included in this group are: Biotechnology, Life Sciences, Opto-Electronics, Information & Communications, Electronics, Flexible Manufacturing, Advanced Materials, Aerospace, Weapons, and Nuclear Technology.

China, Accession to the WTO: In December 2001, after 15 years of negotiations, China joined the WTO. It was hoped that China's accession would prompt more liberalized and fair trade with China, as well as increased labor and environmental standards on the part of the Chinese, neither of which has happened.

Countervailing Duty: A specific duty imposed on an import to offset the benefits of subsidies to producers or exporters in the exporting country.

Currency Manipulation: Intervention in currency exchange markets designed to prevent the appreciation or depreciation of one currency relative to another.

Dumping: A term for the sale in the U.S. of goods imported at less than fair value. These sales undercut the price at which domestic manufacturers can produce goods, leading to an unfair competitive disadvantage.

Exports: Goods and services produced in one country and sold in other countries. Countries devote their domestic resources to exports because they can obtain more from the exports than they would from devoting the same resources to domestic production of goods and services.

Imports: The inflow of goods and services into a country's market for consumption. A country enhances its welfare by importing a broader range of higher-quality goods and services at lower cost than it could produce domestically.

Intellectual Property Rights: Ownership, through patents, trademarks, and copyrights, of the right to possess, use, or dispose of products created by human ingenuity.

Subsidy: An economic benefit granted by a government to domestic producers of goods or services, often to strengthen their competitive position. The subsidy may be direct (a cash grant) or indirect (low-interest export credits guaranteed by a government agency, for example).

Trade Deficit: The situation which exists when the U.S. imports more goods and services than it exports, by value.

World Trade Organization (WTO): An institutional multilateral framework encompassing the General

Agreement on Tariff and Trades (GATT), as well as other international agreements. The WTO provides a forum for multilateral trade negotiations, dispute resolution, and aims to achieve greater coherence in global economic policy-making.

About AAM

The Alliance for American Manufacturing (AAM) is a unique non-partisan, non-profit partnership forged to strengthen manufacturing in the U.S. AAM brings together a select group of America's leading manufacturers and the United Steelworkers. Our mission is to promote creative policy solutions on priorities such as international trade, energy security, health care, retirement security, currency manipulation, and other issues of mutual concern.

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(what we make, makes America great)