

BRAD SHERMAN.

Democrat U.S. Congress

Trade

I believe that Washington's trade policy during the last decade took the United States' industrial base and economy in a very wrong direction. For too long, we have seen the U.S. export jobs rather than products. We can no longer afford to continue on this same path and erode our industrial base and American working families. We must abandon the failed, so-called "free trade" policies of the past and take a new direction. We need a trade policy that creates and keeps good paying jobs here for American working families. We need balanced trade.

Testifying Before the U.S.-China Commission

As the Ranking Democrat of the House Foreign Affairs Subcommittee that deals with trade, I have helped lead the effort to protect the American worker and our industrial base from a dangerously lopsided trading relationship with China as well as that country's unfair business practices. I testified before the U.S.-China Economic and Security Review Commission on May 4, 2011. I spoke to the Commissioners about how damaging the US-China trade relationship is to the American economy and the need for serious policy changes. Additionally, I explained to the Commission how the Korea-US Free Trade Agreement (KORUS FTA) would harm American economic and national security interests.

In 2000, we were promised that a permanent trade agreement with China would lead to economic growth here at home. The advocates of Most Favored Nation status for China promised that we would see more jobs for Americans, free trade, and a decline in our trade deficit with China. Instead, China has abused the trading relationship, engaging in abuses ranging from currency manipulation to piracy of intellectual property.

Of course, there are many pro-KORUS FTA advocates promising us growth opportunities here at home. We must remember, though, that successive U.S. administrations and the U.S. International Trade Commission (USITC) have had a history of vastly underestimating the negative impacts that free trade agreements have on the U.S.

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economy. In 1999, the USITC estimated that China's entry into the World Trade Organization would increase the U.S. trade deficit with China by only \$1 billion, and have no significant impact on U.S. employment. In fact, according to the Economic Policy Institute, the U.S. trade deficit with China increased by \$185 billion between 2001 (when China entered the WTO) and 2008. Some 2.4 million U.S. jobs were displaced or lost in those seven years.

As I mentioned to the U.S.-China Commission, in debates about trade agreements in the future, we should draw lessons from the experience of making China's MFN status permanent.

Opposing the Free Trade Agreement with Korea

I have been at the forefront of opposition to the Korea-US (KORUS) Free Trade Agreement. In today's debate over new trade agreements, we should draw lessons from our harmful trade relationship with China.

The supporters of KORUS argue it will benefit the American economy. In 2010, the annual U.S. trade deficit with South Korea was \$10 billion. According to the Economic Policy Institute (EPI), the KORUS FTA will increase the U.S. trade deficit with Korea by about \$16.7 billion, and displace about 159,000 American jobs within the first seven years after it takes effect.

This is not just an economic issue for the United States— this is a national security and human rights issue as well. Just six miles north of the demilitarized zone that separates North from South Korea, factories run by South Korean industrial giants employ 40,000 North Koreans in the Kaesong Industrial Complex. These factories plan to eventually employ several hundred thousand. These workers are not paid directly by their South Korean employers. Instead, their wages are paid to the North Korean government, which pays the workers what it chooses, sometimes as little as \$8 per *month*.

The Korea FTA's "rules of origin" appear to allow North Korean goods to be incorporated into South Korean products and given duty-free treatment under the agreement. For example, automobiles with only

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35% South Korean content would receive favorable treatment under the agreement. If the U.S. blocks automobiles with as much as 65% North Korean content from duty-free access to the U.S., we would be found in violation of the agreement as drafted. **Likewise, many goods 65%-made-in-China, and 35%-made-in-South Korea, would enter the U.S. duty free.** Thus goods substantially made in China would have freer access to the U.S. than those made in Britain or France. But America would gain no additional access to the Chinese market.

Any trade agreement should be based on respect for the rights of the workers producing the goods to be traded. The risk of Kaesong goods entering the United States makes the KORUS FTA a bad deal for human rights as well as for economic and national security. From challenging the United States Trade Representative (USTR) on the risk of Kaesong goods entering the U.S., to writing on the pages of the *Los Angeles Times*, to repeated speeches on the floor of the House, I have relentlessly worked in Congress on this issue – in the interest of keeping American jobs at home.

Unfortunately, the Korea-US Free Trade Agreement passed the House by a vote of 278 to 151 on October 12, 2011. I voted against the bill – and I will continue to oppose future trade agreements that ship American jobs overseas.

Ending Most Favored Nation Status for China

A decade ago, the United States granted China permanent Most Favored Nation (MFN) status. That was a mistake. **Recently, I reintroduced legislation this session of Congress to eliminate Most Favored Nation status for China within six months. I first introduced similar legislation in 2010.**

Far too often, we see American jobs shipped overseas instead of U.S.-made products. Our trade relationship with China in particular is horrendously lopsided. We export only 24 cents worth of goods to China for every dollar of goods we import. Our trade deficit with China ballooned \$189 billion in a decade – from \$84 billion in 2000 to \$273 billion in 2010.

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It is time for a change. My bill will revoke Most Favored Nation status for China six months after it is enacted and will direct the President to negotiate a new trading relationship with China designed to eliminate the trade imbalance within four years. Only under the pressure of losing access to the US market within six months will China agree to a fair and balanced trade relationship. That is why my bill provides that unless such a new trade relationship is negotiated and approved by Congress within six months, China loses its Most Favored Nation status.

I hope that you find this information useful and I hope to seek your advice on further steps I can take to help steer our country toward a more sensible trade policy that promotes job growth in America.

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