

Congress of the United States

House of Representatives

Washington, DC 20515

February 13, 2007

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

We write to urge you to work with us to develop a new direction in U.S. trade policy that addresses in a meaningful way the unsustainable U.S. trade deficit, and that promotes broad-based equitable growth for all Americans. The policies the Administration have pursued to date clearly are not achieving those goals, as is painfully apparent from the data released today that show that our trade deficit in 2006 set yet another record of \$764 billion, around 6 percent of U.S. GDP.

The United States has run record-setting trade deficits for each of the last five years. The consequences of these persistent and massive trade deficits include not only failed businesses, displaced workers, lower real wages, and rising inequality, but also permanent devastation of our communities. From 2000 to 2005, more than three million U.S. manufacturing jobs disappeared, with an estimated one-third of that decline directly related to the rise in the manufactured goods deficit. Wages for the vast majority of Americans are stagnant, even as the country has experienced economic growth and tremendous productivity gains, and leading economists are beginning to attribute directly at least part of that stagnation to globalization and trade. In fact, foreigners have financed 90 percent of the Bush Administration's increase in total Federal debt.

In that regard, we have repeatedly urged the Administration to take specific actions to stand up for America. We welcome steps that your Administration has adopted to begin to implement some of our recommendations, including, recently, the long overdue filing of a case at the World Trade Organization (WTO) on one particularly egregious subsidy program provided by China to promote exports. However, to achieve our goals, there needs to be a fundamental shift in U.S. policy, not an occasional step. To date, for the most part, the Administration has largely focused on concluding free trade agreements with countries that account for only a very small percentage — less than 5 percent — of total U.S. trade.

We ask you again to join us and develop a meaningful action plan that addresses the burgeoning deficit, and starts the process of reversing the trends in job declines and wage stagnation. In the short term, specific actions on which we invite you to work with us include:

Fighting Trade Barriers and Unfair Trade Practices. Our trade deficits with just three of our trading partners account for the majority of the total trade deficit – China at \$233 billion, the E.U. at \$117 billion, and Japan at \$88 billion. These deficits are facilitated by numerous trade barriers and unfair trade practices that keep U.S. industrial and agricultural goods and services out of their markets, and create an unfair playing field in the global market place.

To begin with, therefore, we call upon the Administration to present to Congress within 90 days a comprehensive plan to eliminate the surging trade deficits with these “Big 3” economies by tearing down market access barriers and eliminating unfair trading practices that have existed for years — in some cases decades.

Second, we must act without any further delay against the following specific barriers and practices, including by:

- Acting aggressively to stop currency manipulation by Japan and China, including by initiating investigations of each countries’ practices under section 301 of U.S. law and WTO cases under Articles VI, XV, XVI and other relevant provisions of the General Agreement on Tariffs and Trade (GATT), as we have repeatedly urged;
- Enforcing our rights in the WTO by bringing cases against China’s intellectual property rights violations, and E.U. discriminatory trading arrangements;
- Enforcing U.S. trade remedy laws vigorously, including by maintaining the ability of the United States to address strategic dumping through the continued use of the zeroing methodology, as provided for under the WTO rules as written; and

- Ensuring U.S. workers, farmer and businesses have an effective means to address China's rampant subsidization of its industries by ensuring that countervailing duty actions can be taken against subsidized Chinese exports.

Pursue Meaningful Trade Liberalization Opportunities. The current round of trade negotiations at the WTO, the so-called "Doha Round," has been going on for more than five years, is more than two years behind schedule and has been formally suspended for more than six months. We believe that a strong WTO agreement can create new opportunities for our farmers, workers and businesses. We are encouraged by recent reports that progress may yet be made in the coming months that could lay the basis for negotiators to begin the difficult and arduous task of actually completing a negotiation later this year or next. Let us be clear. Congress is prepared to approve a strong and ambitious WTO agreement that achieves core U.S. objectives, including in the areas of agricultural, manufacturing — including the dismantling of non-tariff barriers — services and preserves (and ensures that WTO dispute settlement does not undermine) strong U.S. fair trade laws.

We also urge you to ensure that you conclude the on-going free trade agreement with Korea that meets this same high standard. The interests of our beef producers, automobile manufacturers and innovative pharmaceutical companies should not be bargained away for the sake of completing an agreement.

It is also vital that you join us in ensuring that all pending FTAs, as well as the Korea FTA, bring about the broad sharing of benefits in the United States and abroad, including by incorporating in the FTAs an enforceable commitment to adopt and effectively enforce the five internationally recognized basic labor standards.

Enhance U.S. Competitiveness. As we try to capture the benefits of globalization, we also must be prepared to equip every child, working person and business in the United States to take maximum advantage of the benefits of globalization, positioning them to adapt successfully to its twists and turns, and effectively for the first time, to addressing the inevitable downsides, which

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tend to hurt the most vulnerable and least equipped in our society. We stand ready to work with you to improve early childhood education, graduate more scientists and engineers, and sponsor new public-private initiatives to spur research and innovation.

Sincerely,

Nancy Pelosi
Speaker of the House

Steny H. Hoyer
House Majority Leader

Charles B. Rangel, Chairman
Committee on Ways and Means

Sander M. Levin, Chairman
Subcommittee on Trade
Committee on Ways and Means

John B. Lewis
Member of Congress

Richard E. Neal
Member of Congress

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Member of Congress

Xavier Becerra
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