

United States Senate

WASHINGTON, DC 20510

February 28, 2013

The Honorable Barack H. Obama
President of the United States
The White House
Washington, D.C. 20500

Dear Mr. President,

We are writing to urge your budget proposal for fiscal year 2015 include a much-needed increase in resources for our efforts to combat unfair trade practices and subsidies.

Your Administration is right to make growing American manufacturing and exports a top economic priority. Manufacturing has by far the largest employment multiplier of all sectors of the economy, and manufacturing employees earn, on average, 23 percent more than workers in other parts of the economy. Manufacturers are also responsible for more than 70 percent of all business R&D,¹ and manufacturing plays an outsized role in our states. When foreign countries are allowed to skirt trade rules manufacturing workers in our states are hurt—from paper mills and foundries to machinery, shipbuilding, and advanced manufacturing firms.

In the past decade, our foreign trading partners have reaped the benefits of wide-ranging access to the U.S. market through trade deals and international agreements without upholding their end of the bargain. Some, like China, continue to provide massive subsidies to support and attract manufacturing, craft regulations to block U.S. firms from having fair access to their markets, develop technical standards that prevent or hinder government and local business from buying U.S. goods, and establish rules that force Western companies to give up technological secrets and production in exchange for market access.² These unfair trade policies have, in part, drawn manufacturing jobs away from the U.S. while also making it possible for foreign companies and state-owned enterprises to unfairly compete with U.S. companies.

A recent GAO report on China's implementation of its trade commitments indicated weaknesses in relevant U.S. government reporting of Chinese implementation, which at least one agency

¹ Leo Hindery, *Steps to a Stronger U.S. Manufacturing Sector*, Statement before the Senate Committee on Banking, Housing, and Urban Affairs Subcommittee on Economic Policy "Rebuilding American American Manufacturing," December 11, 2013., available at http://www.banking.senate.gov/public/index.cfm?FuseAction=Files.View&FileStore_id=9f5d667a-89b4-4fb2-abfd-913ea733a168.

² Derek Scissors, *The Importance Of Chinese Subsidies*, Statement before the Senate Committee on Banking, Housing, and Urban Affairs Subcommittee On Economic Policy On "Rebuilding American Manufacturing," December 11, 2013, available at http://www.banking.senate.gov/public/index.cfm?FuseAction=Hearings.Hearing&Hearing_ID=43646f10-e1e4-4c29-a20c-7ffb0730e5bf.

attributed to resource constraints.³ These unfair trade tactics substantially bolster a trade deficit that runs annually at around 3 percent of U.S. gross domestic product. Much needs to be done to ensure that the trade is fair for American manufacturers.

Unfortunately, while international trade grew by 167 percent from 2002 to 2012, funding for our trade enforcement agencies has failed to keep up with the challenge. This has left the U.S. with far too few cops on the beat policing the unfair trade and subsidies practices of foreign countries and companies, which in turn has left American workers and businesses vulnerable and frequently at a significant competitive disadvantage.

Your Administration has taken important and creative steps to address this lack of resources. In particular, the establishment of the Interagency Trade Enforcement Center (ITEC) appears to be an innovative way to marshal the combined resources and talents of multiple agencies and ensure that our efforts are better coordinated. Under your Administration our U.S. trade agencies have brought important cases against unfair practices and subsidies, but these have only begun to scratch the surface. Importantly, by the time a trade case is brought forward (let alone concluded), the impacted American jobs are often already lost forever. In some cases, lack of or slowed trade cases have stifled initial establishment of production for specific products in the United States, as entrepreneurs do not find products profitable to manufacture domestically. The on-going inability of the U.S. to fully hold foreign countries and companies accountable to the international trade rules we have all agreed to no doubt has contributed to the shuttering of thousands of American factories and the loss of millions of American manufacturing jobs.⁴

What is true in the domestic economy – that the rule of law is the foundation of any well-functioning economic system – is equally true in international economic relations. Only by ensuring that our foreign trading partners are abiding by the letter and the intent of our international agreements can we guarantee that American workers and businesses are obtaining the benefits of those agreements and the process of globalization itself. As such, trade enforcement is absolutely essential for America's economic future.

Moreover, many in the public have lost confidence in trade, which remains a vital economic engine. Enhancing trade enforcement efforts, and increasing the likelihood that, if rules are broken consequences will result, would have a dramatic positive impact on lost confidence. And, greater certainty as to enforcement will be a more effective deterrent against future unfair trade practices by our trading partners.

Quite simply, our trade enforcement agencies need to put more cops on the beat – and to do so, they require a substantial increase in resources. Given the enormous on-going costs to American workers and businesses and the threat to our national economic security from unfair trade practices and subsidies, it is absolutely crucial to dedicate more resources to the combined efforts of our trade enforcement agencies.

Thus, we urge you to include a substantial increase in the resources available to trade enforcement, especially at ITEC, in your budget request for fiscal year 2015. A profound under

³ Government Accountability Office, *United States Has Secured Commitments in Key Bilateral Dialogues, but U.S. Agency Reporting on Status Should Be Improved*, February 11, 2014, <http://www.gao.gov/products/GAO-14-102>.

⁴ Robert Scott, *Unfair China Trade Costs Local Jobs*, March 2010, <http://www.epi.org/publication/bp260>.

resourcing of our trade enforcement agencies has gone on for far too long. We look forward to working with you to address the serious challenges facing the U.S. in manufacturing and global trade.

Sincerely,

Jeffrey S. Markley

Chris Coon

August King -

Jay Byrnes
