

Please Join Your Colleagues on this Letter to Pres. Obama

Food Safety, National Security and Economic Crisis Warrant New Direction on Trade:

From: The Honorable Michael H. Michaud

Sent By: peter.chandler@mail.house.gov

Date: 2/11/2009

Dear Colleague:

Please join me along with 45 other Members of Congress in signing a letter to urge President Obama to support fair trade policies that create and retain good jobs here at home, protect consumer safety, strengthen our national security, and provide government with the policy space necessary to solve pressing economic, climate and other challenges.

Are you concerned about national security? Consider this. "Former Chairman of the House Armed Services Committee asked Department of Defense officials for a list of components they buy and the countries of origins. He wanted to know which items were produced in foreign-based factories, how vital they were, and what alternative sources were available. The DOD maintained that it does not keep such a list, of which Mr. Hunter thought was unlikely. Instead, he maintained that the release of such information would cause a political backlash in this country because it would demonstrate that the United States relies on a defense industrial base increasingly located on the other side of the Atlantic and Pacific oceans." (Dangerous Business, Pat Choate, 2008, p. 23)

Are you concerned about food safety? "According to the FDA, only about 1% of food imported into the United States is inspected. Food imports have risen by 50% between 1997 and 2007. Congress cut the money to the FDA to physically inspect foreign seafood facilities from \$211,000 in FY2003 to \$0 in FY2007. What's more, the U.S. sends contaminated food it DOES find back to the shipper rather than destroying it. It's no wonder then that these shippers then send the contaminated food back to the United States for a second try because they know it has a 99% chance of getting through. One FDA official even admitted, 'If you send a problem shipment to the United States, it is going to get in and you won't get caught...'"(Dangerous Business, Pat Choate, 2008, p. 12)

Are you concerned that the United States continues to lose more and more jobs to overseas production? This isn't surprising now that our nation's trade deficit ballooned to over \$700 billion in 2007 - almost the cost of the very stimulus package being considered for final passage by Congress this week.

Together, we can correct the destructive trade policies that President Obama strongly opposed during his campaign. Any questions may be directed to Dustin Hilt @ 225-6306 or dustin.hilt@mail.house.gov.

Sincerely

Michael H. Michaud
Member of Congress

LETTER

Working Together to Deliver Your Trade Reform Agenda to the American People

(Date), 2009

Dear President Obama:

Your election and inauguration has inspired Americans of every region, race, and creed to hope for a better future for their families and our nation. We look forward to working with you to deliver on the promise of change realized in the recent election.

Among the great challenges our nation faces is creating new trade and globalization policies that serve America's workers, consumers, farmers, and firms. We believe that a unique opportunity exists for the legislative and executive branches to work in partnership to reform U.S. trade policies; to ensure that Americans enjoy the benefits of expanded trade; and to remedy the negative consequences on the American economy, environment, and public health and safety that have resulted from aspects of the current trade and globalization model.

We heartily agree with your conclusion that trade policies "are not sustainable if they favor the few rather than the many." Rebalancing our trade and globalization policies so that they create and retain good jobs in the United States, foster sustainable and equitable development worldwide, and provide government with the policy space necessary to solve pressing economic, climate, and other challenges is critical to prosperity and security at home and around the world.

The dramatic economic downturn – caused in part by the lack of prudent global regulation of commerce and massive trade and financial imbalances – has fueled the relentless demand from the American public for trade reform. Across the country, successful candidates in 2008 ran against the failed trade policy status quo and pledged a new approach. In the 2006 and 2008 elections, Americans elected a total of 72 new fair-trade reformers to the House and Senate to replace supporters of the North American Free Trade Agreement (NAFTA), the Central America Free Trade Agreement (CAFTA), the World Trade Organization (WTO), and our current China trade policies. The unprecedented U.S. election focus on trade and globalization reform reflects the public opinion that America's trade and globalization model needs a major overhaul.

It will be challenging to remedy the considerable damage that our past trade and globalization policies have wrought. However, we are confident that, working together, we can replace the failed policies of the past with those that deliver broadly shared benefits. We look forward to working with you to seize this exciting opportunity to create a more just American trade policy, in the areas outlined below and beyond.

Remedying the Failed U.S. - China Trade Relationship: We are eager to work with you to resolve the pervasive China currency manipulation problem. Our immense trade imbalance with China is gutting the U.S. manufacturing base and has serious economic and security implications. We urge you to remedy a broken U.S.-China trade relationship by engaging the Chinese government at the highest level, utilizing firm targets and deadlines. Further, we urge you to halt negotiations recently launched by former President Bush to establish a new U.S-China Bilateral Investment Treaty (BIT). While many in Congress have echoed your call for an end to *existing* loopholes that promote offshoring, BITs provide *new* protections to assist U.S. firms' relocation of investment and jobs offshore. A China BIT would also empower Chinese firms, including state-owned firms, to purchase even more U.S. assets under preferential terms. Moreover, a BIT based on the existing U.S. model would allow these Chinese firms to skirt U.S. courts and use foreign tribunals to challenge U.S. regulation of

Chinese firms operating here, extending the investor-state system you so rightly criticized during the campaign, and which we address in more detail below.

Improving Import Safety: We are also eager to work with you to deliver on your campaign pledge to create new import-safety policies to ensure that food and goods coming from China and all countries meet U.S. safety and inspection requirements as a condition of entering our market and homes. Ensuring that Americans are not exposed to serious and unnecessary risks from imported goods will require improvements to our existing trade agreements, which limit the safety standards and inspection rates applied to imports, and to our domestic imported product and food safety regimes and their funding.

Renegotiating NAFTA and CAFTA: During the campaign, you described needed changes to NAFTA and the NAFTA-model FTAs, such as CAFTA. We pledge our support for an inclusive process to review and renegotiate these pacts. The issues that you raised regarding the NAFTA model are those that have been the basis of congressional opposition to NAFTA-style pacts: excessive foreign-investor privileges and private enforcement systems; limits on domestic procurement policy and food-safety protections; and more. Your call to renegotiate NAFTA, CAFTA, and other pacts, combined with the longstanding interest by many in Congress to improve the U.S. trade-agreement model, provide a long-overdue opportunity for a much-needed debate about U.S. trade pacts, and what policies they must and must not include. We are eager to work with you to build consensus around a new model before considering future agreements. To this end, we ask you to reverse the Bush administration's unilateral September 2008 declaration that the United States will join in negotiations for a Trans-Pacific Strategic Economic Partnership (with Brunei, Chile, New Zealand, and Singapore.)

The Bush Administration Free Trade Agreements (FTAs): We oppose the FTAs with Colombia, Panama, and Korea, which represent the "more-of-the-same" trade-agreement model promoted by the previous administration.

Colombia FTA. We would oppose any trade agreement with Colombia until we have witnessed a sustained period during which the current extreme human-rights violations against unionists, Afro-Colombians, and indigenous people have ceased. More than 460 unionists have been murdered in Colombia since President Álvaro Uribe took office in August 2002, including 49 in 2008 alone. This is a twenty-five percent increase from 2007, even as Colombia faced high levels of scrutiny related to the FTA. Additionally, there are growing revelations about the Uribe Administration's links to rightwing paramilitaries responsible for assassinations of unionists and other civilians. It is critical to send a signal to the world that the United States will not tolerate the assassination of people seeking to exercise their basic human rights.

Panama FTA. We also believe that Panama is not an appropriate U.S. FTA partner. A Government Accountability Office study identified Panama as one of only eight countries – and the only current or prospective FTA partner – that was listed on all of the major tax-haven watchdog lists. Panama has long been a key target of both the Organisation for Economic Co-operation and Development and other tax transparency entities for its resistance to international norms in combating tax evasion and money laundering. Indeed, Panama is one of few countries that has refused to sign any tax information exchange treaties. We applaud your cosponsorship last year of S. 681 (The Stop Tax Haven Abuse Act), which designates Panama as an "Offshore Secrecy Jurisdiction" targeted for that legislation's restrictions on the use of offshore tax havens and abusive tax shelters to avoid U.S. federal taxation. Panama is one of the top locations for multinational firms' subsidiaries – many created for the sole purpose of avoiding taxes

Korea FTA: In addition to its lopsided auto provisions, the Korea FTA includes major financial service-sector deregulation and liberalization provisions that contradict global and domestic congressional efforts to regulate this volatile sector.

We are eager to work with you to build support for the new trade agreement model we create together and for pacts with countries that respect the rule of law and human rights and that provide economic opportunities for American workers, farmers, and firms. While the Bush FTAs with Colombia, Panama, and Korea contain some improvements regarding labor and environmental standards relative to NAFTA, more work is needed on these and other provisions. Many of the most serious problems with the previous trade-agreement model are replicated in these FTAs. They must be renegotiated to ensure that these pacts at a minimum pass the most conservative “*do no further harm*” test.

This includes the FTAs’ investment chapters, which afford foreign investors with greater rights than those enjoyed by U.S. investors. These three pacts’ foreign-investor chapters contain the same provisions in CAFTA that led many Democrats to oppose that pact, and that you cited as problematic during your campaign. Such provisions promote offshoring and subject our domestic environmental, zoning, health, and other public-interest policies to challenge by foreign investors in foreign tribunals.

The Bush FTAs also still contain language that limits import inspection and requires the United States to accept imported food that does not meet our domestic safety standards. Further, the Bush FTAs contain procurement rules which forbid anti-off-shoring and many Buy America policies and subject to challenge many common federal and state procurement policies regarding renewable-energy, recycled-content, and other important standards. These terms must be changed to provide the policy space for many of your exciting “Green Economy” proposal, which we also support.

The Bush FTAs also contain the NAFTA-style agriculture trade rules which have simultaneously undermined U.S. producers’ ability to earn a fair price for their crops at home and in the global marketplace. Multinational grain-trading and food-processing companies have made enormous profits, while farmers on both ends have been hurt. As you noted in the campaign, one result of NAFTA-style agricultural rules has been the displacement of millions of farmers in developing-country FTA partners, with corresponding increases in illegal immigration to the United States.

Finally, while the most egregious CAFTA-based terms limiting access to affordable medicines have been removed from the Bush FTAs, the texts still include NAFTA-style terms that undermine the right to affordable medicines that were contained in the WTO’s 2001 Doha Declaration on Access to Medicines.

Transforming the WTO Doha Round Agenda: We are excited to work with you to create a new agenda for future global trade talks that address the existing problems in current WTO rules. Replacing the now-outdated and long-beleaguered “Doha Round” agenda provides a unique opportunity to reestablish the United States as a global advocate for economic fairness. In contrast, the Doha Round, if concluded, would expand the damage the WTO has already wrought both here and abroad. Since establishment of the WTO and NAFTA, the U.S. trade deficit jumped exponentially from under \$100 billion to over \$700 billion – over 5 percent of national income. At the same time, U.S. real median wage growth has flattened, despite impressive productivity gains. Meanwhile, the developing countries that have most faithfully adopted WTO rules have seen significant declines in their growth rates, and a global food crisis has caused growing hunger in many poor nations.

While your goal of adding labor rights to the WTO is not even on the Doha Round agenda, many troubling proposals are. Among the concessions demanded of the United States under the current talks are the unacceptable weakening of existing U.S. domestic trade laws, and the WTO-binding of increased numbers of guaranteed U.S. visas for foreign workers seeking employment here. Moreover, a key element of the Doha Round agenda is further service-sector deregulation and liberalization – including financial services and energy. Congress and the world at large are struggling to re-regulate financial services and create new energy policies to ensure our shared future; it is extremely counterproductive to permit imposition of new WTO limits on the domestic policy space

needed in these critical areas. Indeed, a new WTO negotiating agenda must focus on creating the flexibilities needed to address the critical issues of our time, including policies to counter global climate change.

We are all eager to work with you to create American trade and globalization policies that promote our shared goals of economic justice, poverty alleviation, healthy communities, human rights, and a sound environment. Correcting our past trade and globalization policy mistakes and moving forward on a new path can help our nation face our considerable economic challenges. We look forward to working with you to create new American trade policies that enjoy broad support.

Sincerely,