A NEW FOCUS FOR TRADE TALKS

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Gilbert B. Kaplan

In the 1960s, millions of Americans bought their first homes without subprime lending. Over the last 20 years, that became almost impossible. Why? One factor has been the decline of the much-traveled road from poverty to lower middle class and then higher - to homeownership, college for the children and a funded retirement. That path was a good job in basic manufacturing, making steel, paper, even iPods. Now these things are made abroad. The United States has lost millions of manufacturing jobs.

Maryland is no exception. Sparrows Point just idled its blast furnace, and on the other side of the state, one of the paper-making machines at the NewPage paper facility in Luke remains shut down. (Disclosure: I represented NewPage in a large trade case against China.) We need to get our manufacturing base back, and as one step in that direction, President-elect Barack Obama should propose a new trade round.

Since 2001, trade negotiators have been struggling through the Doha Round, talks that started in Doha, Qatar in 2001. The Doha Round had two main objectives: opening markets ever wider for products from the developing world and ending agricultural subsidies in the United States and the rest of the developed world. These are worthy goals, but they are not central to the trade problems the United States faces. After seven years, the Doha Round has still not come to closure, and the United States should move in a new direction.

President-elect Obama should ask his international trade team to start a "Manufacturing Round" of talks. The goal would be to negotiate changes in the rules of the trading system so we can reclaim some of our basic manufacturing prowess.

Too many of the current rules disadvantage the United States. For example, when our foreign competitors export goods, they can get a tax rebate for their value-added or sales taxes, but U.S. exporters get no such subsidy, because our system is based primarily on income taxes.

Another problem is that foreign markets, though open in theory and on paper, have hidden non-tariff barriers that prevent our companies from selling there, such as special rules giving advantages to domestically made products or differences in intellectual property protections. This is one reason we have a $600 billion trade deficit in manufacturing.
Finally, we need to deal with foreign government subsidies to manufacturers. These can take the form of a currency that is kept at an artificially low level, such as the Chinese yuan, to make imported goods cheap in our market, or programs that give enormous sums to foreign companies to build factories.

The key goal of the Manufacturing Round must be to make the cost of manufacturing in the U.S. as closely comparable to the costs of manufacturing abroad as we can, so that our manufacturers stay here and goods made abroad will not have artificial advantages in our market.

People often raise the issue of wages, suggesting that because wages are lower in China, no one can afford to manufacture here. That is simply untrue. The value of wages in most manufactured products, such as electronics or steel, is less than 10 percent. That amount can easily be dealt with both by U.S. efficiency and - at least regarding sales in the U.S. - by the shipping costs incurred in bringing goods here.

Finally, naysayers will ask why our trading partners would agree to a round that would help U.S. manufacturing. There are three reasons:

* The negotiating points should be built up not just around U.S. concerns but must also cover key issues for other developed countries that are seeing their manufacturing bases disappearing. We would have allies in this round.

* Some of the advantages given to developing countries, such as non-tariff barriers, are simply unfair, and well-meaning leaders in any country should recognize that.

* The world ought to realize by now that the decline of the U.S. economy will ultimately be a problem for everyone. When we sneeze, the whole world gets a cold.

Let's give it a try and go back to the negotiating table to bring back some of the 5.5 million manufacturing jobs we have lost since 1979.

Gilbert B. Kaplan, a partner at a Washington law firm, is a former acting assistant and deputy assistant secretary of commerce. His e-mail is gkaplan@kslaw.com.