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Good morning.

I welcome all of you to this most important national summit.

I am pleased to join my colleagues from business, agriculture and academia on this panel to provide a broad range of perspectives on the trade deficit crisis.

This morning I want to talk with you about the danger the trade deficit poses, not just for working families and communities, but for our national economy and the global economy as well. We are sponsoring today's conference to drive home a crucial point: doing nothing is not an option.

As we meet here, one week after celebrating this nation's independence, I am struck by how far we have drifted from the very ideals that led to the creation of the most dynamic economy in the world.

230 years ago a group of colonies, outraged by repressive English laws and trade policies, rocked the world with political statement that began, "When in the Course of human events it becomes necessary for one people to dissolve the political bands which have connected them with another…"

With those words and the ones that followed they declared economic independence and political freedom as the keys to "Life, Liberty and the pursuit of Happiness."

Today, Thomas Jefferson and Ben Franklin must be turning over in their graves.

We face a balance of payments crisis of our own making that threatens the economic independence and promise of widely shared prosperity so boldly declared by our forefathers.

Our nation's trade policies have failed in almost every important dimension. They have failed to create good jobs and healthy communities at home. They have failed to foster equitable, democratic, and sustainable development abroad. They have failed to safeguard our long-term national security interests. And they have utterly failed to ensure that American producers and workers are able to compete successfully in the global economy.

Today we must borrow an unsustainable two billion dollars a day to pay for the goods we consume that we do not produce as a nation.

The real danger lies in the growing debt load the deficits produce. The nearly 2 trillion in U.S. dollar assets held by China and Japan poses a threat to the stability of the world economy.

It cannot go on.

Eventually, we must either produce more of what we consume, or be forced to consume less. Unless there is a change of direction, the threat of a steep global economic downturn is real.

At a recent conference Paul Samuelson, the godfather of modern economics, described our situation as one of a group of villages sitting on a mountainside with a monster avalanche building on the slopes above. “The avalanche will happen” he said. Another respected economist, William Baumol, quickly chimed in saying “the question is how deep will it be and how long will it take us to dig out.”

From our viewpoint we have two choices: we can sit in our village homes and do nothing or we can take action to deflect the most serious damage.

We believe that increasing production and exports is the best way to reduce the trade deficit, but therein lies the problem … if you don’t make things you have nothing to trade, and if we have nothing to trade the deficit cannot be solved.

The real problem is the blind free market fundamentalism driving the nation’s trade and tax policies that, in the end, are undermining our national security.

The free marketeers tell us there is no cause for alarm – that what we’re witnessing is merely the natural maturing of our economy — heavy production and labor-intensive industry will move to lower wage labor markets, like Mexico or China, while the U.S. retains higher skilled mental labor and service jobs.

The process, we’re told, is inevitable and in the long-term, benign.

That kind of thinking avoids addressing the most difficult questions facing us. This process is benign only for those at the top of the income scale: for a majority of American workers globalization has brought deindustrialization, declining real wages and vanishing pensions and health care.

One thing this “new global economy” doesn’t handle well is equitable sharing of the fruits of expanding trade and investment opportunities. .

Look at what has happened over the past five years.

Since 2000 the U.S. economy experienced a net job loss in goods-producing activities. We lost 2.9 million manufacturing jobs, 17 percent of the manufacturing workforce.

Not a single manufacturing payroll classification created a net new job.

Studies by the Economic Policy Institute, our own Industrial Union Council and others confirm that over half this job loss is trade related.

More than 40,000 manufacturing establishments closed.

Within manufacturing, nearly every subsector suffered from double-digit employment declines—48 percent in textiles, nearly 30 percent in computer and electronic parts and primary metals, and 23 percent in machinery.

The crisis hit everywhere and everyone. State and local tax revenues have withered, undermining important public services. It has hit minorities, the south, and rural areas the hardest, as textiles, clothing, furniture and more closed or went offshore.

Just as troubling, the past five years of job growth were the weakest on record while real wages declined. The entire job growth was in non-tradable service-providing activities--primarily credit intermediation, health care and social assistance, waiters, waitresses and bartenders, and state and local government.

Columnist Paul Craig Roberts hit the nail on the head when he wrote: "No sane economist can possibly maintain that a deplorable record of merely 1,054,000 net new private sector jobs over five years is an indication of a healthy economy."

This sorry record is not benign but it is prologue for our future – unless we change course soon.

From a national security viewpoint, the closing of 40,000 manufacturing establishments and the loss of almost 3 million skilled jobs directly impacts the greater industrial base that meets both commercial and defense needs.

Many of the engineers, scientists, and skilled workers that work on commercial products one week are the same ones that work on defense applications the next. This vital link between production and innovation is being severed as manufacturers move plants, R&D, design and engineering offshore, a move aided and abetted by our own trade and tax policies.

For the nation, the loss of skilled production workers, scientists, engineers, and technical and professional workers across the manufacturing sector is a devastating blow to our technical capacity to make things.

For the economy it means that
the next best idea,
the next innovation,
the next generation of products,

and the next investment
will be made somewhere else, not in the United States.
And what about those knowledge jobs that were supposed to take the place of lost manufacturing jobs in the globalized "new economy?"

They never appeared.

It turns out manufacturing has been a canary in the coal mine for other sectors of the economy that are only now learning about being digitized, outsourced and offshored.

The information sector lost 17% of its jobs, with the telecommunications work force declining by 25%. Computer systems design and related occupations lost 9% of its jobs. Even accounting and bookkeeping employment shrank by 4%. Overall some over 725,000 professional, business, and information service jobs disappeared since 2001.

Engineering enrollments are shrinking because there are no jobs for graduates. The talk about shortages of engineers is nonsense. Offshore outsourcing and offshore production have left the U.S. with rising unemployment rates among the highly educated, as well as stagnant or falling real wages.

We are fed meaningless rhetoric in support of failed trade policies.

The free market economists have lost all credibility by asserting that international labor arbitrage is an example of free trade that is benefitting Americans. Where is the benefit when employment in U.S. export industries and import-competitive industries is shrinking?

Labor arbitrage has made the unemployment rate less and less a meaningful indicator.

Today real wage and income trends provide a more telling indicator of how current trade policies have undermined the bargaining power of working people, family farmers, and small businesses.

Now the same free marketeers admit we have a balance of payments crisis that is unsustainable and dangerous. Yet, even as they admit the truth they throw up their hands and say there is nothing we can do.

They are wrong. We refuse to throw up our hands, nor will we sit on them.

If we do not demand a dramatic change in U.S. policies now, we will wake up one day in the not-too-distant future and find that our only comparative advantage is in shopping and debt.

Turning around a problem this big will take enormous political will, but failing to act soon will only increase the danger of a hard landing.

Trade deficits are the stepchildren of our trade policies and practices that have been defined by our transnational firms and the financial community. The national interest must not be held captive by their narrow interests. It is time for us to chart a new course. We need to forge a new political will to enforce our own trade laws, change the negotiating formula of our trade deals and take steps to balance the trade deficit.

The AFL-CIO has fought for trade solutions that are in the interest of workers in all nations.

We have been an unwavering voice for workers here and abroad on labor rights and environmental standards. These must have equal standing with the commercial property and financial rights that dominate the WTO and our own trade deals.

We have joined with our business partners in trade cases and legislation (including HR 1498, the Hunter-Ryan bill) to address the outrageous currency manipulation practiced by many of our Asian trading partners.

Last month the AFL-CIO and Congressmen Ben Cardin and Chris Smith filed a 301 petition charging that the Chinese government's systematic and egregious violations of workers' rights are in fact an unfair trade practice under U.S. trade law.

All of these are examples of trade solutions, but they are not enough given the magnitude of the problem.

That is why the AFL-CIO is here today to join with the U.S Business and Industry Council, the National Farmers Union and all the business and academic participants in today's summit. It is time to do something more because doing nothing is not an answer.

We can consider a trade-balancing quota system as Warren Buffett has suggested.

We can consider imposing a temporary, across-the-board import surcharge under article 12 of the WTO.

The point is there are real options, real answers. Frankly, it's long past time that we do consider doing things differently.

And to all those economists, financial and business leaders and politicians who admit there is a crisis but will spend their time criticizing this summit and trying to brand us as protectionists …

I say to them -- You got us into this mess … what's your solution?

230 years ago our founding fathers had the courage to take action to solve their trade problems.

Now it's our turn.