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Spotlight Back on North Carolina Rep. Taylor's Vote in Favor of CAFTA as Government Data Released Today Show a Record Monthly U.S. Trade Deficit

CAFTA is Projected By U.S. International Trade Commission to Further Increase the U.S. Trade Deficit

WASHINGTON, D.C. – New monthly trade deficit figures confirm that the United States is pursuing an unsustainable trade policy that poses increasing threats to economic stability and standards of living for U.S. workers, Public Citizen said today.

According to these numbers, the monthly U.S. trade deficit for goods and services in July 2005 was $57.9 billion. While this number is slightly lower than the June 2005 numbers, the trade deficit was $6.6 billion more than the year before in July 2004. Exports were only $10 billion higher than last year and imports were $16.7 billion higher. In 2004, the United States hit a then-record trade deficit of $617.7 billion, or 5.3 percent of U.S. gross domestic product (GDP). Already in 2005, the U.S. trade deficit is running at an annual rate of $693.1 billion, far ahead of last year's record and approaching 6 percent of GDP. A deficit that reaches 4 percent of GDP is considered by economists to pose a threat to an economy's general stability by increasing prospects for high interest rates or sudden sell-offs of a country's currency.

"Doing more of the same, by implementing the recently passed Central America Free Trade Agreement (CAFTA), which extends to six more nations the very trade deal, NAFTA, under which our trade deficit has exploded, is insane – especially when government data predicts that CAFTA will further increase the deficit," said Lori Wallach, director of Public Citizen's Global Trade Watch.

While Congress has shifted its focus to hurricane relief, at home in North Carolina, Rep. Charles Taylor (R-N.C.) is still receiving significant criticism for his support of CAFTA, for which he provided a deciding vote when the agreement passed the House by a 217-215 vote. (A shift of one vote would have meant a tie and defeat for CAFTA.)

CAFTA is projected to increase the U.S. trade deficit by $100 million, according to the U.S. International Trade Commission, the government's official, bipartisan source for trade projections.[1] In other words, the United States will be a net loser under CAFTA. As a matter of accounting, anything that increases the U.S. trade deficit corresponds to a reduction in output, and therefore of employment. The non-partisan Economic Policy Institute estimates that the 538 percent growth in the U.S. trade deficit with NAFTA countries from 1993 to 2004 accounted for a net loss of more than 1 million U.S. jobs, and 34,150 net jobs in North Carolina alone.[2] So while some U.S. *companies* may export more under CAFTA, the United States as a whole is projected to be a net loser, just as the country and the state of North Carolina were net losers under NAFTA.

"At a time when most Americans are concerned about economic insecurity and the loss of good jobs, Rep. Taylor's constituents are angry that he would support CAFTA, which, it was known in advance, will increase the U.S. trade deficit," said Wallach. "It is one thing to not know how to solve the U.S. trade deficit problem – it is another thing entirely to vote to increase it."

For more information on the policy implications of the growing U.S. trade deficit, CAFTA or to schedule an interview, contact Todd Tucker, research director of Public Citizen's Global Trade Watch at 202-454-5105 or ttucker@citizen.org.

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[1] U.S. International Trade Commission, "U.S.-Central America-Dominican Republic Free Trade Agreement: Potential Economywide and Selected Sectoral Effects," USITC Investigation No. TA-2104-13, Publication 3717, Aug. 2004, at xii and xxii.

[2] Robert E. Scott and David Ratner, "NAFTA's Cautionary Tale: Recent history suggests CAFTA could lead to further U.S. job displacement," Economic Policy Institute Briefing Paper, July 2005.