Former Congressman Phillip English Says It's Wrong Time for U.S. To Engage in a Trade Conflict with China

Making a return visit to the nationally syndicated Neal Asbury Show on WZAB-AM, former US Congressman Phillip English (R-Penn), called into the show from Pittsburgh where he was attending the G- 20 Summit of the world's leading financial nations. He noted that setting a G-20 Summit in Pittsburgh "is more than symbolic; it's an actual example of what sensible trade policy can create."

Congressman English, who became a nationally-known expert in US trade policy during his 14 years in Congress, says he is proud of Pittsburgh's transformation "from a dirty, muscular city of the 1940s, to a high tech community, and a hub for international financial services, pharmaceuticals, and nuclear and alternative energies."

Congressman English hopes that Chinese President Hu Jintao, who will be attending the G-20 summit, will recognize Pittsburgh as a global model and see that "we can compete with China regardless of wages because they can't match our innovation and the intellectual property that we possess that allows even U.S. Steel to compete head-to-head with China. We can compete with anyone in the world," said Congressman English.

China must be engaged by the U.S., so this is the wrong time to create a trade conflict with China, according to Congressman English. This is not the time for America to adopt a trade policy built on protectionism, referring to the recent move by the U.S. to impose a 35 percent tariff on low-cost Chinese tire exports into this country. Congressman English hopes that this potential trade conflict doesn't spill over into bigger trade areas.

He is particularly proud of Pittsburgh's leadership in clean coal technology, which would serve China well, since China's outdated coal plants are creating air quality issues that not only threaten the health of their own people, but their yellow dust is drifting throughout Asia and is making its way toward the U.S. In addition to clean coal technologies, Pittsburgh is leading the way in nuclear energy and windmill technology.

While the U.S. can compete with China, Congressman English says that China is not playing by the rules, especially by manipulating its currency (the yuan), giving China an unfair advantage in trade with the U.S.

Congressman English is concerned that the Obama administration is split on its approach to trade policies, which is sending mixed signals. He hopes that Obama will use the G-20 Summit to map out the U.S. approach to trade. The timing is good, according to Congressman English since a recent Pew Poll suggests that the public's support for trade is on the rise, despite the shaky economy.

Also joining the show was Matt Rooney, who serves as Deputy Director of the Office of Economic Policy and Summit Coordination in the State Department's Bureau of Western Hemisphere Affairs. Rooney expects great progress to be made in trade with Latin America as a result of a year-old program entitled "Pathways to Prosperity in the Americas." The program was designed to promote free trade and create a foundation for the expansion of trade with the 34 countries in the Western Hemisphere.

Rooney emphasized the importance of maintaining strong trade relations with US neighbors, referring to the billion dollars in trade exchanged between the US and Mexico each day, and the billion and one-half dollars between the US and Canada. One country that should be a bigger trade partner with the US is Brazil, but Brazil's average 70 percent tariff on US goods entering the country is a roadblock. Rooney is working to improve trade relations with Brazil, and says that progress is being made.

"We are engaging Brazil to create a strategic partnership with the US. One area that shows promise is an ethanol program to help Brazil gain a foothold in the global energy market," said Rooney.

Like many, Rooney is concerned that three major free trade agreements for Colombia, South Korea and Panama are being held up in Congress, which is slowing progress on a coordinated trade policy.

"The challenge we have is to convince people that trade is good for the US and it deserves their support and attention," he said.

John Manzella, President of Manzella Trade Communications and a world-recognized author and speaker on U.S. and global business, Washington politics, and today's new economic realities joined the discussion, as he does each week with his The Manzella Report. Manzella focused on the American Clean Energy and Security Act of 2009, also known as the Waxman-Markey bill and "Cap and Trade," which the House passed last June by a vote of 219 to 212.

According to Manzella, "Cap and Trade legislation, if passed by the Senate, would attempt to reduce U.S. carbon emissions by making fossil fuels more expensive. It sounds simple, but it's not. Aside from disagreements over the science, this bill is confusing, complex and 1,400 pages long. In fact, I think it's another example of Congress "gone wild," he said.

Manzella noted that to raise the cost of carbon-based energy, and make alternative energy like wind and solar more competitive, Cap and Trade creates a market where companies are required to purchase permits to discharge carbon dioxide. However, most of the permits or allowances, at least initially, will be given away. This alone could make an investment in permits worthless.

To inspect industries and verify compliance of Cap and Trade, Manzella predicts that it will require the creation of a huge bureaucracy. He pointed to a Congressional Budget Office estimate that the cost for the expanded federal bureaucracy alone to be $8 billion over the next decade. This also will generate new tasks for at least 21 federal agencies, and impose 397 new federal regulations and 1,060 new business mandates.

"According to the U.S. Chamber of Commerce, if passed into law, Cap and Trade will eliminate 3 million jobs by 2030 and cost more than $2,100 per U.S. household. What's more, the Waxman-Markey bill penalizes the domestic oil and gas industry by excluding U.S. refineries from most of the free emission allowances. This will make U.S. refineries less competitive compared to foreign refineries, and in turn, lead to more imports and more dependence on the Middle East," said Manzella.