

### "Free Trade" and the Environment

#### Understanding "trade"

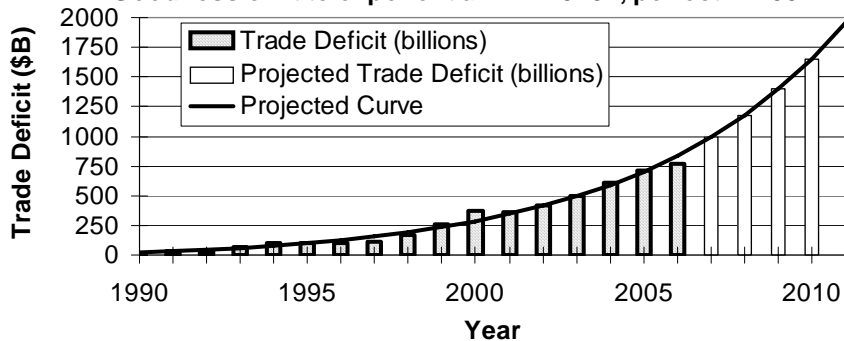
1. It's not "trade"; it's "transfer of the factors of production": labor & capital.
2. Corporations build products over there so they don't build them over here at a **labor cost** that can support an American mortgage payment.
3. It's "reverse protectionism" because US policies subsidize offshoring.  
**Stopping "reverse protectionism" is not protectionism!**
4. It's not about "protectionism." US "free trade" agreements have 100s of pages to protect intellectual property & private capital, not environ & labor.

#### How the U.S. Subsidizes Offshoring of Jobs

- Corporations can **defer paying taxes** on income from foreign subsidiaries ... indefinitely. Congress also gives them "**tax holidays**".
- **Tax loopholes** such as moving headquarters to a tax haven.
- Allowing R&D and other investment **tax credits** for companies that move manufacturing off shore ... the U.S. doesn't fully benefit.
- Corporations engage in flawed **transfer pricing schemes** to avoid U.S. taxes, i.e.: sell components to foreign subsidiary at very low profit, and buy back product after manufacture with a very high foreign markup & profit.
- Not including **labor & environmental standards** in trade pacts is a subsidy. The costs of environmental degradation and injuries to workers are externalized onto the public at large. Without standards, democracy is undermined: individuals don't value & "purchase" clean environment & workplace safety, governments do; if a government isn't a democracy, it doesn't represent the interests of its citizens.
- Corporations are allowed to **write-off the costs of shutting down a U.S. factory** when it transfers the work to a factory offshore.
- Corporations are allowed to **write-off the costs of bringing foreign employees to train in the U.S.**, requiring its U.S. employees, as their last duties before being fired, to train the foreign replacements to do their jobs.

#### Trade Deficit (actual & projected) - 2006 Data

Goodness of fit to exponential:  $R^2 = .9757$ , perfect = 1.00



### "Trade" Deficit with China is now about 1/3 of total



#### Environmental and Other Effects of Offshoring to China:

- Less energy efficiency and more GHG production. UK Foreign Office, 6/19/07, China, [2 new coal-fired power stations/wk.](#)
- [CO2 emissions from shipping](#) 4.5% vs 2% from aviation,
- On some days almost [25% of the particulate matter clotting the skies above Los Angeles](#) can be traced to China according to US EPA. Environmental experts in California predict that China could eventually account for roughly a third of the state's air pollution.
- Sulfur dioxide from burning coal [contributes to about 400,000 premature deaths](#) a year in China ...
  - it produces acid rain that poisons lakes, rivers, forests and crops.
  - it produces [mercury contamination](#) of US fish and soils
- You pay more at the gas pump. US gas prices higher from using less-efficient China for production. China's oil imports rose 31% in 2003, 13% in 2004, & 10% in Apr 06.

#### CO2 Emissions per GDP (2004, metric tons/1000US\$, Wikipedia from IMF)

