

Fact Sheet #2:**LIKE NAFTA, CHILE AND SINGAPORE FTAs EXPECTED TO WORSEN TRADE BALANCE AND DESTROY JOBS**

In every case in which the United States has reached a comprehensive “free trade agreement” with another country, the impact on our trade balance has been negative, despite promises to the contrary. For example, **our combined trade deficit with Canada and Mexico is now almost ten times what it was before NAFTA went into effect.** NAFTA’s rising trade deficits destroyed hundreds of thousands of jobs, with losses in every state. There is no reason to believe that our trade balance will fare any better under the Chile and Singapore agreements. The administration has still not released an economic impact analysis of either agreement, despite instructions in the Trade Act of 2002 to do so.

Like NAFTA, both agreements are likely to result in shifts in production from the U.S. and **rising trade deficits**, leading to more lost jobs. The agreements’ safeguard provisions are inadequate to protect U.S. workers and businesses from anticipated new import surges.

- While the U.S. currently enjoys a trade surplus with Singapore, this was preceded by two years of deficits and our current surplus fell by almost 50% in 2002. In addition, we have large areas of deficit with Singapore that may increase if the FTA goes into effect, especially in data processing machines and parts for office machines.
- Our previous trade surplus with Chile has already turned into a deficit, and this deficit more than tripled from \$377 million in 2001 to \$1.2 billion in 2002. U.S. agricultural producers are especially likely to experience increased competition from Chile if the FTA goes into effect.

Both the Chile and Singapore agreements **focus more on facilitating the shift of U.S. investment than increasing U.S. exports.** The Singapore agreement is blatantly about investment shifts rather than exports – nearly all of Singapore’s tariffs were already at zero even before negotiations began.

Particularly troubling is the Singapore agreement’s “**Integrated Sourcing Initiative.**” The details of the initiative were not available to cleared advisors, and were only recently made public. The initiative allows electronics components from two Indonesian islands to count as Singaporean content under the agreement, even though **the Indonesian islands are not subject to the labor and environmental provisions of the agreement.** The agreement requires no reciprocal market access for U.S. goods in Indonesia, and the initiative can even be expanded to more products and regions in the future. The sole purpose of the initiative is to facilitate off shore production for export into the U.S., costing U.S. jobs.

Transshipment is another major problem in our trading relationship with Singapore, and it is only likely to get worse under the new FTA. USTR reports that Singapore’s port is currently the world’s second busiest transshipment hub. The FTA’s protections against transshipment may do little to counter the increased attractiveness of Singapore as a transshipment route once it becomes the only country in Asia with guaranteed tariff- and quota-free access to the U.S. market.

The Singapore and Chile FTAs also **fail to guard against financial crises.** These crises can decimate our trade balance, as the peso crisis did under NAFTA. The Singapore and Chile agreements do nothing to address issues of external indebtedness, currency manipulation, and financial speculation that are so key to preventing financial crises. Instead, the agreements actually constrain Chile and Singapore’s ability to impose capital controls and regulate financial speculation. Thus **the agreements will increase the likelihood of crisis, devaluation, and chronic trade imbalances.**