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Obama Administration Flooded with 26,000 Comments Opposing Proposal to Disguise Offshoring of U.S. Manufacturing by Rebranding Firms that Relocate Production as ‘Factoryless Goods’ Manufacturers

Broad Reclassification Plan Would Count iPhones Made in China as U.S. Exports; Data Tricks Would Artificially Inflate U.S. Manufacturing Jobs, Deflate Manufacturing Trade Deficits

WASHINGTON, D.C. — More than 26,000 people nationwide have submitted comments opposing Obama [administration proposals](#) that would severely distort U.S. job and trade data by reclassifying U.S. corporations that offshore American jobs as “factoryless goods” manufacturers. Under a broad data reclassification plan, much of the value of U.S. brand-name goods assembled by foreign workers and imported here for sale would no longer be counted as imported goods, but rather as manufacturing “services” imports. This would deceptively deflate the U.S. manufacturing trade deficit.

The “factoryless goods” proposal, designed by the administration’s Economic Classification Policy Committee (ECPC), also would, overnight, falsely increase the reported number of U.S. manufacturing jobs as white-collar employees in firms like Apple – now rebranded as “factoryless goods producers” – would suddenly be counted as “manufacturing” workers. This shift also would create a false increase in U.S. manufacturing wages and output.

“The only reason you would classify an iPhone made in China as a U.S. export is to hide the size of our massive trade deficit,” said James P. Hoffa, Teamsters general president.

“To revive American manufacturing jobs and production, we need to change our policies, not cook the data,” said Brad Markell, executive director of the AFL-CIO Industrial Union Council. “We need to reform the trade policies that have incentivized offshoring and resulted in decades of trade deficits and millions of U.S. manufacturing jobs offshored, not cover up the evidence that our current trade policy is not working.”

One element of the proposed economic data reclassification plan would rebrand U.S. imports of goods manufactured abroad, such as Apple’s iPhone (which is assembled in China by a firm

called Foxconn) as “services” imports rather than imports of manufactured goods. And if Foxconn exported iPhones to other countries, the proposed reclassifications would count the iPhones manufactured in China as U.S. manufactured goods exports, further belying the real U.S. manufacturing trade deficit.

The economic data reclassification initiative, if implemented, could further undermine efforts to bolster U.S. manufacturing by producing a fabricated reduction of the U.S. manufacturing trade deficit.

“These Orwellian data rebranding proposals would hide the damage wrought by past trade pacts like the North American Free Trade Agreement, greasing the way for more-of-the-same, job-killing, deficit-boosting trade deals,” said Lori Wallach, director of Public Citizen’s Global Trade Watch.

The comments submitted by concerned individuals include:

- “Reclassifying jobs that have been and continue to be shipped overseas under the euphemism ‘factoryless goods’ is an insult to the citizens of the United States who want real manufacturing jobs, and know that the TPP and other NAFTA-style trade deals are not in our best interest.” – Susan Marie Frontczak, Boulder, Colorado
- “Put the tricks aside. It's time to address the bad trade policies that have led to incentivized offshoring, rather than play with rebranding.” – Merrill Cole, Macomb, Illinois
- “NAFTA and GATT were a really bad idea ... TPP is worse ... and ECPC as a cover-up for unfair trade policies is just ridiculous. Bring manufacturing back to the US and stop this unfair trading with other countries.” – Aaron McGee, Madison, Wisconsin

This month, 14 members of the U.S. House of Representatives [wrote to U.S. Trade Representative \(USTR\) Michael Froman, demanding that he immediately begin to provide Congress with accurate U.S. trade data](#). The letter followed an [admission by USTR staff](#) that the agency was providing Congress with uncorrected raw data collected by the U.S. Census Bureau. That data includes “re-exports,” which are goods produced in foreign countries that pass through the United States without alteration before being sold abroad.

Each month, the U.S. International Trade Commission provides corrected trade data that removes the foreign re-exports, but USTR has chosen not to use this data. By using the uncorrected data, the USTR can misleadingly appear to make more than half the \$177 billion 2013 NAFTA goods trade deficit “disappear.” The USTR does this by, for instance, counting goods that are imported from China, that are not altered in the United States and that are then “re-exported” to Mexico as “U.S. exports” to Mexico.

Congress’ demand for accurate trade data from the USTR and the administration’s distortionary data reclassification proposals come as administration officials seek support for two controversial trade and investment pacts now under negotiation: the [Trans-Pacific Partnership](#) (TPP) and the [Trans-Atlantic Free Trade Agreement](#) (TAFTA). The administration’s push to

obtain [Fast Track](#) authority for those pacts has met strong opposition from both parties in Congress and from more than [60 percent](#) of the U.S. voting public.

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