

United States Senate

WASHINGTON, DC 20510

November 15, 2017

The Honorable Robert Lighthizer
Office of the United States Trade Representative
600 17th Street NW
Washington, DC

Dear Ambassador Lighthizer,

We appreciate your service to our nation as you work to improve the United States' trade relationships around the world. It is important now more than ever that the benefits of trade liberalization are championed by the world's most powerful and prosperous economy.

We commend the Trump Administration's enthusiasm to ensure that past trade agreements continue to promote U.S. interests. However, it should be clear that any need for a "sunset" provision in trade agreements is unnecessary. Your very engagement in not only reviewing, but renegotiating, the North American Free Trade Agreement (NAFTA) without any current sunset is evidence of every future U.S. administration's ability to review and renegotiate trade deals. As you know, any change in U.S. law needed to conform to any renegotiated deal cannot be implemented unilaterally, but must be approved by Congress.

With the beginning of the renewed NAFTA negotiations in August, it has appeared that U.S. trade negotiators, under your leadership, are prioritizing reducing imports relative to exports in an attempt to create jobs here at home. While we agree that creating jobs should be a priority, seeking to do so through enacting additional barriers to trade and taxes on imports should not be the focus of U.S. trade policy. This is especially true since tariffs burden lower-income families disproportionately.¹ Instead, we should begin reducing excessive government red tape, which depresses workers' wages and constrains small business growth.

We would like to highlight that, over the past decade, the year in which the U.S. unemployment rate was at its highest² is the same year that the U.S. trade deficit was at its lowest.³ At the very least, there is a negligible correlation between the number of jobs in the U.S. economy and our nation's trade deficit. At most, they appear at times to be inversely related. Thus, if the desired result of current trade agreement renegotiations is job growth, concern over a negative trade balance should not be part of those discussions.

¹ Fajgelbaum, Pablo and Khandelwal, Amit (2016), "Measuring the Unequal Gains from Trade," *The Quarterly Journal of Economics*, 131(3), 1113-1180; Furman, Russ, and Shambaugh, "US tariffs are an arbitrary and regressive tax," VoxEU, 12 January 2017, <http://voxeu.org/article/us-tariffs-are-arbitrary-and-regressive-tax>.

² Data collected from the Bureau of Labor Statistics, U.S. Department of Labor (<https://data.bls.gov/pdq/SurveyOutputServlet>).

³ Data collected from the U.S. Census Bureau (<https://www.census.gov/foreign-trade/balance/c0004.html>).

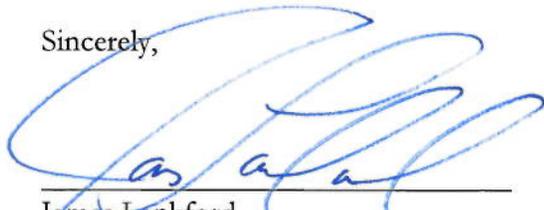
However, there are real problems with the labor market that are not connected to U.S. trade policy that need to be addressed – namely, the inflexibility of our nation’s labor market, which prevents us from reaping the full benefits of free and fair trade.

Strong labor dynamism – the free movement of workers among different jobs, industries, and geographic locations – is a natural, healthy sign for industrialized, growing economies. However, U.S. labor dynamism has remained dangerously low for more than twenty years.⁴ This is a real problem, but it cannot be solved through trade policy alone.

Instead, our nation should encourage flexibility within our labor supply such as reforming and simplifying the tax code; providing quality, affordable healthcare insurance options that do not overly burden the labor supply or demand; providing incentives to put people back to work; and reevaluating ineffective federal job training programs, to name just a few. These are the real solutions to the problems in our labor market.

There is much we can do to create a more dynamic and thriving workforce in this country that benefits American workers, businesses, and consumers. We hope that we can work together toward addressing real trade issues such as expanding markets for U.S. producers and businesses, eliminating foreign subsidies, and enforcing current trade laws. We look forward to working with you to this end in the coming months as NAFTA renegotiations continue. Thank you for your time and attention to this matter.

Sincerely,



James Lankford
United States Senator



John Thune
United States Senator



Mike Enzi
United States Senator

CC:

U.S. Department of Commerce
U.S. Department of Labor
U.S. Department of Health and Human Services

⁴ Bureau of Labor Statistics, Business Employments Dynamics data.