

**The United States Senate**  
**Interstate Commerce, Trade, and Tourism Subcommittee**  
**Committee on Commerce, Science and Transportation**  
**253 Russell Senate Office Building**

September 24, 2008  
Hearing on

**The Imbalance in US-Korean Auto Trade**

Testimony of  
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Summary of Testimony

Thank you Mr. Chairman and the other Senators on the Subcommittee for inviting me to testify. I am especially glad to come before you today as the full Senate, the country and the world face the crises built from 28 years of naive antigovernment, ideological extremism and financial deregulation.

**I would like to focus attention on three closely-related points:**

**First:** This naive or cynical ideological obsession with deregulation that has now bankrupted the US financial system is inextricably intertwined with the obsession for deregulation of commerce, particularly of global commerce, in what is often called “free” trade.

**Second:** As with financial deregulation, ALL of the major theories used to sell deregulation of global commerce have long failed the test of experience, undermining US production of goods and services and forcing dependence on soaring debt and asset sales to foreign interests in China and elsewhere.

**Third:** As with the endangered financial system, now is the time for an urgent, careful reversal in the deregulatory global commercial policies that have so clearly failed.

Since Nafta with Mexico was implemented 14 years ago, the US has accumulated over \$6 Trillion in Current Account deficits, \$4.6 Trillion just since 2001. These massive trade deficits occurred despite unprecedented, debt-exploding tax cuts and wage stagnation to “make the US more competitive.”

The severely threatened US auto industry has suffered more than \$1 Trillion in trade losses over just the last eight years. Even now, the US auto industry faces production losses and global trade deficits of \$10 billion each month. The US now *imports* half again as many autos from Mexico (1,009,300 in 2007) as the US *exports* to the entire world (673,100) including to Mexico. Korea exported \$11.3 billion of autos/trucks and parts to the US in 2007 compared with only \$1.0 billion of US exports to Korea. This 11-to-1 US imbalance of Korean auto imports to exports is worsening so far this year.

I hope there is time to discuss some of the key false assumptions behind the claims of those that push global deregulation of commerce.

But after 28 years of trade deregulation, today's \$2 billion *per day* production shortfall and forced US foreign borrowing continues to put enormous pressure on global financial markets, constrain US policy options and undermine US living standards. Further deregulation of global commerce should not be a serious consideration for anyone concerned with the United States of America and its economy.

Now is the time for an urgent, careful reversal in the deregulatory global commercial policies that have so clearly failed. This is the time for renewed global cooperation toward new, sustainable and mutually beneficial objectives of raising living standards in the US and around the world.

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