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Staring Into the Mouth of the Trade Deficit

By **ELIZABETH BECKER**

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SEATTLE - Huge container ships steam into this port every day loaded with clothes and shoes, furniture and video games, electronics and aircraft parts made in Asia.

On their return trip, those same ships often cross the Pacific half empty, bearing chemicals, meat, grain and engines and routinely stuffed with hay or scrap paper.

"This is what the nation's trade imbalance really looks like," said Mark Knudsen, the Advertisement deputy director of the Port of Seattle. "We've got so much empty cargo space, it pays to ship over hay for Chinese animals, or scrap paper to be recycled into packaging for Barbie dolls."

Perhaps more than anyplace else in the country, this port city lives or dies by trade. The Seattle area and Washington State earn more per capita from trade than any other area of the country - \$5,875 in 2002. One out of three jobs in the state is tied to trade. And with its deep historical ties to northern Asia, Seattle sees China more as a customer than a competitor.

With last week's news that the annual trade deficit had reached \$489.4 billion in 2003, a rise of about \$70 billion, Seattle is once again caught up in the national debate over trade imbalances and the flight of jobs overseas. Even though most economists say many other factors have contributed to job losses, trade is becoming the focus - or scapegoat - here and in the national political debate as Americans try to adjust to the quickening pace of globalization. Two-way trade in the region declined by \$11 billion from 2000 to 2002, a symptom, officials said, of the problems caused by the country's trade deficit. The state's unemployment rate has climbed to 6.8 percent, one of the highest in the country, giving the phrase "offshoring" a palpable meaning in this Pacific Rim city.

Industry leaders like [Boeing](#) and [Microsoft](#) are openly shifting some jobs overseas, and a high level of education has failed to protect software engineers with master's degrees from losing their jobs.

Marcus Courtney, a union representative for information and technology workers, said that "if outsourcing is a threat here, where 44 percent of Seattleites have a college education," then high-technology workers in the rest of the country should be worried.

Representative Jennifer Dunn, a Republican from Bellevue, blames the decrease in exports for her region's unemployment rate and dismisses the focus on outsourcing as "a problem we are going to have to live with from now on."

"To my mind, trade is the one way we're going to create new jobs, so what we need are more trade agreements opening up more markets," she said. "No one can stop the global economy. We have to take part and work on our strengths."



Annie Marie Musselman for The New York Times

Ships often leave Seattle's port with their cargo bays half empty.

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That is the conundrum. Nearly everyone supports trade here: Democrats and Republicans, elected officials, trade unions and industry giants like Boeing, Microsoft and Weyerhaeuser. But they disagree over whether the benefits are shared equitably, whether financing the soaring trade deficit will undermine the economy and whether the jobs lost through outsourcing will be replaced with equally good jobs.

Microsoft, one of Seattle's signature companies, sells 60 percent of its products overseas, \$18 billion worth last year, and is routinely praised and attacked for its global presence. Slowly but steadily, the company is outsourcing work to India and other countries while keeping most of its jobs in the Seattle area.

Maggie Wilderotter, a senior vice president at Microsoft, said her company invested \$6 billion in the region every year and that half of its new employees this year would be hired in the Seattle area.

"I don't look at jobs as outsourcing or insourcing," she said. "We do business in 78 different countries, and it's important that we have employees that are part of that culture. The United States is our top talent pool."

The city's image is still recovering from the battle here five years ago when Seattle became famous as the site where protesters shut down global trade talks with demonstrations.

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"Some of the chic liberals around here enjoy making skeptical remarks about trade while they make money off of it," said David Brewster, executive director of Town Hall, a nonprofit civic association. "The problem is we're the first to suffer when the world market suffers, and that is what is happening."

David K. Y. Tang, a trade lawyer at Preston Gates & Ellis, said that he was optimistic about globalization and its long-term ability to spread benefits here and abroad. In disputes about trade and jobs, he said, people forget that by competing in a global market, Seattle and its industries reap global profits even if that means "we will suffer some of the pain in job losses."

"The customers overseas want a piece of the pie, too, and we have to invest some of our profits back into the markets of our customers," Mr. Tang said. Advertisement

Today other voices are questioning the trade deficit. The billionaire investor Warren E. Buffett warned last November that allowing it to grow amounted to transferring America's net worth abroad "at an alarming rate."

But economists and trade experts disagree over the link between trade and unemployment.

"There isn't a correlation between high unemployment and our big trade deficit," said Robert D. Hormats, vice chairman of [Goldman Sachs](#) in New York. "But it's the combination of the two that has made trade such a hot political issue - the hottest in my memory."

Much of the job loss during the Bush administration, economists say, was a result of increased productivity, new technology and the weak economy as well as global competition. But as the recession fades and the economy improves, there have been few new jobs to replace those that were lost, in part because global competition and the demand for greater productivity are as fierce as ever.

The effect of the trade deficit is further complicated by the weakening of the dollar against the euro, which is raising hopes that the United States can significantly increase exports to Europe. The United States has a \$94.3 billion deficit with the European Union, a \$12.1 billion increase from 2002 but smaller than the record \$124 billion deficit with China.

Indeed, the United States is the only major industrial power with a deficit with its major trading partners.

The fear in the white-collar workplace here is so strong that Representative Adam Smith, a Democrat from the southern end of Puget Sound, has asked the Government Accounting Office




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for a national study on the number of jobs that have moved overseas and which ones are at risk.

"We've got to figure out how to compete in the new economy without destroying our own livelihoods," Mr. Smith said. "This study could help make sense out of a big public policy issue and steer us toward a tax policy that makes sense and where we need to put money into education and training."

Even the city's port is not safe from the debate over trade.

Gregory J. Nickels, the mayor of Seattle, is battling the Port of Seattle and the longshoreman's union to close one of the city's three port terminals in a few years, saying it makes more sense to use the spectacular mountain-framed waterfront property for condominiums than cargo ships going back to Asia without full loads. He argues that even the \$700 million of recent renovations on the port will not increase cargo traffic.

"The land values are such that when the port is only creating 13 jobs per acre, there may be a better way to create jobs," Mr. Nickels said.

Rudolph Eric Finne, president of local chapter 19 of the International Longshore and Warehouse Union and a firm believer in trade, disagrees and says the proposal epitomizes the confusion over trade.

"The mayor's position is short-sighted," Mr. Finne said. "Our share of maritime trade is bound to rise now that we've improved the port."

Even though Boeing recently lifted the nation's exports with sales of aircraft to China, here in Seattle the company has laid off 26,200 people in the last three years, in part because the Sept. 11 attacks brought a big drop in sales, according to Todd Blecher, a Boeing spokesman. To avoid more layoffs, the state gave Boeing more than \$3 billion in tax breaks and subsidies to persuade the company to assemble its newest aircraft at an existing plant in the Puget Sound area.

Seattle business and community leaders see an obvious answer to some of the trade problems just a hundred miles or so to the north, in Canada, where trade losses are less immediately catastrophic because of stronger national health and pension programs that protect workers while they search for new jobs.

"We don't have the social safety net we need to soften economic dislocation engendered by trade and changes in technology," said Bill Center, president of the Washington Council on International Trade, a nonprofit association. "We have to drive fear out of the workplace with necessary benefits - portable pensions, health care and money for retraining and education."

That, he said, could help people accept Seattle's place in the global economy and to understand that "if the global economy doesn't grow, then America's economy can't grow."

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