

WRITTEN COMMENTS OF
THE AMERICAN FEDERATION OF LABOR &
CONGRESS OF INDUSTRIAL ORGANIZATIONS (AFL-CIO)

BEFORE THE U.S. HOUSE COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON TRADE

HEARING ON PRESIDENT OBAMA'S TRADE POLICY AGENDA

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The AFL-CIO embraces international trade and does not fear globalization. That is because we believe that it is possible to construct a fair, flexible, rules-based global trading system that will contribute to the generation of high quality, well-paying jobs in advanced manufacturing and services in the United States while at the same time incorporating the billions of workers living in developing countries into the global economy in decent and dignified work. This is not only desirable but absolutely necessary to our collective future. However, the global trading system is not now working for workers here or elsewhere. It remains plagued by enormous imbalances, both between countries and within countries. And the myriad trade-related rules currently place substantial limits on governmental policy space, prioritizing the rights of capital over democratically elected governments and people. This must change.

The three pending Bush-era bilateral trade agreements, supported by the current administration as key components of its National Export Initiative, will not however set us on a jobs-centered path to balanced global growth that we desperately need.

JOBS?

From our past experience, we have serious doubts that these three trade agreements (FTAs) will produce the number of jobs touted (and certainly not the number of jobs needed). According to the 2010 study of the U.S. International Trade Commission (ITC), the US-Korea FTA is actually predicted to contribute to a growing goods trade deficit between the U.S and the world and will lead to output and job losses in the U.S. manufacturing sector upon full implementation. This is the optimistic view. The Economic Policy Institute (EPI) projects that the FTA would actually displace about 159,000 U.S.-based jobs within the first seven years after it took effect. A more recent, and unofficial, study by the USITC prepared in 2011 at the request of the Senate Finance Committee (using questionable assumptions) still finds an increase in the overall goods trade deficit and some losses in U.S. manufacturing, while touting an increase in service sector jobs. The promise of jobs is even more attenuated with the Colombia and Panama trade agreements. With Colombia, the USITC predicts that the FTA will support virtually no U.S. jobs. At best, it points to a handful of jobs in the rice production sector – not the kind of high quality, 21st century jobs we need. Results are similar for Panama.

GOOD JOBS?

Unless worker rights are respected in law and in practice, we can be sure that whatever gains from trade there may be will not be equitably distributed. Major labor rights concerns persist in each of the three FTA countries, as well as in our own.

There is a commonly-held misperception that South Korean labor laws are high quality and that labor relations are free of the repression and violence found elsewhere. However, the regular reports of the International Labor Organization (ILO) indicate clearly that South Korea is not in compliance with core labor rights regarding freedom of association, collective bargaining and the right to strike. In practice, workers are routinely fired for trying to form a union. Employers frequently opt to use temporary and subcontracted “irregular” workers, under far inferior wages and working conditions, and at times in defiance of legal restrictions on hiring workers under these modalities. And workers undertaking legal and peaceful strikes can still find themselves subject to substantial fines and/or imprisonment. The use of police by company managers in labor disputes is an all too common practice. Indeed, workers in both the U.S. and Korea have jointly expressed their concerns that without bold action labor conditions in both countries will continue to deteriorate.

Despite this, USTR has expressed a reluctance to press the government of South Korea to address these concerns before implementation of the trade agreement. Failure by the Obama Administration to ensure that outstanding labor rights concerns are addressed fully in the first agreement it intends to submit to the Congress for ratification would send a very troubling signal.

In Colombia, the problem remains the continued assassination of trade unionists and the failure to prosecute those responsible for planning or carrying out the crimes. Last year was another bloody year for Colombian trade unionists. The well-respected National Labor School in Colombia estimates that there were 46 murders and 19 attempted murders. Nearly 300 trade unionists received death threats. Eleven of these murders took place under the new Santos Administration, which took office in August 2010. In total, over 2,850 trade unionists have been murdered since records were systematically collected in 1986. During the same period, there were 276 attempted murders, 218 forced disappearances, at least 4,935 death threats and 1,721 forced displacements. These figures confirm a clear and sustained intent to exterminate trade unionism. Yet, no one has been held responsible in 94% of these murder cases.

Additionally, the ILO has identified numerous ways in which Colombia’s labor laws fall short of the core labor rights, the international minimum set of rights to be guaranteed by all countries regardless of level of development. Colombia has made very little progress in passing the laws and regulations necessary to comply with these international norms. Further, the government of Colombia has an abysmal record enforcing the labor laws currently on the books. Colombia must bring its laws into compliance with international rights and begin to establish a record of sustained enforcement of its labor laws and regulations. Labor law reform, no matter how positive, will be insufficient in the absence

of evidence of a sustained and systematic effort to enforce the law. Of particular concern to us is the proliferation of indirect forms of employment which limit or exclude millions of workers from the coverage of the labor code.

Finally, Panama has not yet addressed the range of laws and regulations necessary to comply with the labor obligations of the trade agreement, including limitations on collective bargaining in new companies and in the export processing zones. Further, in 2010, the government severely weakened labor rights in a special economic zone which is to be used to export goods to, among other countries, the United States. Another effort to weaken the law in other important respects was repealed only after thousands took to the streets in protest; at least two were killed and hundreds were wounded and/or detained by the police. There is also no evidence that Panama has implemented and is fully enforcing decrees passed in 2009 to prevent the illegal use of temporary contracts and subcontracting, as these practices continue unabated.

WHAT SHOULD BE DONE RIGHT NOW?

If we are serious about creating jobs and global rebalancing, the immediate priority should be addressing currency imbalances. As explained in December 2010 by Paul Krugman, Nobel laureate and world-renowned expert on trade economics: *“If you want a trade policy that helps employment, it has to be a policy that induces other countries to run bigger deficits or smaller surpluses. A countervailing duty on Chinese exports would be job-creating; a deal with South Korea, not.”* The decision of the Treasury on February 4, 2011 not to name China a currency manipulator weakens Treasury’s credibility on this matter. Congress should act immediately to pass legislation that will encourage the administration to address currency manipulation through multilateral negotiations and WTO action.

The Obama Administration must also work to help raise living standards for workers by promoting compliance with basic labor rights around the world. The fundamental and growing imbalance between the rights of employers and workers is leading to lower wages and the further deterioration of employment conditions. When workers have a voice on the job, it is not only workers who benefit. Unionized firms can be more productive and efficient as well trained, seasoned workers stay on the job longer and contribute to the firm’s overall success. The improvement in wages also helps increase aggregate demand, which creates a virtuous circle.

At the same time, there are things we can do to create jobs and improve the competitiveness of U.S. workers. The Obama Administration should pursue policies including: ending tax policies that discourage exports; continued and effective enforcement of U.S. trade laws to encourage fair trade practices; additional public investment in infrastructure, research and development; substantial resources directed toward lifelong learning and workforce development; and, of course, creating a strong legal environment where US workers can organize and bargain collectively. Export powerhouses like Germany have done all of these things. It is time we do the same.

Finally, as the Obama Administration pursues its own, new trade initiative, the Trans Pacific Partnership (TPP), it is critical that it truly dedicate itself to building a trade architecture through a combination of international and domestic policies that puts a premium not on trade as an end in itself but trade as a means of generating quality jobs and broadly shared prosperity. Unfortunately, we are seeing few signs of change. The bulk of the internal negotiations remained confined to closed door meetings with industry, and the proposals on the table, as far as we can ascertain, are little different than what we have seen in the past.

CONCLUSION

The AFL-CIO wants to support an Obama trade agenda. Unfortunately, we have no choice but to oppose the US-Korea FTA. We appreciate the administration's considerable effort to renegotiate the auto related provisions; however, our concerns went beyond that issue alone. With regard to Colombia, we long ago spelled out exactly what needs to be done with regard to anti-union violence, impunity and labor law reform. However, despite a welcome change in rhetoric by the Santos Administration, meaningful reforms that would contribute to lasting change in the country have yet to be taken. And, Panama still has additional steps to take to demonstrate that workers will be able to exercise their fundamental labor rights. Importantly, the TPP represents an extraordinary opportunity for this administration to get trade right. We urge the Obama Administration to undertake the reforms necessary to make this trade agreement one that will generate broadly shared economic prosperity – not perpetuate the NAFTA legacy.

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