

TRADE ACT

A New Blueprint for JOBS

November 29, 1993 was the date. The headline in *Newsweek* magazine read: NAFTA: More Winners Than Losers.

The North American Free Trade Agreement, NAFTA, had just received the Congressional stamp of

approval nine days prior. President Bill Clinton was due to sign the legislation a little over a week later.

“Passage of NAFTA became only slightly less momentous than the enactment of the New Deal,” the *Newsweek* arti-

cle said. “Most Americans won’t notice the difference ... Still, there were some clear losers and winners...”

The author proceeds with a scorecard.

The losers: Unions.

“Union leaders tried to argue that free trade is the source of all lost jobs. But that is largely a blue-collar myth,” wrote *Newsweek*.

The winners: Business, free trade and jobs, according to the article.

NAFTA’s Empty Promises

“Supporters said it would bring faster growth and high-paying jobs,” recalls IAM International President Tom Buffenbarger of the contentious debate leading up to NAFTA’s passage in the early 90s. “It was touted as the key to raising North American living standards.

IAM members protest outsourcing aerospace jobs in front of United Technologies’ corporate headquarters in Hartford, CT. Aerospace workers not only face the export of their jobs, but the giving away of their manufacturing expertise through offset agreements.



Bill Burke, Page One Photography

The IAM has always been at the forefront of efforts to stop trade agreements, like NAFTA, that favor corporations over workers. A new model for trade called the TRADE Act, if passed, will require an overhaul of existing trade deals to save jobs and institute new standards to protect workers and communities in future agreements.

So-called ‘free-trade’ policies like NAFTA were supposed to be a win-win for everyone: The environment, immigration, U.S. workers, Mexico and Canada alike.

“We told them then that they were wrong,” says Buffenbarger, “that passage would lead to massive job losses, downward pressure on wages and benefits, and further erosion of workers’ rights. But our strenuous protests were dismissed as protectionism. Now here we are, 16 years later, and the American economy has shed millions of jobs.”

First enacted on January 1, 1994, NAFTA’s supporters

“Instead of creating more jobs here at home, multinational corporations have shifted production to Mexico where wages are low, worker rights are nearly nonexistent and little regard is paid to the environment.”

Tom Buffenbarger
IAM International President

promised it would promote growth by making it easier to move goods and services

between the U.S., Canada and Mexico. They argued the pact would, among other things, improve the environment, reduce illegal immigration through higher Mexican wages, while at the same time provide Americans and Canadians better jobs and economic security.

But the end result has been quite the opposite. “NAFTA, along with several other similar trade deals, has succeeded in creating the worst polarization of wealth since the 1920s,” says Buffenbarger. “Instead of creating more jobs here at home, multinational corpora-



Susana Gonzales/Bloomberg via Getty Images

Since NAFTA's passage, hundreds of North American factories that once produced iconic brands of cars, appliances, televisions, vacuum cleaners and other products have closed and the jobs shipped to Mexico and China. Ford's \$1 billion remodelled plant in Mexico will produce its Fiesta model.

tions have shifted production to Mexico where wages are low, worker rights are nearly nonexistent and there is little regard for the environment."

Wrong Blueprint

Experts argue that the U.S. has lost as many as a million jobs since NAFTA's inception. NAFTA became the blueprint for other trade laws, such as the Central America Free Trade Agreement (CAFTA) and pending agreements with Korea, Panama and Colombia that have already done, or threaten to do, their share. Failed economic policies, including a high value of the U.S. dollar and tax breaks for companies to ship production overseas, have also contributed.

"What the trade agreements fundamentally have done is shifted power from democratic governments to corporations," says U.S. Sen. Sherrod Brown (D-OH), a

close friend of labor and a key Congressional player in trade reform.

The Machinists Union witnessed this acceleration of U.S. jobs out of North America firsthand. What started as a few companies moving part of their operations to Mexico turned into a tidal wave of jobs moving south, leaving

devastated communities in the U.S. and Canada behind.

American Icons

Former icons of American manufacturing in appliances, cars, electronics and aerospace moved south. Early on it was television-maker Zenith, then Eureka vacuums packed up. In 2004, Maytag shut down its Galesburg, IL, refrigerator factory, laid off 1,600 workers, and moved the work to Reynosa, Mexico.

Approximately 250 good-paying, high-skilled aerospace jobs at Hawker Beechcraft in Salina, KS, are making their way to Mexico, joining Bombardier and Triumph Composite Systems. And, Whirlpool is doing the same to more than one thousand workers in Evansville, IN.

Free trade supporters argued the jobs going south were largely unskilled jobs that weren't really important



IAM President Tom Buffenbarger leads a delegation to the Maytag shareholders' meeting to protest the closing of U.S. facilities and moving the work to Mexico. Whirlpool acquired Maytag in 2006 and has continued closing U.S. plants.



In Iowa in 2004, IAM members and others signed a rolling “George W. Bush Wall of Shame” to call national attention to the workers whose plants were closed, leaving hard-hit families and communities behind.

in a high-tech economy. But soon, the fastest growing sector for jobs going offshore spread to high-skilled manufacturing, sophisticated electronics and the computer industries.

Those are just a few examples. If you need more, all you have to do is look around. “We have today an historic economic crisis with a soaring unemployment rate. The historic loss of good jobs is made worse because of our hollowed-out manufacturing sector and bad trade policies. The dream of a middle-class life is slipping further away for more and more North Americans,” says Buffenbarger.

But Mexico is not the only country coveting American jobs, wreaking havoc on the U.S. economy and lowering

the quality of life of so many Americans, explains IAM Trade and Globalization Director Owen Herrnstadt. In fact, it represents only a fraction.

Growth of China

A far more serious threat lies just across the Pacific, where the rules of trade are even more skewed, less enforced and government transparency is taboo. That menacing threat to fair globalization: China.

“Everybody’s losing work to China,” says Herrnstadt. “It’s a major concern everywhere, not just in the U.S. and Canada.”

The Economic Policy Institute estimates as many as 2.4 million U.S. jobs have been lost to China between 2001 and 2008 alone. Researchers

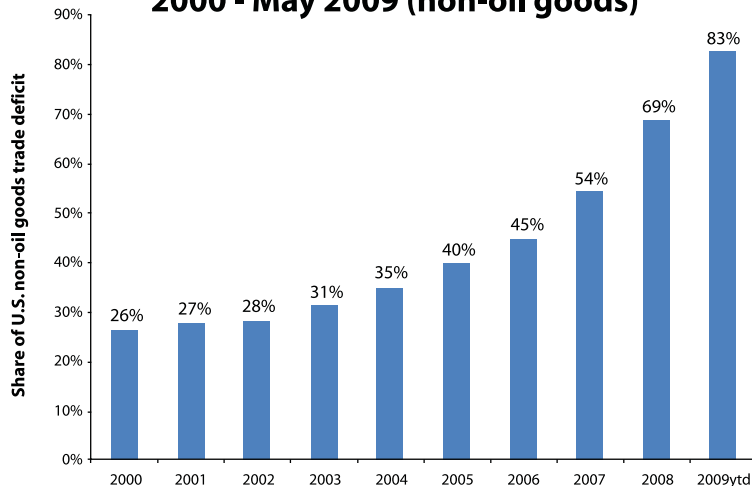
say, during that same seven-year period, the U.S. trade deficit with China increased by \$186 billion. In 2009, China was responsible for more than 80 percent of the United States’ total, non-oil trade deficit.

China’s domination of world trade accelerated in 2000 when Congress ended the annual review of China’s human rights record and granted permanent normal trade relations status (PNTR). This paved the way for China’s entrance into the World Trade Organization in 2001.

Unfair Advantages

Experts say China has created an unfair trade advantage for themselves through the manipulation of its currency, cheap labor and government

China's growing share of U.S. trade deficit, 2000 - May 2009 (non-oil goods)



Source: U.S. International Trade Commission and Economic Policy Institute.

China has grabbed so much market share that the U.S. trade deficit with China has grown by more than \$186 billion and now accounts for more than 80 percent of the total U.S. trade deficit.

subsidies for its industries. All of which could be challenged under international trade rules, says Herrnstadt.

“The Chinese currency is roughly anywhere between 20 and 40 percent lower in value than it should be,” explains Herrnstadt. “They’re making certain that suppliers invest primarily in China because companies can get the goods made more cheaply than they can in the U.S.”

Economists across the political spectrum agree that China is actively manipulating its currency. But whether the Chinese government has been covertly subsidizing its own businesses has been harder to prove.

According to the World Trade Organization (WTO), the U.S. Trade Representative (USTR) in 2008 noted in a

series of questions that China approved the creation of the Commercial Aircraft Corporation of China Ltd., a state-owned enterprise, to develop China’s first large commercial aircraft by 2014. China is on a quest to develop



AP/World Wide Photo

China's currency manipulation allows their goods to be sold at artificially low prices on the world market.

an aircraft that will compete with Airbus and Boeing. According to the USTR, that enterprise received \$2 billion in government funding in 2009 for the development of a 70-90 passenger regional jet.

Also in 2009, the USTR noted the state-owned China Aviation Industry Corporation secured a pledge of up to \$25.7 billion in domestic bank loans, including loans from state-owned commercial banks, to finance the development of helicopters, engines, cargo and passenger aircraft.

“If that isn’t a subsidy, I don’t know what is,” says Herrnstadt.

Cheap Labor

“The net result of all China’s cheating is the loss of American jobs,” says Buffenbarger. “As their goods continue to flood our markets, millions of U.S. jobs are being destroyed. Until the U.S. musters up the political will to address China’s illegal trade dealings, Americans will continue to suffer. And, our economic recovery will continue to be a long way off.”

But while NAFTA, other poor trade deals, and China’s scams have done their share of exacerbating the U.S. economic crisis, the driving force behind America’s loss and other countries’ gain is, undoubtedly, cheap labor.



China's development is growing from manufacturing basic consumer goods to challenging developed nations in high-tech aerospace manufacturing, including military and civilian aircraft development and a space program.

that labor standards are only social standards and not relevant for a trade agreement," explains Herrnstadt of the pushback the IAM received from pro-NAFTA policymakers. "We argued against that position. We maintained that human rights, which include labor standards, are every bit as much economic issues as they are social issues.

"If something is priced less because it's obtained by slave labor, it would be an economic decision for a company to move that work to that country where they can exploit those workers."

In China, three decades of startling growth have also come at the expense of workers. And child labor has always been a concern. A 2007 report by the China Labour Bulletin says that child labor is particularly in demand because children

"I've walked among the workers in the maquiladoras in Mexico. I've seen the cardboard shacks where families live with no running water, no electricity and no solid roof over their heads," says Buffenbarger. "I've been shaken by the reality that the families in these desperate situations include workers from some of the most modern facilities owned by some of the world's biggest companies. And the exploitation of workers there has increased since NAFTA."

For years, the IAM has maintained that the U.S. must take into consideration the treatment of workers in countries wishing to enter into a trade agreement with the United States. The IAM has argued the need for foreign work-

ers to be able to exercise their fundamental right to associate and engage in collective bargaining for fair wages, benefits and a better quality of life.

New Standards

"The old argument was



AP/Wide World Photo

Free trade supporters claimed NAFTA would raise living standards in Mexico, the U.S. and Canada. Instead, Mexican workers still live in poverty and communities in North America are devastated as plants close and jobs move away.



Abuses of Chinese workers are widespread. Eleven workers at China's largest electronics exporter, Foxconn, were driven to suicide, sparking widespread protests.

AP/World Wide Photo

have smaller hands and sharper eyes.

More recent headlines point to 11 workers who committed suicide at Foxconn, China's biggest exporter and the world's largest contract manufacturer of electronics products for companies like Apple, Dell, Sony and Hewlett-Packard.

Voice of America reports that "widespread media reports in southern China say Foxconn, like many factories, imposed tough efficiency and production standards on its

workers, including silence at workstations."

The company responded to the media backlash by nearly doubling workers' salaries. But even then, salaries were woefully low. Chinese labor experts also warn that may not be enough. They say the damage and emotional scars endured by China's factory workers has already been done.

Colombia continues to be the most dangerous place in the world to be a trade unionist, with 48 trade

unionists assassinated in 2009 alone. More than 2,800 unionists have been murdered there since 1986.

Notwithstanding some recent prosecutions, immunity for the people responsible for these crimes remains widespread.

ILO Conventions

The International Labor Organization (ILO), a specialized agency of the United Nations that deals with labor issues, recognizes a series of international labor standards known as conventions. The standards cover a wide range of issues, from freedom of association (C87) and the right to organize and collectively bargain (C98), to health and safety at work, working conditions, night work, discrimination, child labor and forced labor.

"The problem for us," says Herrstadt, "is how strong are those labor standards? How are they defined? And what commitment do other countries have in enforcing them?"

"A world trade policy

IAM Trade and Globalization Director Owen Herrstadt, left, testified for manufacturing jobs before a House subcommittee. The Trade and Globalization Department is one of many at IAM Headquarters fighting for better trade laws and protections for workers.



Photo by Kaveh Sardari

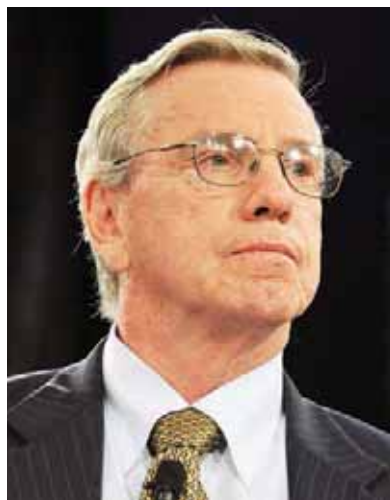
that will lift workers in Colombia is a trade policy that will also raise standards of living in the U.S. and Canada,” explains Buffenbarger. “A universal prohibition on child labor can only make the world’s working families and their communities stronger. And, imprisoning any worker for trying to exercise their fundamental human rights will ultimately result in the imprisonment of workers everywhere. Congress must take the lead in reforming our flawed international trade and investment policies.”

We Can Fix It

Clyde Prestowitz, president of the Economic Strategy Institute and author of “The Betrayal of American Prosperity,” offers a new perspective. Prestowitz, a former member of the Reagan administration, played a key role in the passage of NAFTA in the early 90s and provided the intellectual basis for current trade policies with China, Japan and Korea.

While he still supports NAFTA and other similar trade deals, Prestowitz admits mistakes were made

The International Labor Organization (ILO) sets standards for fair treatment of workers. The IAM and other groups have called for adoption of ILO core labor standards with strong enforcement mechanisms in trade agreements to halt the worldwide race to the bottom.



Clyde Prestowitz

Mychele Daniiau/AFP/Getty Images

along the way and there are some much-needed changes. “The U.S. is economically suffering a major defeat,” he says. “We’re falling behind both Asia and Europe, industrially and technologically. We are having difficulty creating good jobs. This will continue as long we’re on the track we’re on. Our leadership elite – in the universities, the media, government, business – have embraced

false doctrines. As a result of having embraced these false doctrines, our economy is on a path to impoverishment and our middle class is on a path to extinction.

“But it wouldn’t be hard to fix this. We know how. We know how to develop industries, how to become a leader in high technology. We need to re-read our history and dramatically shift our course,” says Prestowitz.

TRADE Act

Congress is finally getting the message. U.S. Senator Sherrod Brown (D-OH) is leading the effort for trade reform in the Senate. With Representative Mike Michaud (D-ME) in the House, Brown is pushing for the passage of the Trade Reform, Accountability, Development and Employment (TRADE) Act in Congress.

The TRADE Act requires a



Fabrice Coffrini/AFP/Getty Images

review of all existing trade agreements to determine their direct impact on domestic jobs and the U.S. economy, and a renegotiation of those agreements based on that review. It sets terms of what must and must not be included in future trade agreements, and it expresses that the role of Congress in trade policymaking should be strengthened.

Brown says the goal is to create a level playing field. "Fair trade – not free trade – is the theme of the TRADE Act," he says. "Free trade creates unemployment. Fair trade creates prosperity."

"I want us to buy things from other countries. I want them to buy things from us. Trade makes everybody wealthier – if it's done right."

The bill includes explicit reference to ILO conventions



Bill Burke, Page One Photography

As Senator from Ohio, a state with one of the highest number of jobs lost from unfair trade, Sherrod Brown has championed the TRADE Act in the Senate. "Fair trade, not free trade, is the theme of the TRADE Act," says Brown. "Free trade creates unemployment. Fair trade creates prosperity."

and mechanisms for enforcing those international labor standards. The TRADE Act also curtails a company's ability to sue a country over that country's trade policy.

Trade Pact Review

In addition to the renegotiation of NAFTA and similar trade deals, the IAM demands the end of pending agreements with Korea, Panama and Colombia.

"With the U.S. auto industry on life support, the last thing Congress should do is approve an unbalanced trade agreement that makes it easier for Korea to export Korean-made vehicles to the U.S., but doesn't make it easier for the U.S. to export U.S.-made vehicles to Korea," asserts Buffenbarger. "Panama remains an off-

shore tax haven for U.S. and foreign corporations. And no trade agreement should be considered with Colombia until the Colombian government adequately addresses atrocious labor and human rights violations and effectively enforces labor laws that comply with ILO conventions."

In terms of China's currency manipulation, experts say the preferred solution is a negotiated realignment of exchange rates that begins to smoothly unwind the existing trade imbalance.

If the political will to initiate such negotiations does not exist, the IAM supports the Currency Reform for Fair Trade Act of 2007 (HR 2942) and the Fair Currency Act of 2007 (S 796), which would empower the International



Photo by Scott J. Ferrell/Congressional Quarterly/Getty Images

Representative Michael Michaud (D-ME) has led the effort to revamp failed trade policies that are making jobs our biggest export. Michaud is the primary author of the House version of the TRADE Act.

Trade Commission (ITC) to impose countervailing duties in the case of currency manipulation.

Industrial Policy

Lastly, the IAM maintains that sound trade laws must be accompanied by a sound national industrial policy.

“Much of the current decline in jobs and the U.S. economy can be attributed to decades of failed policies that have governed the U.S. manufacturing sector,” says Buffenbarger. “Congress must craft a comprehensive national industrial policy in order to reverse the mistakes of the past, restore the production of American-made goods, get Americans back to work, jumpstart our economy and secure economic prosperity for our nation’s future.”

“Our country does not have a manufacturing policy,” declares Senator Brown. “We practice trade and tax law – and frankly, not in our national interest. Machinists, steelworkers, electrical workers and autoworkers continue to lose jobs because of tax policy and trade policy.”

To maintain our manufacturing capability and the millions of jobs that go with it, says Buffenbarger, America and Canada must buy their own products. “Buy American” and “Buy Canadian” legislation must be a part of a strong industrial policy.

End Outsourcing

Policy changes to discourage outsourcing are also a prerequisite. “Allowing U.S. companies to receive tax benefits for sending jobs overseas at a time when over 31 million Americans are either unemployed or underemployed because they can’t find full-time work is unacceptable,” says Buffenbarger.

As Vice President of the International Metalworkers’ Federation, a global federation of trade unionists, Buffenbarger has teamed up with other international organizations to ensure those groups are pushing their governments for the same reforms.

The goal, he says, is to develop a system where

everyone benefits.

“What we want is economic equality,” says Buffenbarger, “a system where jobs, fairness and workers matter more, and corporate policy matters less.”

“That’s the key to raising living standards. That’s the real win-win.”

Help Pass The TRADE Act

Help stop the global race to the bottom for workers. Tell Congress to pass the TRADE Act which mandates a review of all existing trade agreements and ensures that strong worker protections are part of any revised or new trade pact.

Go to the “IAM Activist Center” at www.goiam.org

and click

“Tell Congress to Pass the TRADE Act”

or call your Senators and Representative:
202-224-3121



From fighting against NAFTA's passage in 1993 to advocating for passage of today's TRADE Act, the IAM has fought for fair trade agreements that raise the standard of living for all workers.