Free Trade vs. Fair Trade

The corporate free trade agenda has been a disaster for workers; a fair trade movement is our best hope for the future

by Tim Nesbitt, President, Oregon AFL-CIO

In a meeting convened by Representative Earl Blumenauer in Portland last year, supporters and opponents of the then-pending fast track trade bill argued the merits of free trade versus fair trade. One union leader asked the inevitable question: "Who benefits from free trade agreements?" The answer from a trade-group representative was as succinct as it was revealing: "Who benefits? The low-income single mom who can afford to buy her kids clothes at WalMart."

This is where free trade is taking us: to a world in which workers become low-wage consumers searching for bargains from retailers who scour the globe for the cheapest products made, in turn, with the cheapest labor.

Free trade was not supposed to turn out this way. At one time, liberalized trade policies delivered real benefits to workers here and abroad. But those benefits disappeared over the past forty years, as corporations redesigned the trade agenda to favor business interests and investors' profits over the well-being of workers and the authority of governments.

As the corporate free trade agenda supplanted the more balanced policies of fair trade, the labor movement moved from qualified support of U.S. trade policies to outright opposition to them. We gave the trade regime a chance; now we oppose free trade even as we remain committed to fair trade.

Labor Gives Trade a Chance

The labor movement played a key role in the construction of the post-war trading system in the United States, Great Britain, and Europe. U.S. workers benefited from the General Agreement on Tariffs and Trade (GATT) for decades after World War II. For this reason, the U.S. labor movement strongly supported the Trade Expansion Act of 1962, which helped accelerate cuts in tariffs under the GATT.

AFL-CIO President George Meany told Congress in 1962 that labor supported the Act, "because we will gain far more than we will lose." He also insisted, however, that those who would lose jobs must be taken care of—with extended unemployment benefits and retraining assistance (now known as trade adjustment assistance).

We knew then that freer trade was not going to be all gain and no pain. But, we thought that it would fuel economic growth and that all workers would share in the jobs and wealth that freer trade could create—even if some workers were displaced and had to be retrained.

The bottom line then, as it is now, was jobs—more and better jobs—the kind that support families and sustain communities. If our trading policies had continued to deliver good jobs for workers in the United States and abroad, organized labor would have remained a partner in the effort to encourage and expand trade. Instead, we learned a painful lesson.

All Pain and No Gain

After the Trade Expansion Act was passed in 1962, our balance of trade began to shift from surplus to deficit. Union jobs were lost when corporations moved their plants overseas, pay and benefits declined when manufacturing jobs were replaced by lower-paying service-sector jobs, and the trade-adjustment benefits were all too often a one-way ticket to jobs that paid less and provided fewer benefits.

A poll by the University of Maryland's Program on International Policy Attitudes revealed that 72 percent of respondents felt that U.S. trade officials put too little emphasis on the concerns of working Americans.

These trends, which became evident in the late 1960s and 1970s, accelerated during the

1980s and 1990s, as free-trade agreements expanded and became more aggressive in promoting the mobility of capital and investor protections at the expense of workers and their jobs.

The 1986 "Uruguay Round" took the GATT from primarily reducing tariffs (which it had already cut from 40 percent to 4 percent in 40 years) to a corporate trade agenda that reached far beyond tariffs to agricultural subsidies, trade in services, intellectual property protections, supra-national dispute resolution procedures, and the use of trade sanctions as enforcement mechanisms.

The North American Free Trade Agreement (NAFTA) in 1994 came to embody much of this agenda and the World Trade Organization (WTO), launched in 1995, is still trying to drive this agenda on a larger scale.

The AFL-CIO strongly opposed NAFTA. Defeat on that issue smarted all the more when NAFTA's promise of more and better jobs turned into fewer and worse jobs for America's workers.

From NAFTA to Fast Track

The failures of NAFTA fueled new opposition to corporate free trade. Threats to environmental protections brought new allies into the campaign. Labor opposed renewal of the fast-track negotiating authority that had brought us NAFTA and the WTO. For a while, we won: Clinton failed in his attempt to get new fast-track authority in 1997.

The real-world experience of American workers belied the over-sold promises of free trade. By 1998, 58 percent of Americans believed that trade agreements between the United States and other countries were "bad for the economy."[1]

Fair Trade vs. Free Trade

Then came the 1999 WTO protests in Seattle. More than 1,700 Oregon workers took the day off to join tens of thousands of teachers and steelworkers, teamsters and social workers, machinists and postal workers—all united in their opposition to the so-called free-trade policies pursued by the WTO. Those protests united labor, environmentalists, human-rights advocates, and church groups into a new coalition demanding fair trade instead of free trade. They reflected a growing consensus within the American electorate.

A poll by the University of Maryland's Program on International Policy Attitudes revealed that 72 percent of respondents felt that U.S. trade officials put too little emphasis on the concerns of working Americans, and 54 percent felt that those officials put too much emphasis on the concerns of multi-national corporations. Almost four out of five (78 percent) said that the WTO should consider fair-labor standards and environmental protections.

As we found then, fair trade trumps free trade in the court of public opinion. Corporate interests, however, deftly avoid that formulation. Their lobbyists continue to tout free trade as a better deal for American workers, using the promise of new jobs to obscure the fact that existing jobs are being exported to the lowest bidder.

The China Revelation

In 2000, the unions of the AFL-CIO, joining with environmentalists and human rights advocates, fought hard to block "permanent normalized trade relations" (PNTR) for China. However, a relentless lobbying campaign by corporate interests succeeded in painting a rosy, one-dimensional picture of increased exports, while ignoring the job-destroying threats of increased imports and the shift of our production capacity overseas.

The debate, however, should not only be governed by the emotional protests against the WTO on the streets of Seattle.

On the day after the House voted to approve PNTR for China, setting the stage for China's acceptance into the WTO, a front-page story told the other side of the China vote. The headline read:

> Congress's Vote Primes U.S. Firms to Boost Investments in China-Debate Focused on Exports, But For many Companies, Going Local is the Goal.[2]

The story argued: "…while the debate in Washington focused mainly on the probable lift for U.S. exports to China, many U.S. multinationals have something different in mind. 'This deal is about investment, not exports,' says Joseph Quinlan, an economist with Morgan Stanley Dean Witter."

The story described plans by Rockwell International, Motorola, General Motors, Eastman Kodak, New York Life Insurance, American International Group, and Perdue Farms to build factories in China, where sweatshop pay rates as low as thirteen cents per hour have been documented.

The story spoke volumes about the selective use of information and the manipulation of public opinion in regard to free trade issues. The propaganda used to advance free trade describes it as a one-way street—all exports and no imports, all about jobs gained. It does not mention jobs lost or reductions in pay—until another trade agreement is passed and suddenly we are moving production facilities abroad, in effect, exporting jobs rather than products and leaving American workers behind again. *(For a different interpretation of the employment numbers see Scott Goddin's sidebar—ed.)*

Numbers Without Answers

Here's what the trade agreements of the 1990s have done to Oregon:

- From the 1994 implementation of NAFTA through 2001, 13,411 Oregon workers lost

their jobs due to increased imports from Canada and Mexico or shifts of production to those countries. These job losses have all been certified as NAFTA-related by the U.S. Department of Labor.

- In spite of jobs gained from exports, 11,000 additional jobs have been lost since 1994, according to the Economic Policy Institute. Add the effects of trade with WTO countries and the net job toll in Oregon climbs to 41,000.

Furthermore, this happened in a state that was supposed to be well positioned to benefit from these trade agreements because of our export-oriented economy.

Even more telling is this: We have yet to find any study that refutes these findings or claims to document a net job gain from NAFTA and the WTO in Oregon or anywhere in the United States. The EPI findings are unrefuted!

Even the job losses, however, fail to tell the whole story.

The average worker displaced from a manufacturing job due to import competition earns 13 percent less in his or her new job. A quarter of such workers are forced to take jobs that pay 30 percent or less.[3]

The loss of manufacturing jobs has hit Oregon hard: jobs lost in manufacturing accounted for 34 percent of all jobs lost in 2001. Not only are these our best-paying jobs; they account for 15 percent of our workforce. A higher proportion of family-wage jobs are in manufacturing than in any other major employment sector in Oregon. Many are union jobs, with good health insurance and pensions. Moreover, when these jobs go, they are hard to replace.

The Race to the Bottom

The impact of free trade goes far beyond jobs lost and gained. When capital is mobilized globally and labor is organized locally (if at all), wages, benefits, and workplace rights are forced into a competitive "race to the bottom".

A study released in 2000 by the Conference Board, a business research group, found a higher percentage of full-time workers below the poverty line in the United States now than at any time in the last 25 years. The reasons for this, according to these economists, are the decline of labor unions, the erosion of minimum wage laws, and the effects of free trade.

These effects are not unique to the United States: losers outnumber winners on both sides of our borders. Under NAFTA, real wages have fallen in Mexico—as much as 25 percent in their manufacturing sector. Furthermore, in 2001, Mexico lost 5 percent of its manufacturing jobs, mostly because of shifts in production to China.[4] Recently, Mexican maquiladora workers have lost jobs to even lower-paid workers in Asia. Similarly, a majority of Canadians saw their real incomes decline through the 1990s.

U.S. farmers, too, have been hurt by NAFTA. Cheap imports from Mexico and South America have wreaked havoc on growers of fruits and vegetables—witness the impacts on pear orchards in Hood River and berry farms in the Willamette Valley. Furthermore, the ripple effects on local growers forced the closure of Agri-Frozen's food processing plant in Woodburn in 2001, causing the loss of an additional 945 Oregon jobs.

Lies, Damn Lies, and Statistics: Employment in Oregon and International Trade Agreements

by Scott Goddin

International trade's effect on employment in Oregon is difficult to analyze—or, as economists say, disaggregate— because the value of Oregon's exports is bundled in overall production for both domestic and foreign markets. This is a serious liability when critics can cite individual factory closures and relocations as an example of globalization's side effects.

This may be why debate on the impact of globalization and international trade on Oregon usually starts with the premise that the effects are overwhelmingly negative and that the glass is, and can only be, half empty. An informed discussion beyond hyperbole, however, requires some deeper analysis on trade's broader economic impact.

A study undertaken in 1997 by the U.S. Department of Commerce did attempt to examine the employment totals associated with manufactured exports in each state. An analysis of the study indicated that, approximately 20 percent of Oregon's employment in manufacturing and 10 percent of the state's private sector employment engaged in export-related production.

This employment impact actually understates the importance of trade to Oregon's economy because it is limited to an analysis of manufactured goods. It is estimated that about 40 percent of Oregon's agriculture production is exported, representing over one billion dollars in shipments annually—with over seventy percent of eastern Oregon wheat destined for export markets. Jobs involved in the production, processing, and shipment of these goods are significant. Another impact that is difficult but important to capture is employment related to exports of services; these are not traditionally considered exports but are crucial to consider in an increasingly service- and technology-based economy.

Critics have often characterized the U.S. transition to a service-based economy as creating a nation of burger-flippers. This over-simplification does not capture Oregon's exports of services which run the gamut from

Continued on page 31.

Jobs and workers aren't the only victims of NAFTA. Environmental protections, public health regulations and even the authority of our government are endangered by the new generation of trade agreements.

Investors Über-Alles

NAFTA's Chapter 11 represents an "investors über-alles" approach to the world economy that treats even the most reasonable state and national laws intended to protect the quality of life as "trade barriers" and gives foreign corporations greater rights than our citizens. That's why United Parcel Service is suing the Canadian postal service, why a Canadian company is suing California to overturn a ban on a toxic gasoline additive, and why Mexico was forced to pay $16 million for attempting to control a hazardous-waste landfill owned by a California corporation named Metalclad.

If you follow the logic of NAFTA's Chapter 11[mlg5] to its ultimate conclusion, free trade trumps all—all government laws and regulations that attempt to protect labor standards, the environment, and public health are subject to challenge as restraints of trade. Moreover, those negotiating NAFTA's successor, the Free Trade Area of the Americas (FTAA), are arrogantly charting a course deeper and deeper into Chapter 11 territory.

Toward A Fair Trade Coalition

As threatening as these developments are, they have also generated broad opposition. The opposition to the fast track legislation last year included 1000 Friends of Oregon as well as the Sierra Club, farmers, and defenders of local control at the city, county, and state level in Oregon. The question marks which the trade talks in Qatar last year placed over our anti-dumping laws and farm-subsidy programs *(Please see Sophia Murphy's article in this issue of Oregon's Future—Ed.)* are raising serious concerns among new interest groups, who are likely to criticize the terms of free trade even if they don't espouse a pro-worker, pro-environment, fair-trade agenda.

Free traders are not winning hearts and minds. Representative Earl Blumenauer, an ardent free trader, opposed the fast track bill last year. Congress, however, is very closely divided on this issue as evidenced by the one-vote margin by which that legislation cleared the House.

Now, with the final approval of that renewed fast track trade legislation earlier this year, we face the prospect of an administration determined to ram through Congress more NAFTA-style trade agreements—such as the FTAA—and the potential for a broader coalition of labor, environmental, and church groups ready to challenge such agreements. *(See Jim Bailey's discussion of Fast Track in Myths.—ed.)*

When we started down this road to more liberal trade policies, the stated goals were to foster economic growth and enable more workers to participate in a growing economy, with the opportunity for better jobs and better pay. Instead, what do we have now? More and more lower-wage jobs and the opportunity to buy cheaper goods at WalMart.

By our standards, the free-trade regime of the last three and a half decades has been a disaster. It has hurt far more working families than it has helped and threatens now to undermine not only fair-labor standards here and abroad but also hard-won environmental protections and the authority of our governments to protect the public's health.

Defining a Fair Trade Agenda

Still, our labor movement will remain committed to fair trade even as we oppose what is now called free trade. Our definition of fair trade will continue to include:

- Enforceable workers' rights, as contained in the International Labor Organization's 1998 Declaration of Fundamental Principles and Rights at Work—freedom of association, the right to organize and bargain collectively, and the right to be free from child labor, forced labor, and discrimination in employment;
- Enforceable environmental standards;
- Equitable and transparent market access rules that allow for effective protection against dumping and import surges;
- A truly transparent, inclusive, and democratic process for the negotiation and implementation of agreements; and,
- compliance with the World Health Organization's principle that public health should be paramount in trade disputes.

With standards like these, and a political movement powerful enough to deliver them, we are confident that our trade policies can be redirected from a fast-tracked race to the bottom to a more focused, careful, and deliberate commitment to fair trade that builds sustainable economies here and abroad and allows working families to share equitably in the benefits of economic development.

REFERENCES:
1. The Wall Street Journal, December 10, 1998.
2. The Wall Street Journal, May 25, 2000.
3. The Wall Street Journal, August 30, 2001.
4. The American Prospect, February 2003.

Tim Nesbitt was elected President of the Oregon AFL-CIO in September 1999. Nesbitt came to this position at the Oregon AFL-CIO from the Oregon State Council of the Service Employees International Union, where he served as Executive Director from September, 1997 through September, 1999. In that capacity, he coordinated the political action program for three SEIU locals, representing 28,000 public and private sector workers in Oregon. Nesbitt began his career in the labor movement with the Service Employees International Union in Alameda County, Calif., in 1977, where he eventually became Executive Director of United Service Employees, Local 616.

Continued from page 29.

legal services provided by Portland firms to foreign-based clients to money spent by foreign tourists visiting Crater Lake. Oregon architecture firms design and build projects all over the world and Oregon's educational institutions have forged strong links with Asia that bring students and tuition dollars into the economy. Because the international dimension of trade in services (General Agreement on Trade in Services or GATS in current trade agreements) is also bundled in domestic activity, it is harder to disaggregate it in a comprehensive cost-benefit analysis. Nevertheless, as in the manufacturing and agricultural sectors, international activity remains critical to the bottom line for Oregon's economy.

Critics of the role of trade cite job losses in Oregon attributable to NAFTA at over 13,000. This number represents positions certified by the Department of Labor as eligible for employment readjustment and re-training assistance due to increased imports from Canada and Mexico or shifts of production to those countries. This trade adjustment assistance program was negotiated as an integral part of the NAFTA implementing legislation and a key part of more recent Trade Promotion Authority ("Fast Track") legislation to mitigate the negative impact of the agreements on the U.S. economy.

However, the numbers cited do not measure state-wide net job loss or gain because companies hire workers for expanded production for both domestic and international activities. This re-adjustment program is more generous than other unemployment re-training programs so it is in the interests of workers and/or company owners to seek the trade-related certification whether or not import competition was the predominant factor in the factory closure. Many of the companies certified by the program are in the wood products sector and, due to environmental regulations, their inability to obtain or "source" wood from Oregon's forests may have played a greater role in a mill or factory closure than competition from our NAFTA partners. The list also includes positions lost when Columbia River aluminum smelters, who depended on cheap hydropower, closed because of the West Coast energy crisis in 2000. Finally, not all jobs certified for program eligibility are actually lost, since market conditions may change after companies have positioned facilities for closure.

Critics of the role of trade cite job losses in Oregon attributable to NAFTA at over 13,000...However, the numbers cited do not measure state-wide net job loss or gain...

With China's recent accession to the WTO, Oregon's exports have tripled over the last three years but concerns remain that we are exporting jobs along with capital equipment and technology. While concerns about profitability and competitiveness will be the primary factors driving private sector decision-making, policymakers can work to assure that education, tax, and transportation infrastructure support the business community. Between 30 and 40 percent of U.S. exports ship between U.S. companies and their related entities overseas. The truth is that higher value-added production remains here while corporations move lower-cost manufacturing offshore—a fact of little comfort to displaced workers but often overlooked as local production continues and potentially expands. Oregonians should continue to be concerned and passionate about the impact of globalization both here and abroad—the almost innate virtue of stewardship here compels it. The debate, however, should not only be governed by the emotional protests against the WTO on the streets of Seattle. It needs to take into account the overlooked, less dramatic reality of jobs related to high-tech production in Hillsboro and wheat production in Pendleton, the training of Chinese Government officials in land management practices at Portland State University and the fact that the scrutiny under which Nike plants operate in China and other overseas locations means a greater likelihood that locally–owned plants will have to become better corporate citizens. The old dictum, attributed to Benjamin Disraeli, that "there are lies, damn lies, and statistics" calls for a closer examination of the facts behind both pro- and anti-globalization arguments.

Scott Goddin is Director of the Portland U.S. Export Assistance Center. He has been with the International Trade Administration of the Department of Commerce for more than 20 years, working in the Office of the China Economic Area; the Office of Multilateral Affairs during the Uruguay Round multilateral trade negotiations; and as Director of the Korea/Taiwan division. Mr. Goddin has traveled repeatedly to Asia for trade negotiations; his overseas experience also includes two years as a Peace Corps Volunteer in Zaire and two short-term assignments in the Commercial Section of the U.S. Embassy in Seoul. Mr. Goddin has also undertaken short assignments in the Office of the United States Trade Representative and as a Legislative Fellow with the Subcommittee on Trade of the House Ways and Means Committee. He is married, has two children, and resides in Lake Oswego, Oregon.

Scott can be reached at Portland USEAC, 121 SW Salmon Street, Suite 242 Portland, OR 97204 Tel/Fax: (503) 326-3001/6351 E-Mail: Scott.Goddin@mail.doc.gov www.BuyUSA.com