

## **Senate Democratic Policy Committee Hearing**

### **“A Hearing on Recent U.S. Trade Agreements”**

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Senator Dorgan and members of the Democratic Policy Committee, thank you for holding this important hearing and for inviting me to testify. Before I begin my remarks, I also want to thank you for listening to the voices of workers and farmers directly impacted by trade agreements, especially Jerry Nowadzky. In the trade debate, we often hear too much about statistics and theories and not enough from real people. I know we all wish Jerry and his family the best, but we must do better than that. We must fight against trade agreements that will ship more U.S. jobs overseas, put the squeeze on working families, and undermine the rights of workers here and abroad. That is what brings me before the committee today.

As you know, the Bush administration is negotiating a multitude of free trade agreements. Last month, the United States and five Central American countries signed the Central American Free Trade Agreement (CAFTA)—which will lower trade barriers and establish new rules for trade and investment between our countries but not adequately protect the rights of workers. In addition, negotiations are underway with Thailand and several South American countries, where workers' rights are undermined. UAW President Ron Gettelfinger has outlined substantive criticisms of the proposed agreement with Thailand, and I join him in voicing these concerns.

But before I discuss the danger of these new trade negotiations, I believe it is important to review the performance of trade deals like NAFTA, which serves as a model for CAFTA.

Since NAFTA was signed in 1993, the rise in the U.S. trade deficit with Canada and Mexico has caused the displacement of production that supported nearly 900,000 U.S. jobs, according to the Economic Policy Institute. Most of those lost jobs were high-wage positions in manufacturing industries. But the loss of these jobs is just one element of NAFTA's impact on U.S. workers. In fact, NAFTA has also contributed to rising income inequality, downward pressure on wages, weakened workers' collective bargaining powers and ability to organize unions, and reduced fringe benefits.

The U.S. Trade Deficit Review Commission concluded that trade is responsible for at least 15% to 25% of the growth in wage inequality in the United States. Although NAFTA is not responsible for all the problems of U.S. workers, it has made a significant contribution to the state of the U.S. economy, both directly and indirectly. Without major changes in NAFTA to address unequal levels of development and enforcement of labor rights and environmental standards, continued integration of the United States with developing economies will continue to threaten the prosperity of a growing share of the U.S. workers. Expansion of NAFTA-style agreements, such as CAFTA and Thailand, will only worsen these problems.

It is time for America's leaders to admit trade agreements like NAFTA have not delivered on their promises of job creation and economic development. Our policymakers need to dramatically rethink, reform, and renegotiate our trade policies to reflect new priorities and new realities. We can start by rejecting CAFTA.

With CAFTA, the Bush administration has negotiated an agreement that will utterly fail to create good jobs at home or promote equitable and sustainable development in Central America. This agreement will leave workers, family farmers, the environment, and communities more vulnerable, while enriching and empowering corporate elites. Simply expanding market access and freeing capital, as CAFTA proposes, will not stimulate real development in Central America. Increased trade with the region must be accompanied by improvements in workers' rights, measures for debt reduction, a just immigration policy, and commercial rules that safeguard the public interest, not just private profits.

Workers in Central America have too often been excluded from the benefits of increased trade in the region, as they continue to struggle to have their basic human rights respected in the workplace. Repeated and systematic violations of workers' rights retard the development of Central American countries, and drags down standards for American workers who are thrown into a vicious race to the bottom with their fellow workers in the region.

Not one Central American country included in the CAFTA comes close to meeting a minimum threshold of respect for the ILO's core labor standards: freedom of association, the right to organize and bargain collectively, and freedom from child labor, forced labor, and discrimination. In Central America, employers pay young women poverty wages to labor for long hours in unsafe conditions. When these workers try to organize to try to win a voice at work, they face intimidation, threats, dismissal, and blacklisting. Employers are allowed to violate workers' rights with impunity under Central America's weak labor laws, which have been repeatedly criticized by the International Labor Organization, the U.S. State Department, and independent human rights organizations. Yet the Central American agreement does not require any improvements in labor laws, and actually contains weaker workers' rights protections than existing rules for trade with the region enacted by Congress.

In sum, CAFTA would reward companies that ship American jobs overseas with greater access to the U.S. market, more freedom to violate workers' rights with impunity, and the ability to challenge government regulations enacted in the public interest. CAFTA's rules on investment, government procurement, intellectual property rights, and services create new rights for multinational corporations, but the agreement contains no effective new protections for workers' rights and actually removes existing protections, leaving the interests of ordinary working men and women out in the cold.

For these reasons, the AFL-CIO joins with our Central American partners and our allies in the development, farm, environment, women's, and religious communities to work to defeat this flawed and lopsided trade agreement.

Senator Dorgan, I will close with these thoughts. The U.S. economy continues to break records, but not in ways that help working people. The all-time high U.S. trade deficit of \$48 billion last month is not an abstract issue, as Jerry Nowadzky can attest. It shows up every day as working men and women see their plants close, are asked to train their own overseas replacements or are asked to swallow wage and benefit cutbacks that affect their families' lives in hundreds of ways. Entire communities suffer the consequences of failed trade agreements.

We urge the Senate will reject CAFTA and any proposed free-trade deal that will undermine the rights of workers and lead to the destruction of good-paying U.S. jobs.