

## **Senate Democratic Policy Committee Hearing**

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

#### **Ron Gettelfinger**

President, International Union, United Automobile, Aerospace  
& Agricultural Implement Workers of America (UAW)

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Mr. Chairman, my name is Ron Gettelfinger. I am President of the International Union, United Automobile, Aerospace & Agricultural Implement Workers of America (UAW). On behalf of the men and women of the UAW, we want to thank you for the opportunity to testify today before the Senate Democratic Policy Committee on the subject of the Bush administration's trade policies and U.S. trade agreements.

We also want to express the UAW's appreciation to this Committee for allowing David Doolittle to testify in March on behalf of the members of UAW Locals 137 and 1554 concerning the closing of the Electrolux facility in Greenville, Michigan. His testimony was very compelling in showing the devastating impact of the Bush administration's trade policies on American workers and their communities.

Since President Bush took office, the automotive sector in the United States has lost over 100,000 jobs. This represents almost a ten percent drop in overall automotive employment in the United States. Most of this decline has taken place in the production of automotive parts.

Although increased productivity and automation have played some part in this decline, the overwhelming reason for this disastrous drop in automotive jobs has been the flawed economic and trade policies of the Bush administration, which have undermined our manufacturing sector in general, and automotive production and jobs in particular. As the overall U.S. trade deficit has risen to record levels, the automotive trade deficit has also continued to rise, reaching \$128 billion in 2003. Through April of 2004, the auto trade deficit has increased 11 percent compared to the same period in 2003.

A significant share of the growth in our automotive trade deficits is directly attributable to the shift in auto production and jobs to Mexico and China. The auto manufacturers have been pressuring suppliers to shift parts production to these countries, to take advantage of abysmally low wages and other labor costs, as well as lax environmental standards.

The value of exports of auto parts from Mexico to the United States has risen 50 percent in the last five years. Industry analysts are projecting that this trend will accelerate in the next few years, as suppliers compete with Asian based rivals. Last year alone, auto

companies spent \$1.23 billion in Mexico on new or expanded auto facilities, up from \$160 million in 2002.

Meanwhile, China is also becoming a leading producer of automotive parts. As indicated in a front page story in the Wall Street Journal on June 9<sup>th</sup>, the Big Three auto manufacturers are pressuring suppliers to outsource parts production to China. As a result, the U.S. auto parts deficit with China has risen steadily to \$2.3 billion in 2003, and is projected to keep on rising in the coming years. Furthermore, GM recently announced that it intends to invest \$3 billion to expand assembly and engine production in China over the next three years. DaimlerChrysler said it will invest \$1.2 billion to double its Chinese auto production, and Ford said it will triple its automotive output in China this year. Because Chinese automotive production capacity is expected to far exceed domestic demand, we believe that China will become a major exporter of autos and auto parts in the future, resulting in even more plant closings and job losses in the United States.

In addition, the United States is continuing to run huge automotive trade deficits with Japan. Last year this automotive trade deficit totaled \$43.9 billion.

Faced with this massive shift in automotive production and jobs from the United States to other countries, the Bush administration has failed to take any steps to support American workers and their communities. It has done nothing to stop the escalation in our automotive trade deficits. It has been silent about the persistent violations of our trade agreements, including the failure to honor market opening commitments. It has refused to take meaningful actions against widespread violations of worker and human rights. And it has acquiesced in currency manipulation that gives foreign producers an unfair advantage.

The Bush administration's failure to take any actions to stop the hemorrhaging of automotive production and jobs in this country is directly attributable to its belief that the outsourcing of jobs is good for the United States. The administration takes this position because it equates the interests of our country with the interests of multi-national corporations.

Mr. Chairman, I am here today to say that this is absolute nonsense! The loss of 100,000 automotive jobs in the United States has obviously been a disaster for the men and women who have lost their livelihoods. For these workers and their families, it has meant a huge loss in income and benefits. Homes have been lost, children have been unable to go to college, and retirement dreams have been dashed. In addition, the loss of these automotive jobs has had a devastating impact on the communities where these jobs were located. The ripple effect has hurt other businesses and their workers, as well as the state and local governments.

Mr. Chairman, the flawed trade policies of the Bush administration have been a disaster not just for American workers. They have also been terrible for workers in Mexico, China and other nations, where wages for most workers have been stagnant, where

working conditions are often abominable, and where violations of worker and human rights are rampant.

As trade unionists, we know that international trade is not just about the products that are exchanged between nations. It is also about the lives of the women and men who make those products. The failure of the Bush administration to recognize this fundamental truth is vividly demonstrated by its failure to take strong actions against China's serious violations of worker rights. Two Chinese trade union leaders—Yao Fuxin and Xiao Yunliang—were arrested and charged with subversion after leading a peaceful protest on behalf of alloy workers in Liaoyang City. Despite a campaign by the UAW, other unions and the Labor Rights Now project, these Chinese trade unionists remain in jail as we speak. Meanwhile, the Bush administration sits idly by, and arrogantly dismissed the Section 301 petition filed earlier this year by the AFL-CIO challenging China's suppression of workers' rights.

Since this is an election year, one might have expected the Bush administration to have an election year conversion, and at least to start making sympathetic statements about protecting automotive jobs and the importance of worker rights. Instead, the Bush administration is actively pursuing a trade agreement agenda that will lead to even more devastation in the U.S. automotive sector.

Specifically, the Bush administration has announced its intention to negotiate a free trade deal with Thailand, which is the world's second leading producer of pickup trucks. The major Japanese and U.S. auto manufacturers currently produce pickup trucks in Thailand. In addition, Thailand is actively recruiting companies from South Korea and India to locate even more automotive production there. Thailand already serves as a source of pickup truck production for much of Asia. Pickup truck production will soon approach one million units annually, and is expected to grow even larger.

Although the United States does not have significant tariffs on most automotive products, we do impose a 25 percent tariff on imported pickup trucks. The UAW is deeply concerned that if this tariff were reduced or eliminated in a trade deal with Thailand, this could lead to a surge in imports of pickup trucks from Thailand.

There are a number of reasons for this concern. First, history indicates that changes in the pickup truck tariff can have a significant impact on the movement of production and jobs. Specifically, after NAFTA reduced and then eliminated the 25 percent tariff on imports of pickup trucks from Mexico, the production of pickups rose dramatically in Mexico, as it became a major source of pickup truck production for the U.S. market. Thus, we believe the same result would occur if the 25 percent tariff were reduced or eliminated on pickup truck imports from Thailand.

Second, if a U.S.-Thailand FTA reduced or eliminated the 25 percent U.S. tariff on imported pickup trucks, there is a significant danger that Japanese, South Korean and Indian companies would adopt a strategy of expanding their facilities in Thailand in order to gain a "backdoor" into the U.S. automotive market on a duty-free basis. Indeed, Isuzu

Motors has already announced plans to bring Thai-made SUVs - built on a pickup frame - to the U.S. market in 2006. By following this strategy, Japan, Korea and India would not have to make any reciprocal concessions on existing barriers to their automotive markets. The net result is the U.S. would lose important leverage to negotiate reductions in tariff and non-tariff barriers in these countries that distort global auto markets and restrict the access of U.S. automotive exports to their markets.

A surge in imported pickup trucks from Thailand would have a devastating impact on the jobs of tens of thousands of American workers who are employed in assembly and parts plants related to pickup truck production. The Big Three auto companies assemble pickup trucks in plants located in Michigan, Missouri, Minnesota, Indiana, New Jersey, Louisiana, Virginia and California. These plants employ more than 20,000 workers. In addition, thousands of other workers are employed in plants throughout the country that produce engines, transmissions, stampings and other parts for these pickup trucks. These jobs would all be threatened by any surge of pickup truck imports from Thailand.

Unfortunately, the Bush administration has been totally indifferent to this enormous threat to U.S. automotive production and jobs. In November 2003, I wrote to President Bush and his key cabinet officials to express our concerns about the devastating impact that the proposed Thailand trade deal could have on automotive jobs in this country. Staff from the UAW Washington office followed up by contacting officials in the Commerce Department and office of the USTR about this issue and my letter. But to this day, the administration has never even bothered to respond to the UAW.

During a hearing on March 24<sup>th</sup> before the House Energy & Commerce Committee, Secretary Evans was asked about this matter. He claimed not to be aware of the letter that I had sent both to him and President Bush (even though his staff had been contacted and made aware of it). In the period since that hearing, we still have never received a response from the administration on the Thai pickup truck issue. However, during the hearing, Secretary Evans did clearly state that the administration was committed to eliminating U.S. tariffs.

Thus, it is apparent to the UAW that the Bush administration simply does not care about the hundred thousand automotive jobs that our nation has already lost, or the tens of thousands of additional automotive jobs that would be threatened by the proposed trade deal with Thailand.

In contrast, the UAW applauds Senator Kerry and the Democratic Congressional caucuses for taking a clear position on the need to protect and expand automotive jobs in the United States. In particular, we are pleased that 37 Senators and 204 Representatives have already sponsored a resolution (S. Con. Res. 90; H. Con. Res. 366) stating that trade negotiations on automotive issues should not proceed on a piecemeal, country-by-country basis, as the Bush administration has proposed in its bilateral negotiations with Thailand. Instead, auto issues should be handled through comprehensive negotiations with all auto-producing nations that address both tariff and non-tariff barriers. The UAW believes this is the only way to ensure that we have fair automotive trade, with all nations making

reciprocal concessions to remove automotive trade barriers throughout the world. It is the only way to ensure that the United States does not wind up making concessions that open up our market to import surges, while allowing other nations to keep their automotive market barriers in place. It is the only way to make sure that Japan, South Korea and India do not use Thailand as a back door to get access to a key segment of our auto market, but still maintain their restrictive tariff and non-tariff barriers.

In addition, the UAW commends Senator Kerry and the Democratic Congressional caucuses for taking a strong stand on the need to review existing trade agreements and to take prompt, corrective actions to address problems in the implementation and enforcement of those agreements. We are also pleased by their insistence that future trade agreements must include strong, enforceable worker rights provisions and protections against import surges. And we welcome their strong support for tough actions to combat currency manipulation by other nations. All of these positions stand in stark contrast to the indifference of the Bush administration and GOP Congressional leaders to the erosion in our domestic automotive production and jobs.

In conclusion, the UAW believes that a vibrant and strong manufacturing sector is essential for achieving economic strength in the United States. In order to stop the erosion of jobs in our manufacturing sector, it is critically important that we pursue new trade policies that will protect and expand automotive jobs in this country.

Thank you.