**Senate Democratic Policy Committee Hearing**

**"An Oversight Hearing on Trade Policy and the U.S. Automobile Industry"**

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My name is Steve Beckman. I am the Director of the Governmental and International Affairs Department of the International Union, United Automobile, Aerospace & Agricultural Implement Workers of America (UAW) and I have been actively involved in the UAW's assessment of U.S. trade policies for 20 years. The UAW appreciates the opportunity to testify before the Senate Democratic Policy Committee on the subject of U.S. trade policies and job losses in the auto industry.

Since the Bush administration took office in 2001, the United States has lost 200,000 automotive jobs. Most of this job loss has occurred in the automotive parts sector. The recent announcements by GM and Ford, as well as the bankruptcy filings by Delphi and other auto parts suppliers, vividly highlight the large, continuing losses in automotive jobs.

The overall employment decline demonstrates that the decline in jobs at traditional auto companies is not being offset by new investment and jobs created by the Japanese, German and Korean and other auto companies in the United States. The new auto jobs added by the foreign assemblers and parts producers have been offset by the much larger loss in auto jobs attributable to the traditional auto manufacturers and parts suppliers and by the increase in imports of vehicles and parts, including growing imports from many of the same companies investing in new U.S. production. In 2001, 3.1 million imported light vehicles were sold in the U.S., accounting for 18 percent of total sales; in 2005, imports accounted for 3.4 million vehicles and 20.1 percent of sales. These figures do not include vehicles imported from Canada and Mexico. Since 2001, the U.S. deficit in automotive parts trade has tripled to $37 billion, as imports have jumped by nearly 50 percent.

The UAW believes that a number of factors are responsible for the continuing loss of automotive jobs in the United States. The disparate burdens placed on the traditional auto companies by our nation's tax and health care policies have contributed significantly to undermining their competitiveness. At the same time, our nation's failed trade policies have encouraged companies to shift automotive production and jobs to other countries, and allowed foreign competitors to gain unfair competitive advantages in the U.S. market while discouraging imports of competitive U.S.-made products.

The devastating impact of our trade policies on the domestic auto industry are highlighted by the mushrooming auto trade deficits. While the U.S. merchandise trade deficit reached a record $782.1 billion in 2005, the U.S. deficit in automotive trade likewise reach a record $139.4 billion (U.S. Commerce Department, Office of Aerospace and Automotive Industries). This included auto trade deficits of $27.3 billion with Mexico, $50.2 billion with Japan, $4.5 billion with China, and $10.8 billion with Korea. The enormous auto trade deficits reflect the continuing loss of automotive production and jobs in the United States.

Just as job losses in the automotive industry in recent years have been concentrated in the parts sector, so has the growth in the trade deficit. U.S. auto parts exports increased by only 5 percent in 2005, while imports soared by 20 percent. A large share of the increase in U.S. exports went to Canada, but sharply higher imports from China, Korea, India, Brazil and Central America point to new sources of competition that add to growing imports from Japan, Germany and Mexico.

There cannot be any doubt that the trade agreements negotiated by the U.S. have played a major role in this sharp deterioration in our automotive trade balance. At the time NAFTA and China PNTR were being debated by Congress, the UAW warned that they would encourage companies to shift automotive investment, production and jobs to Mexico and China. In contrast, proponents of these trade deals argued that they would eliminate auto trade barriers in these countries and thereby improve our exports and auto trade balance. Unfortunately, the UAW's fears have proved to be correct. Since NAFTA was enacted, the U.S. auto trade deficit with Mexico has jumped from $3.6 billion to $27.3 billion. Auto trade with China has followed a similar path since the adoption of China's auto industrial policy in 1994, when the U.S. had a surplus of $0.5 billion, to a $1.5 billion deficit in 2001, when PNTR was enacted, to a deficit of $4.5 billion last year.

In addition to encouraging the offshoring of automotive production and jobs, the trade agreements negotiated by the U.S. have failed to require other nations to abide by internationally recognized worker rights. As a result, we have seen a steady race to the bottom, as China, Mexico and other nations have competed on the basis of low wages and inadequate worker protections. The UAW and other unions filed a Section 301 complaint against China documenting the pervasive violations of workers' rights, and the unfair competitive advantage this gives Chinese producers. But the Bush administration dismissed this petition without giving it any serious consideration.

At the same time, the Bush administration has failed to take any meaningful steps to combat unfair currency manipulation by Japan, China and other nations. It is estimated that the Japanese and Chinese currencies are overvalued by as much as 40 percent. This translates into a price advantage of thousands of dollars for an automobile imported from Japan. This has enabled automotive companies in Japan to undercut U.S. producers, contributing to our large auto trade deficits in vehicles and parts and the loss of auto jobs in the U.S. China has been able to use its undervalued currency to expand auto parts exports dramatically and to begin preparations for vehicle exports to the U.S. In 2005, China exported more vehicles than it exported for the first time. The UAW and other unions and business groups also filed a Section 301 complaint with the Bush administration challenging China's unfair currency manipulation. But this petition was also dismissed after perfunctory consideration.

Meanwhile, the Japanese, Korean, Chinese and other markets remain effectively closed to U.S.-built automotive products. Despite numerous agreements with these nations, they continue to use a variety of tariff and non-tariff barriers to minimize imports of U.S. built vehicles and parts. Sadly, the Bush administration has failed to enforce market opening commitments, or to demand new actions by these countries to eliminate unfair automotive trade barriers.

Instead of acting to address unfair trade practices, barriers and policies that are threatening U.S. automotive production and jobs, the Bush administration is pursuing trade policies that could jeopardize tens of thousands of additional automotive jobs in our country. In particular, the Bush administration is continuing negotiations with Thailand on a free trade agreement. Thailand is the second biggest producer of pickup trucks in the world, after the United States. Japanese auto manufacturers have relocated pickup truck production to Thailand, and are rapidly expanding their production capacity in Thailand. Korean and Indian auto manufacturers are also looking at establishing plants in Thailand.

The U.S. currently maintains a 25 percent tariff on pickup trucks imported from Thailand. If the Bush administration negotiates a free trade deal that eliminates or substantially reduces this tariff, the U.S. could be flooded with cheap imported pickups from Thailand. This would jeopardize the jobs of 42,000 UAW members who assemble pickup trucks in the U.S., along with the jobs of 50,000 UAW members who make engines, transmissions and stampings for these pickups. The ripple effect would impact thousands of other American workers. Any reduction in the 25% U.S. tariff on imported pickup trucks would also enable Japanese, Korean and Indian auto manufacturers to use facilities in Thailand as a backdoor to gain duty free access to the U.S. auto market. At the same time, Japan, Korea and India continue to use tariff and non-tariff barriers to keep their own auto markets closed to U.S. built products. For all of these reasons, the UAW strongly opposes any change in the existing 25% U.S. tariff on imported pickup trucks from Thailand.

The Bush administration also recently announced the initiation of negotiations with South Korea on a free trade agreement. The UAW is deeply concerned about the negative impact this could have on automotive production and jobs in the U.S. Our nation already has a $10.8 billion auto trade deficit with Korea. Despite the negotiation of several market opening agreements, the Korean government continues to use various informal barriers and a strong "Buy Korea" climate to keep their market nearly closed to U.S. automotive products. The UAW is concerned that any new trade deal will simply aggravate this situation, by eliminating U.S. automotive tariffs (including the 25% pickup truck tariff), while allowing barriers in the Korean market to remain in place.

The UAW also remains concerned about the continuing negotiations on a Free Trade Area of the Americas (FTAA), which would expand NAFTA to the rest of South America. Brazil and Argentina have the most substantial automotive industries in the region. An FTAA, by simply expanding the failed policies of NAFTA, would encourage the movement of U.S. automotive production and jobs (especially in the parts sector) to Brazil, Argentina and other countries in Latin America and stimulate additional vehicle imports.

For similar reasons, the UAW is concerned about the continuing Doha round of negotiations in the WTO. We believe it is imperative that U.S. tariffs on automotive products remain at their current levels until there are equivalent opportunities for U.S. automotive exports to Japan, Korea, China and other nations. We also believe that worker rights and environmental productions should be included in the WTO negotiations. And we strongly object to any weakening of U.S. anti-dumping rules or other trade remedies.

To help maintain and expand automotive production and jobs in the United States, the UAW believes the federal government must make fundamental changes in our trade policies. We must stop negotiating free trade deals that encourage the shift of automotive production and jobs to other nations and we must insist that any future trade agreements provide effective relief from surges in automotive imports that threaten U.S. jobs. To win UAW support, any future trade deals must include strong, enforceable provisions requiring other nations to abide by internationally recognized worker and human rights. Such provisions are needed to reverse the race to the bottom on wages, benefits and working conditions that is affecting workers in developed and developing countries alike. In addition, the federal government should take prompt, aggressive steps to stop unfair currency manipulation that gives foreign products an unfair competitive advantage in the U.S. and in their home markets. And we must ensure that other nations abide by existing trade deals, including market opening commitments in the automotive sector.

If these changes in trade policies are combined with new tax and health care policies that establish fair and equitable competitive conditions for U.S.-made products, the UAW believes we can maintain and expand automotive production and employment in the United States. American workers need government policies that establish fair trade and fair competition.
In conclusion, the UAW appreciates the opportunity to testify before the Senate Democratic Policy Committee on U.S. trade policies and job losses in the domestic automotive industry. We look forward to working with this Committee and the entire Senate to address these serious challenges.

Thank you.