

**COMMUNICATIONS WORKERS OF AMERICA**

**CWA**

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Statement for the U.S. Senate Finance Committee

**For the hearing:**

**Advancing Congress's Trade Agenda: the**

**Role of Trade Negotiating Authority Hearing**

**January 16, 2014**

Chairman Baucus, members of the Committee, thank you for giving me the opportunity to testify today at this important hearing. As President of CWA, a union representing workers in the telecommunications, aviation, manufacturing, media and public sectors, we appreciate your willingness to hear from representatives of working people on the important topic of “Advancing Congress’s Trade Agenda: the Role of Trade Negotiating Authority”.

I’m not just here today to give voice to the members of CWA or organized labor. CWA is part of a broad coalition of organized labor, environmental organizations, consumer groups, fair trade advocates and others that have come together to advocate for trade policies that can benefit everyone. I hope my testimony today can help shed light on a number of our shared concerns.

We recognize the reality that we are living in a global economy. We share the belief that trade is an important economic activity and that trade policies are important to ensure that U.S. citizens can take advantage of the global economy. That trade policy, done correctly, is a win for the U.S. economy and U.S. workers – who are the most productive in the world. However, we do not believe that Trade Promotion Authority (TPA) legislation, or “Fast Track,” modeled after our past Fast Track Agreements, provides for enough Congressional oversight, nor does it establish appropriate enforceable negotiating goals.

### **Meaningful Goals for TPA**

This hearing is timely coming on the 20<sup>th</sup> anniversary of the North American Free Trade Agreement (NAFTA). In light of that, and as the current Administration negotiates two more trade pacts that would each dwarf NAFTA, we should take some time to reflect and identify key elements we want to achieve.

It is critical in this modern global economy that we work to stop the global race to the bottom that has been the result of old style trade agreements. As a nation we strive to perfect our democracy. We strive to improve our standard of living and provide a better life for our children and grandchildren. These American values must guide our future trade agenda. We should not compromise on these values and reduce the quality of life for Americans through our trade policies. Instead, trade policies should be designed to raise living standards, enhance our quality of life and protect our environment. We need to continue to rise above minimums and build toward a better tomorrow.

In order to achieve those goals and for everyone to succeed in a global trading environment we must work to ensure that Congress establishes these priorities for any TPA legislation:

1. Document that any new trade deal is not likely to add to the nearly \$1 trillion annual trade deficit in goods which has grown since we've adopted the NAFTA style trade agreements of the past.
2. Document the likely net effect on employment overall and not simply look at increases in exports. Each trade deal comes with promises of job growth, yet the overall impact has been job loss.
3. Document the likely effect on pay and standard of living. Since NAFTA and other agreements were negotiated US wages have stagnated and been depressed by competition from significantly cheaper foreign labor and the loss of collective bargaining coverage.
4. Ensure that established and future regulation by federal, state or local government on consumer protection is not diminished.

5. Ensure that all trading partners comply with International Labor Organization (ILO) principles and conventions.
6. Ensure that environmental standards are not degraded and are enforceable.
7. Ensure that these social goals are enforceable at least at same level as all other sections.
8. Ensure that Congress plays a meaningful role in setting priorities, can hold the United States Trade Representative (USTR) accountable, and limits the authority of the USTR to negotiate on basic governance and human rights.

### **Trade Deficit**

Free trade agreements have been devastating for our balance of trade. In 1993, the year before NAFTA, our trade deficit in goods was -\$132 billion or -1.9 percent of our GDP. By 2012, our trade deficit ballooned to -\$741 billion or -4.6 percent of our GDP. The growth of our trade deficit to such levels has been a strong drag on our economy and especially in terms of jobs and wages.

And specific trade deals have been most at fault for the increased trade deficit. Here are three examples. In 1993, the U.S. had a trade surplus in goods with Mexico of \$1.66 billion. By 1995, just one year after NAFTA, this had changed to a \$15.8 billion deficit and by 2012 the deficit with Mexico had increased even further to \$62 billion.

Allowing China into the WTO also has been disastrous. The U.S. had a trade deficit in goods with China of \$83 billion in 2001 when China was admitted to the WTO. This deficit has ballooned to \$315 billion in 2012. And for a most recent

example, in just one year after the U.S.-Korea trade agreement took effect, our trade deficit in goods with South Korea increased by \$5.5 billion or 46%.

Last year, our federal budget deficit was more than \$680 billion. But our trade deficit in goods for 2012 was \$741 billion. While a lot of attention in Congress and in Washington, DC has focused on the federal deficit, little attention has been focused on our trade deficit and its negative impact on our economy, jobs and wages. If we had trade deals that actually led to balanced trade, our economy would generate more than 3 million more jobs. Unfortunately, our current model for free trade agreements increases our trade deficits and reduces our employment.

### **Jobs and Wages**

Inequality is on the rise in this country and the overall economic condition of working Americans has stagnated, if not declined. Those of us in organized labor see it in every single contract negotiation. We struggle and fight to hold on to the hard-won gains of years past even as the companies score record profits and CEOs pay is at astronomical highs. In the economy as a whole, average real weekly take home pay for a U.S. worker today is \$637 compared to where it was 40 years ago at \$731 a week -- \$100 less. Yet, if U.S. workers' wages were tied to productivity – the amount of wealth they generate in our economy – the average weekly wages would be \$1,183 a week. It is important to note that wages began to fall and break from productivity at the same time as our trade deficit began a major increase – shortly after approval of the first Fast Track legislation under President Nixon.

That's the reality in terms of pay. Let's look at workers' rights in this country. In the two decades since passage of NAFTA, workers' collective bargaining rights

have eroded. U.S. employer threats to close plants if workers voted for a union rose from 29 percent in the mid-1980s to 50 percent in the two years following the adoption of NAFTA to 57 percent recently. Trade agreements have become the new tool in the arsenal for the unfettered corporate attack on collective bargaining rights. With trade agreements, threats to offshore work and actually offshoring the work in highly unionized industries has increased. The result -- the share of the private sector workforce protected by a collective bargaining agreement has declined from a high of 35.7 percent to just 6.6 percent today. This is another direct link cited by most economists as a factor in the rising inequality in our country today.

When I talk to CEOs they tell me about the competitive global markets they are operating in and their need to be competitive. They say they must benchmark their operations against low wages in other countries. For example, we successfully negotiated with AT&T to bring some 5,000 technical support jobs at AT&T back to this country, but at wage levels the company defined as competitive – meaning competitive with wage rates for overseas call centers. Our subsequent efforts to boost the living standards of those workers is stymied because of the competitive pressures from AT&T competitors like Sprint and T-Mobile who have focused on outsourcing and offshoring their call center operations. So we have seen firsthand that the global economy does not translate into better wages for workers.

In terms of the number of jobs created by “fast-tracked” trade agreements, some export sectors in the U.S. may have benefited. But we need to look at the overall impact on job creation and on overall U.S. employment. While we were promised under NAFTA to see the creation of 200,000 jobs by 1995, the Economic Policy Institute reports that there has been a net loss of 700,000 jobs. And while President

Obama promised that passage of the U.S.-South Korea Trade agreement would support “70,000 American jobs from increased goods exports alone”, we’ve seen in just over one year, the loss of 40,000 jobs to Korea. In telecommunications, we have seen the virtual elimination of telecom manufacturing equipment in the US, the elimination of a U.S. national company, and hundreds of thousands of lost jobs in that supply chain.

It’s also important to note on the jobs front that the Mexican workers have lost out as well. NAFTA undermined the subsistence agriculture workforce which forced over 2 million Mexicans from their land between 1993 and 2005. Some of them found work in low wage maquiladora factories, but many more crossed our borders and entered the US trying to sustain themselves and their families. According to the Pew Hispanic Center, the number of people leaving Mexico for the U.S. went from 370,000 annually in 1993 to 770,000 annually in 2000.

As a result of this unintended consequence of NAFTA, we have been forced to address complex immigration reform legislation. We need to recognize the role that trade agreements have played in creating this situation.

### **Service Sector Jobs**

We at CWA are especially concerned about the impact that trade agreements entered into without proper Congressional input would have on customer service jobs. Chairman Baucus himself, when outlining provisions of his bill, said that services are now an important sector in international trade. While previous trade agreements have seen an exodus of manufacturing jobs due to offshoring, we are now seeing the same today in the tradable services sector, especially around customer service and call center jobs. In fact, 3.4 million service sector jobs were

projected to be offshored by 2015. We are fearful that this trend will only increase with the passage of additional free trade agreements, jeopardizing U.S. workers and consumers.

Some Members of Congress have recognized that we should take efforts to try to – at a minimum – slow the offshoring of this work. In fact, one of the members of this Committee, Senator Bob Casey, has introduced a bill that has bipartisan and bicameral support that would take such steps. Besides working to ensure that taxpayer funds do not subsidize companies that offshore work, it offers consumers a choice to be transferred to a U.S. based customer service location. Clearly, Senator Casey and the other members of Congress who have put together this thoughtful bill don't want to see the service sector follow the path of the manufacturing sector in being offshored, nor do they want their efforts thwarted by new trade agreements.

### **Environmental Standards**

For those of us who care deeply about the state of the environment that we are leaving for future generations, trade agreements have become a vehicle to shift our environmental problems and pollution around the world. The environmental negotiating objectives identified in previous and the current introduced version of Fast Track, are insufficient. They call on the United States to ensure that environmental obligations are subject to the same dispute settlement procedures as other enforceable obligations in the agreement and to uphold commitments made under a set of seven multilateral environmental agreements. However, the legislation allows the Executive Branch to finalize and sign a trade pact even if these negotiating objectives have not been met.



Recently, the New York Times reported that USTR may be forced to back down from historic negotiating positions on environmental protections. At this point in our history, we should be making improvements, not negotiating a retreat on global environmental issues. We have one global environment that we all live in and we cannot assume that simply exporting pollution is the solution.

In addition, key negotiating objectives that would help ensure that natural resources are protected, such as a ban on trade in illegally harvested timber, wildlife, and fish are completely omitted from the current legislation granting Trade Promotion Authority. It also does nothing to protect our environmental and climate policies from attack by foreign corporations or to put less stress on our scarce natural resources.

More must be done to ensure that trade agreements don't become a global race to the bottom on the environment. The recent challenges to the province of Quebec's moratorium on fracking by a major natural gas corporation under provisions of the investor-state provisions of NAFTA demonstrate how that is happening today. The province is being sued under NAFTA for impacting a natural gas corporation's "expected future profits" by having a moratorium – not a ban – on fracking while a study is completed on the impact to drinking water supplies and public health. Congress must do more to prevent profit-driven corporations from using trade agreements to roll back important environmental and public health protections.

## **Consumer Protections**

Many groups representing U.S. consumers are especially concerned with how trade agreements can be used to degrade our food safety protections. Allowing for Fast Track consideration of TPP would further jeopardize the safety of the food consumed in the U.S. Seafood standards in particular could be challenged through the TPP. The FDA has detained hundreds of seafood exports from TPP countries because they were contaminated. For example in Fiscal Year 2012, the FDA detained 206 imported seafood products from Vietnam alone because of concerns including salmonella, e-coli, methyl mercury, filth and residues from drugs that are banned in the U.S. Currently the FDA is only able to inspect between 1-2 percent of our food imports. The TPP, by greatly expanding our food imports (especially seafood) would result in an even lower percentage of inspections.

U.S. consumers are already worried about the safety of food from other countries with less stringent safety standards than the protections we have in the U.S. Our country-of-origin labeling law was passed in 2002 and expanded in 2008 by the Congress. It requires labels to inform consumers where various products were raised or grown. In 2012, based on a suit filed by Canada, the WTO issued a final ruling against this law. In the case of food safety and the ability for consumers to remain informed about their choices, Congress has often weighed in with policies to protect consumers. However, the USTR is considering language that would greatly undermine that basic consumer protection enacted by Congress.

## **Enhanced Congressional role needed**

Trade agreements are no longer just about tariffs and quotas – they are about the food we eat, the air we breathe, the jobs we hold. Congress needs to have an enhanced and enforceable role in this new era when massive trade agreements can cover so many policy issues. We cannot abdicate the legislative and policy formation process to the USTR and non-elected representatives. Or, we would argue that trade policy should commence with the Congress adopting policy priorities and the countries with whom we will negotiate. It's clear that this is not what has happened.

## **Vietnam**

For example, we are concerned that Vietnam has been chosen as a trade partner. In Vietnam which has a population of 90 million people, the minimum wage is \$0.28 per hour and the average wage is \$0.75 an hour. There is no right to free association or expression. Our own Department of Labor has placed garments made in Vietnam on the federal "Do Not Procure" list for documented use of forced child labor in apparel production. Vietnam's extremely low wages, non-existent workers' rights, and extensive roster of human rights violations will only further exacerbate the already strong downward pressure on U.S. wages. We should not enter into trade agreements with countries with such records.

We are not the only organization to have raised concerns about the inclusion of Vietnam into the TPP negotiations. In fact, Members of Congress from both parties have expressed serious concerns about the Administration's decision to include Vietnam in the TPP.

The USTR has stated that including Vietnam in the TTP might improve the government's behavior and provide leverage to improve their conditions. USTR has also stated that the inclusion of Vietnam in TPP is more about a diplomatic goal of countering Chinese influence over the country.

Shouldn't this proposition of including countries with such abysmal records like Vietnams be debated? Shouldn't the U.S. Congress determine if that approach is appropriate? Shouldn't the US Trade Representative further consult with Congress as negotiations progress?

And if, after Congressional deliberations, negotiations with Vietnam are seen as part of U.S. policy interests, then it would be prudent to also consider enforcement mechanisms to ensure Vietnamese compliance with labor, food, and environmental conditions be adopted. Establishing our trade partner, negotiating priorities and establishing meaningful enforcement mechanisms should be part of the new trade regime that benefits U.S. workers and consumers. And those should be determined and established by our Congress with meaningfully enforceable mechanisms.

From what we've learned from those with access to text and through leaked text, Congress should be concerned about the direction the negotiations are taking on a number of policy fronts. For example, those concerned with bringing down health care costs should have issues with the USTR negotiating position that would extend drug patents beyond 20 years, making it harder to get cost effective generics to market. The copyrighting of surgical procedures is even in the draft text according to the one chapter leaked. And a number of public health groups have raised concerns about the potential roll back of the strong policies that have been enacted around tobacco and exposure to second hand smoke.

Regardless of your position on these critical policy matters, certainly we can all agree that these debates and policy decisions should happen in the open and through our elected representatives in Congress. Not behind closed doors with all but the USTR and some corporate advisors. We have a democratic legislative process, which we all often grow frustrated with, that has been the basis for how we have determined policy and resolved disputes for over 200 years. That will not continue if you do not allow for a more vigorous and enhanced role for Congress in these massive trade pact negotiations.

### **Currency Manipulation and Buy America**

A perfect example is the recent discussions around currency manipulation. A strong bipartisan majority of 230 Members of the House and 60 in the Senate have made it clear that meaningful and enforceable provisions to prevent currency manipulation by potential trading partners must be part of any trade agreement. Yet, apparently the USTR does not intend to address those concerns. While the currently proposed Baucus-Camp bill creates a section on currency manipulation, there is still too much broad discretion granted the USTR's negotiators and no enforceable provisions to ensure that such language is included in the pending trade negotiations.

Similarly, Congress has weighed in on numerous occasions in various pieces of legislation on the issues of "Buy America". Yet, trade agreements like TPP could be used to undermine or eliminate those Congressional requirements. Congress needs to ensure that no trade agreements can be used to overturn or eliminate "Buy America" provisions or reduce public sector services.

## **Shared concerns with members of Finance Committee**

We at CWA and many of our coalition partners share the concerns recently expressed by five members of this Committee in regards to the lack of meaningful Congressional oversight in development of our trade policies and objectives. As they said, “there must be a productive partnership between Congress and the President as these ambitious agreements conclude and the Administration engages in future trade negotiations.” Previous Fast Track authority and the currently proposed version, does not, in our view, provide for the role these Senators articulated. We especially share their views that it is critical for the Administration to engage with and receive direction from Congress “before and during trade negotiations”. And that future TPA legislation must develop and provide “mechanisms that enable Congress to hold USTR more accountable throughout the negotiation process or give USTR greater authority to negotiate basic standards on good governance and human rights”.

At a minimum, if the public and civil society groups are going to be shut out of a meaningful role in the process, it is critical that our elected representatives do not get shut out as well and are guaranteed a strong and enforceable role in this process.

## **ILO Standards**

It’s troubling to us that while previous discussions around Fast Track and negotiating principles have mentioned International Labor Organization (ILO) standards as a benchmark, the U.S. has endorsed few of those very standards itself.

There are eight core conventions governing labor and labor rights, the most important of which are #87, Freedom of Association and #98, the Right to

Organize & Collectively Bargain. Respectively, 152 countries have ratified #87 on the Freedom to Organize and 163 countries have ratified #98 the Right to Organize & Collectively Bargain. Unfortunately, the United States is not among these countries. We have only ratified two ILO conventions: one banning forced labor #29 and the other eliminating the worst forms of child labor #182.

This is an instance where the current TPA legislation, by replicating our old approach to trade negotiations, does not take advantage of an important opportunity to improve the lives of working people. The bill limits itself solely to those ILO conventions that the U.S. has passed, despite the fact that all of our trading partners in Europe have adopted the 8 core ILO conventions. It would not seem to be controversial then to include the language of the ILO conventions in an enforceable manner in the U.S. objectives and negotiating positions. This would serve to set a new frame for working families and their rights to bargain collectively.

### **Conclusion**

We live in a global economy. Trade is essential to our way of life today. But we must ensure that the trade frameworks we establish serve our national goals. Trade at any cost is not a value.

Our core values – democracy, economic justice, consumer and environmental protection --must be enshrined in our trade agreements. We cannot delegate the responsibility to achieve those goals to secret negotiations nor to appointed officials without meaningful democratic control. Congress must play a strong and enforceable role in ensuring those goals are being met. We cannot let foreign policy objectives, trump domestic concerns and in the process unravel our own

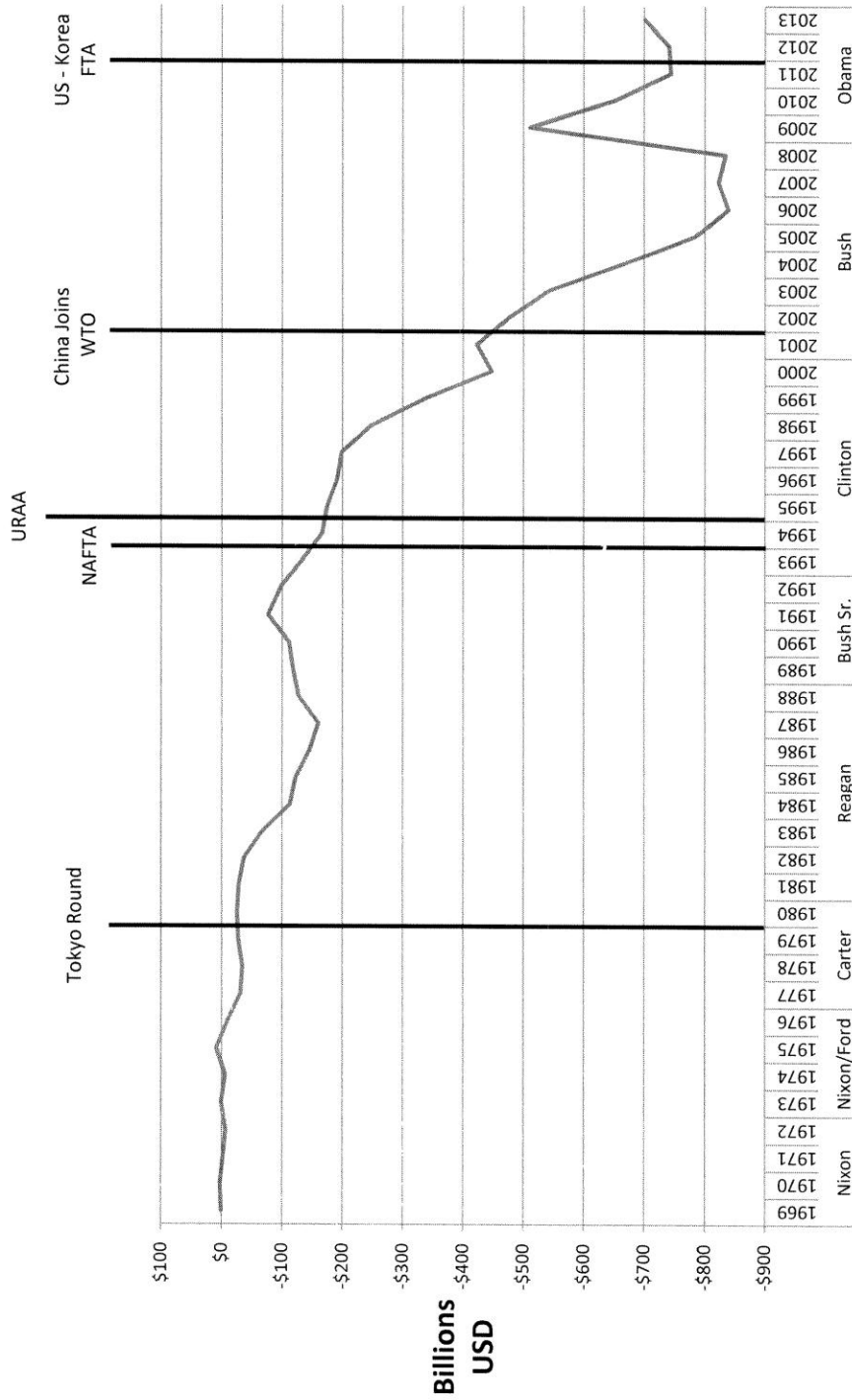
democracy here in the U.S. rather than strengthening others. We can establish a trade framework that moves our country forward together.

Again, I appreciate having the opportunity to testify today. I look forward to answering any questions that Senators may have.



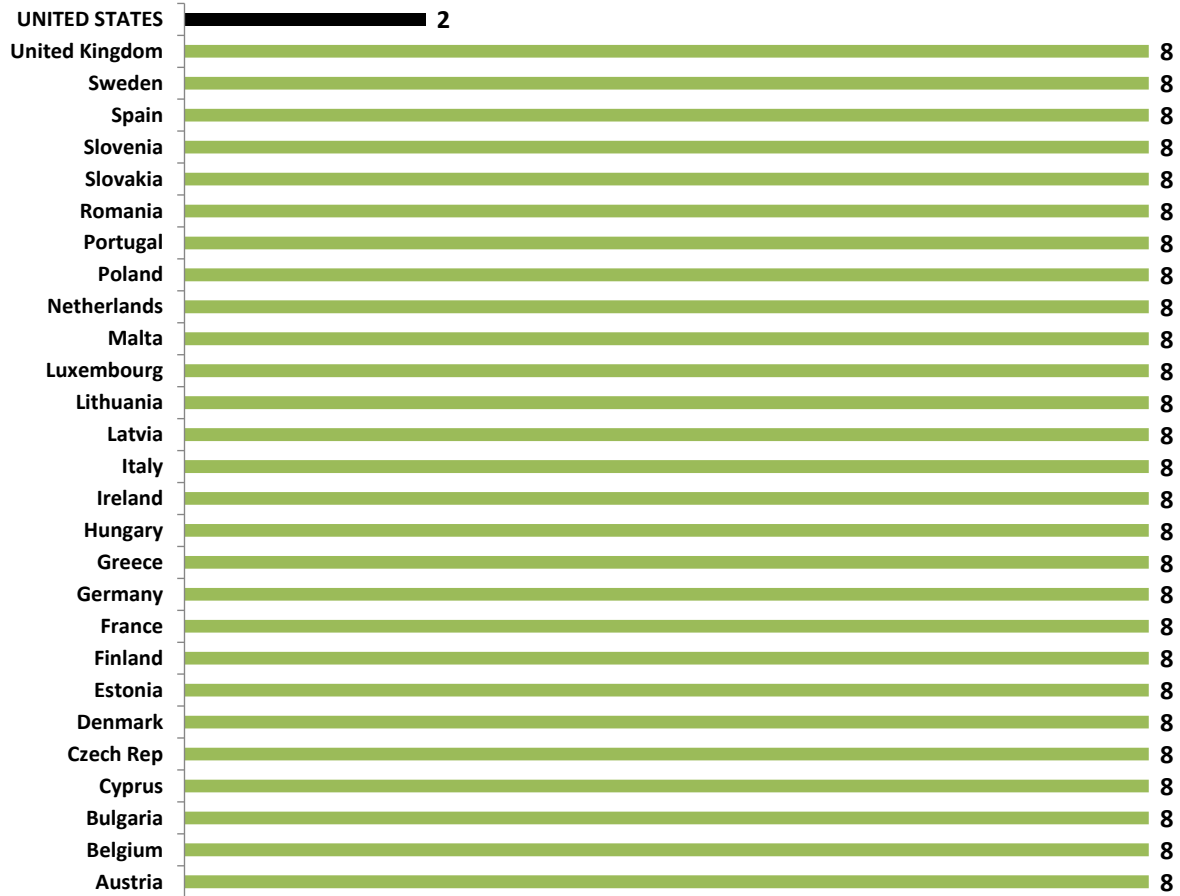
# APPENDIX 1

Yearly Balance of Trade by Administration (BOP Basis)



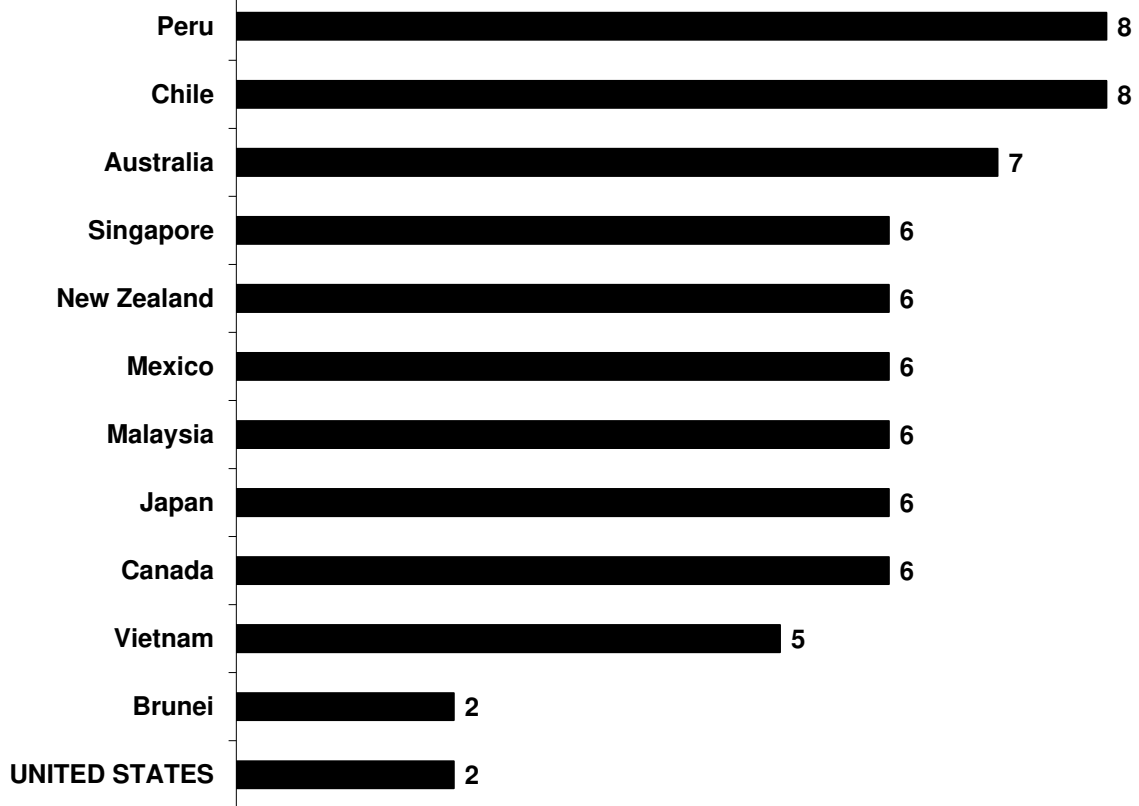
## APPENDIX 2

### Number of the Eight Core ILO Labor Conventions Ratified by the U.S. and the EU Countries



Source: International Labor Organization

## Number of Eight Core ILO Conventions Ratified By TPP Countries



Source: International Labor Organization