

FAIR TRADE

Our current global economic strategy cannot be sustained. Our annual trade deficit with the world has nearly doubled since 2000, now standing at \$712 billion.¹ To finance this debt, we either borrow from abroad or sell off assets at the rate of \$2 billion per day. In the past year, a declining dollar has helped reduce this imbalance with Europe. But China and other mercantilist nations control their currency values, in part to help them capture export markets. The US is now running a structural deficit that even the International Monetary Fund calls fundamentally unstable.

For years, there has been furious debate about trading agreements—NAFTA, WTO and the terms of China’s trade status with the United States. Americans have generally favored global trade but have grown more skeptical of its costs as jobs were lost to international competition.

First, jobs in textiles, shoes and toys were shipped abroad. Now we’re losing jobs in more advanced manufacturing industries—including autos and computers. Our trade deficit in advanced technology products is growing rapidly. It won’t stop there. Economist Alan Blinder estimates up to 40 million service jobs—from scientific research to typists—could potentially be offshored. Worse, corporations have systematically used the threat of global competition and of moving abroad as a club in negotiations with workers—driving down wages, cutting benefits and shedding past promises. Not surprisingly, more and more Americans are looking for a different direction.

It’s past time to end the stale debate and recognize that “free trade” is a slogan, not a policy. Global markets are created by laws and rules. All trade is managed, that’s why the trade agreements are thousands of pages long. The question is who makes the rules, who benefits and who pays the costs.

THE CHALLENGE

We have pursued a global economic strategy designed by and for the multinational corporations and banks—a strategy for Wall Street, not for Main Street. Our trade accords protect corporate rights but not worker rights; investors but not the environment. The result has been a race to the bottom in which companies have every incentive to move jobs to countries with the cheapest labor, the fewest workplace regulations and the weakest environmental protections.

The United States is getting played in this global market. Americans do get access to cheaper goods; Wal-Mart alone is responsible for 11% of

HOT QUOTE

“Goods produced under conditions which do not meet a rudimentary standard of decency should be regarded as contraband and not allowed to pollute the channels of international commerce.”

**PRESIDENT FRANKLIN
DELANO ROOSEVELT**

America's trade deficit with China.² But we're importing toxic toys and exporting jobs. Cheap prices are negated by wages that do not keep up with inflation. Despite constantly increasing productivity, American workers are experiencing more job insecurity. And those that lose their jobs likely can only find new ones with worse pay and benefits.

Entire industries have now moved abroad. We run a growing deficit with China in advanced technology goods, while China has stockpiled \$1.5 trillion in reserves.³ We are borrowing money that our children will have to repay, as we sell off assets that our children will not control.

We're becoming less competitive in the global economy because of a fundamentally flawed global strategy. It's critical that we adopt a new strategy.

THE CONSERVATIVE FAILURE

The Bush administration continued the unfair trade policies of previous administrations, to the delight of the corporate wings of both major political parties.

Conservatives argue that the effects of job loss due to trade are easily absorbed in an economy in which millions of jobs are created and destroyed every year. They scorn enforceable protections in trade agreements for workers and the environment as meddling in the internal affairs of other nations. They pay lip service to the reality that China and other countries play by a different set of rules and fix the value of their currencies to make their exports cheaper.

But the damage done by unfair trade has become starkly apparent. Our \$712 billion trade deficit—nearly doubling in size under Bush—is dragging down our economy. We have lost 3.4 million manufacturing jobs since 1998—that's one out of every five manufacturing jobs in America.⁴ Instead of lifting up the Mexican economy, NAFTA uprooted peasants from their land, forcing them to come north looking for work, thus worsening illegal immigration. More than 20 million toxic toys from China were recalled in 2007.⁵ By shipping jobs to poor countries with weak environmental protections, companies are accelerating the climate crisis.

This isn't a partisan question. Corporate-friendly Democrats helped implement this corporate trade strategy, claiming that displaced workers would be provided with retraining, wage insurance and temporary support. These good intentions did not survive tight budgets and conservative anti-government ideology. In 2007, congressional Democrats tried to expand assistance for displaced workers, but the bill died under threat of Bush's veto.

But on its own, help for displaced workers is a band-aid, not a solution for a flawed global strategy. Without a strategy to rebuild production in the

United States, boost demand abroad and manage currency adjustments, we risk a long and painful economic recession here and the perils of a global depression abroad.

THE PROGRESSIVE SOLUTION

When you're in a hole, stop digging. No more NAFTA-style trade deals until we have a clear strategy to compete in the global economy—a strategy for this nation, not for the multinationals.

A new strategy starts with rebuilding America, restoring our economic foundation and sparking development of new industries and good jobs that are not easily outsourced.

Launch a concerted national drive for energy independence to generate millions of jobs here, develop new technologies, address global warming and help capture the green industries of the future. Modernize our infrastructure—from roads to high-speed trains and from bridges to broadband—to make America the best place to do business. Invest in a world-class education system, so our children can flourish in the global economy. Guarantee quality health care for all so businesses no longer suffer from global competitive disadvantages.

Next, we must strengthen our workforce. Eliminate tax breaks that reward companies for sending jobs overseas. Make it easier for workers to organize by passing the Employee Free Choice Act. And provide real assistance for all workers displaced in the global economy, ensuring health care, wage insurance, educational opportunities and job placement services.

Most critically, we must revamp our trade strategy. We need an entirely new set of global trade rules and institutions that works for working people across the world, not simply for corporations.

Require trade accords to enforce workers' fundamental human rights and international environmental standards. Revoke provisions that restrict governments from serving the public interest, from using tax dollars to promote legitimate social objectives or from making life-saving medicine affordable to their citizens. Put enforceable standards in the text of trade agreements—not in unenforceable side deals—and have an executive branch that actually enforces the standards.

Finally, we need international coordination for sustainable global growth. Leverage our market access to persuade China and other East Asian countries to let their currencies increase in value and boost domestic demand. Establish global rules to help police emerging financial institutions such as hedge funds and sovereign investment funds. Enact a global Marshall Plan—paid for by a tax on short-term currency speculation—so impoverished countries can develop their economies. Such a tax would also help limit the destabilizing volatility in foreign exchange markets.

HOT QUOTE

"I pity the man who wants a coat so cheap that the man or woman who produces the cloth will starve in the process."

PRESIDENT BENJAMIN HARRISON

MAKING THE CASE

You know the challenge we face. You know how conservatism failed. You know how a progressive vision can move us forward. How do you crystallize the argument, deliver the key facts and take down conservative spin? Below are the tools you need to make the case in your community.

Core Arguments

Trade deals made by and for multinational corporations have led a global race to the bottom in wages, safety and environmental devastation.

Proof Points

- Over 20 million toys from China were recalled this year because of lead and other hazards.⁶
- Instead of lifting up the Mexican economy, NAFTA drove peasants off their land and fueled illegal immigration.⁷
- Industrial production in developing countries with weak environmental protections is accelerating the climate crisis.⁸
- The U.S. trade deficit has almost doubled since Bush took office—up to \$712 billion in 2007 from \$363 billion in 2001.⁹

Conservatives said job losses from trade would be easily absorbed by our economy. Instead, the middle-class got squeezed.

- The manufacturing sector has lost 3.4 million jobs—one out of every five manufacturing jobs—since 2000.¹⁰
- About one-half of all U.S.-owned manufacturing production is now located abroad.¹¹
- An estimated 40 million U.S. jobs are potentially offshorable, including scientists and mathematicians, telephone operators and typists.¹²
- Lost jobs are often replaced with positions offering less pay. From 2003 to 2005, 30% of displaced workers did not find new work. Of those that did, 49% earned less than their previous job.¹³

We need a new strategy to compete in the global economy—rebuild America's foundation and design trade agreements for Main Street, not Wall Street.

- Require trade accords to protect not just corporate rights, but workers' rights, consumer safety and environmental standards.
- Press China and other nations to stop distorting global markets by manipulating the value of their currencies.
- Create millions of jobs generating clean energy and modernizing infrastructure.
- Guarantee health care for all so businesses won't suffer global competitive disadvantages.

Spotlight Story

Despite assuring local employees just over a year ago that the approval of the Central American Free Trade Agreement (CAFTA) would secure their jobs, Jockey International announced last week that sewing operations at the Millen facility would be permanently terminated. Approximately 203 workers will lose their jobs to overseas counterparts....

“...Adding insult to injury, Jockey plans to outsource jobs to Jamaica, Honduras, Costa Rica and El Salvador, many of the countries included in the CAFTA,” said [U.S. Representative John] Barrow. The congressman went on to explain that top executives from Jockey came to his office just last year and lobbied for his approval of CAFTA, which was coming up for a House vote.

“They looked me in the eye, and told me that a vote for CAFTA was a vote to protect jobs in Millen. Now the very same people whose jobs they claimed to be protecting will be out of work,” Cong. Barrow said.

From *Millen News (Millen, GA)*, July 26, 2006¹⁴

Conservative Spin

Free trade grows the global economy, creating jobs and lowering prices.

Progressive Response

- We don't have free trade or fair trade. We have unfair trade rules rigged to benefit multinational corporations.
- And we've seen the results: exporting millions of jobs and importing millions of toxic toys. We have pressure driving wages down and pollution driving carbon emissions up—here and abroad.

Building protectionist walls around America will strangle the economy, as it has in the past.

- The global economy is a reality. The question is what strategy we pursue. Thus far it has been one that benefits companies, not citizens. We need a strategy that uses the leverage of our markets to strengthen our prosperity and raise standards for workers, consumers and the environment.

Free trade is already making strides in reducing global poverty.

- If NAFTA was the antidote to poverty, we wouldn't have hundreds of thousands of Mexicans risking their lives each year to illegally cross the border to work in America. China is growing, not by practicing free trade, but by following a ruthless national economic strategy.

America has created more than 8 million jobs over the past four years, more than making up for any job losses. Free trade is helping create jobs here and abroad.

- Americans are working but for less pay, as good jobs leave and are replaced by jobs with lower wages and fewer benefits. Household income has declined while costs for food, fuel, health care and college have skyrocketed.

We don't need to scrap these trade deals and break our word, we just need to enforce them better.

- The current trade deals lack the teeth to be properly enforced, which is how the multinationals wanted it. We need a new trade strategy to protect not just corporate rights, but workers' rights, consumer safety and environmental standards.

Public Pulse

Uneasiness persists concerning the impact of globalization.

- 87% of voters are concerned about outsourcing. (*Foreign Affairs*, May/June 2006)
- 81% of voters gave the government a C, D or F in its handling of outsourcing. (*Foreign Affairs*, May/June 2006)
- 63% believe international trade has “made things worse” for the U.S. and causes job loss and low wages. (*Gallup*, November 2007)

87%

81%

63%

Support is strong for fair trade that puts the middle class first.

- 84% favor tax incentives for companies that relocate to where jobs have been lost to trade.
- 82% favor trading only with countries that ban child labor.
- 78% favor trading only with countries that meet clean air and water standards.
- 51% favor trading only with countries where workers can organize. (*Above results from Fortune Magazine*, January 2008)

84%

82%

78%

51%

Fair trade resonates with Republican voters.

- 59% of Republican primary voters say “Foreign trade has been bad for the U.S. economy.” (*Wall Street Journal*, October 2007)

59%

MORE RESOURCES

AFL-CIO: An Economy That Works For All, a repository of information and updates on the politics of global trade and its effects on working people, <http://www.aflcio.org/issues/jobseconomy/>

Campaign for America's Future: An Economy For All, <http://ourfuture.org/economy>

Economic Policy Institute, a nonprofit, nonpartisan think tank that seeks to broaden the public debate about strategies to achieve a prosperous and fair economy, <http://www.epi.org/>

Fair Trade Federation, an international association of businesses and non-profit organizations alleviating global poverty through the promotion of trading practices based on principles of social and economic justice, <http://www.fairtradefederation.org/>

IFIwatchnet, an initiative in international NGO networking, connecting organizations worldwide, which are monitoring international financial institutions such as the World Bank, the IMF and regional development banks, <http://ifiwatchnet.org/>

The Institute for Policy Studies, a multi-issue think tank providing analysis of and proposals for alternative forms of global trade, http://www.ips-dc.org/global_econ/

TransFair U.S.A, the only third-party certifier of Fair Trade products in the United States, providing real world models for the potential of fair trade on the global market, <http://www.transfairusa.org/>

Reports

“Costly Trade With China: Millions of U.S. jobs displaced with net job loss in every state,” Economic Policy Institute
<http://www.epi.org/content.cfm/bp188>

“Documenting the Evidence of the Failed NAFTA-WTO ‘Trade’ Model,” Public Citizen
http://www.citizen.org/documents/FLYERO_1.pdf

Economic Seminar Series, Center for Economic and Policy Research
http://www.cepr.net/index.php?option=com_content&task=view&id=10&Itemid=36

Global Imbalances, Power Shifts and the Future of Multilateralism, Center for Economic and Policy Research
http://www.cepr.net/index.php?option=com_content&task=view&id=1092&Itemid=182

“Globalization and American Wages,” L. Josh Bivens, EPI
<http://www.epi.org/content.cfm/bp196>

“Off-Shore Outsourcing Rising Rapidly Up the Income and Skill Ladder,” Public Citizen
<http://www.citizen.org/documents/FactSheetonOutsourcing2007.pdf>

“NAFTA & the US: Facts & Figures,” Economic Policy Institute
<http://www.epi.org/newsroom/releases/2006/09/NAFTA-US.pdf>

“Revisiting NAFTA: Still not working for North America’s workers,” EPI
<http://www.epi.org/content.cfm/bp173>

Understanding Low-Wage Work in the United States, Inclusion and Center for Economy and Policy Research
<http://www.inclusionist.org/files/lowwagework.pdf>

Endnotes

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