

Fair Trade

The Problem

The U.S. is getting played in the global market, and the policies of the Bush administration have only made matters worse. Americans are the hardest working and most productive workers in the world.¹ The rules of the trading system and our own government's policies are created by, for, and of multinational corporations and banks. Working families pay the price in lost jobs, declining wages, and eroding health care and pensions. Communities hollowed out by plant closings lose their tax base and can't support quality schools and infrastructure.

We are digging ourselves into a hole. We're borrowing money from abroad – increasingly from Chinese and Japanese bankers – to pay for goods made overseas by jobs our multinational companies took over there. Our failed global economic strategy contributed to the loss of more than one out of every five manufacturing jobs – 3.7 million in all – over the last seven years.² First, textile, shoe, and toy jobs were shipped abroad. Now we're losing more advanced manufacturing – 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 jobs – including services from scientific research to typists – could potentially be offshored.

Meanwhile, more and more of the products we import are unsafe. Our children are at risk from imported toxic toys containing dangerous levels of lead. Other unsafe products – like defective passenger tires, tainted pharmaceutical products, counterfeit brake pads, and faulty steel for skyscrapers and power plants – have found their way into our marketplace, as President Bush and Republicans in Congress rail against regulation and slash the budget of our consumer protection agencies.

The Reason

Americans work harder and longer than workers in any other industrial nation. The dollar is the international currency; English is the world's language; American music and films are popular around the world. Why are we in this hole?

Because 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 agreements protect corporate rights, but do little to protect the rights of consumers or workers or the environment. Multinationals get tax breaks to move jobs abroad. They take our technologies and our inventions and our jobs abroad, where they take advantage of workers with few protections and governments that won't enforce their laws. They are leading a global race to the bottom in wages and environmental devastation.

Furthermore, mercantilist nations like China peg their currencies at low levels to capture export markets. This devastates our domestic manufacturing and exacerbates problems in tradable services (a category that now covers everything not nailed to the floor).

The Solution

We need a new strategy in the global economy – a strategy for this nation, not for the multinationals.

When you're in a hole, stop digging. No more flawed free trade agreements like NAFTA. No fast track without accountability and an overhaul of the negotiation process. It's time to stop passing corporate trade deals until we have a new national strategy for the global economy that works for working people. And it's time to start enforcing the trade laws and protections that we have on the books.

The national strategy has many elements. First, start at home with a new industrial strategy. We should launch a concerted national drive to invest in energy independence. We can generate millions of jobs here, develop new technologies, address global warming, and help capture the green industries of the future.

Second, we need to rebuild America, providing a modern infrastructure – from roads to high-speed trains, from bridges to broadband – that makes this the best place to do business.

Third, the U.S. government should take the necessary steps to end unfair subsidies and currency manipulation, and should eliminate tax breaks that reward companies that send jobs overseas.

Fourth, we need an entirely new set of trade rules and institutions that puts a priority on creating good jobs at home – and fosters sustainable, democratic, and equitable development abroad. We need rules that help raise up standards and wages abroad, rather driving them down here. We can start by requiring trade accords enforce workers' fundamental human rights and international environmental standards. We need to 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. And we need an executive branch that will enforce these laws.

Fifth, we need national health care reform so that providing quality health care to employees doesn't create global competitive disadvantages.

Sixth, we need to insure that the profits and productivity generated that workers help to generate are widely shared, by restoring the right to organize and bargain collectively starting with passage of the Employee Free Choice Act.

Finally, in the new world of unregulated global finance, we will have to develop global rules to limit destabilizing speculation and to encourage longer term real investment. We'll need to develop global rules to help police emerging financial institutions from hedge funds to sovereign investment funds.

Telling the Story

◆ Stories to Look for

- ◆ Workers who have lost jobs from outsourcing – manufacturing and service industries, low-skill and high-skill jobs – without sufficient support to regain footing
- ◆ Outsourced workers who had to train their replacements
- ◆ Companies who said trade agreements would protect jobs, then moved local jobs offshore

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.

The company's decision to terminate the local sewing operation drew the wrath of 12th District Congressman John Barrow who issued a statement last week slamming Jockey executives for the action.

"It's outrageous to see that after 55 years, Jockey has decided to turn its back on Millen, Jenkins County, and eastern Georgia – leaving 203 hard working families to pick up the pieces. 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 Cong. 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.

Ed Emma, Jockey president and chief operating officer, explained the impact of the Congressional CAFTA vote on the Millen plant:

"The free trade agreements allow this plant to stay here." Emma said, "Jockey International currently has two plants operating in Jamaica, one in Honduras and one in Costa Rica. The local plant provides cut parts to these offshore plants duty-free under the Caribbean Basin Trade Pact (CBTP). These plants then return the finished goods to the U.S., also duty-free. The CBTP expires in 2008 at which time Jockey would begin paying tariffs on its goods exported to the area."

"CAFTA would make the duty-free trading permanent," said Emma. "This agreement is very important for this plant, Georgia and the U.S."

Millen News (Millen, GA), July 26, 2006³

Hot Facts

◆ **They've created a trade strategy for the multinationals, not middle-class families.**

About one-half of all U.S.-owned manufacturing production is now located abroad.⁴

- ◆ The U.S. trade deficit has almost doubled since Bush took office – up to \$712 billion in 2007 from \$363 billion in 2001.⁵
- ◆ The manufacturing sector has lost 3.7 million jobs – more than one out of every five manufacturing jobs – since 2000, the worst decline since the demobilization after World War II. Many of these jobs have gone overseas.⁶

◆ **Our entire economy is falling behind. And it won't stop with manufacturing.**

- ◆ Most research initiatives by the U.S. telecom industry now take place in foreign countries.⁷
- ◆ An estimated 40 million U.S. jobs are potentially offshorable, including scientists and mathematicians, telephone operators and typists.⁸

◆ **As we lose millions of jobs, we import millions of dangerous products.**

- ◆ Over 20 million toys from China were recalled in the summer of 2007 because of lead and other hazards.⁹
- ◆ While imports from China have exploded, the budget and staff of our product safety agencies have been slashed.¹⁰

◆ **The overall American economy is in hock to foreign governments. They lend us the money to buy the goods they make, with the jobs our companies have sent to them.**

- ◆ America must borrow or sell off assets worth \$2 billion a day to cover our global trade deficits.¹¹
- ◆ Foreign governments hold more than \$2 trillion of our debt, led by Japan, China, the U.K. and the oil exporting nations of OPEC.¹²
- ◆ Massive trade deficits are fattening up “sovereign wealth funds” run by foreign governments in Asia and the Middle East, which are buying up U.S. banks on the cheap.

Public Pulse

◆ **Uneasiness persists concerning the impact of globalization.**

- ◆ 87% of voters are concerned about outsourcing.¹³
(*Foreign Affairs*, May/June 2006)
- ◆ 81% of voters gave the government a C, D, or F in its handling of outsourcing.¹⁴ (*Foreign Affairs*, May/June 2006)
- ◆ 63% believe international trade has “made things worse” for the U.S. and causes job loss and low wages.¹⁵ (*Fortune Magazine*, January 2008)

◆ **Americans want to keep jobs in America, but wonder if anything can be done.**

- ◆ The public rates protecting American jobs as nearly as important as defending the country against terrorism (86% terrorism, 84% jobs).¹⁶ (*The Pew Research Center for People and the Press*, November 2005)
- ◆ 52% of Americans believe it is unrealistic to think that the government can do anything to stop corporations from sending jobs abroad.¹⁷
(*Foreign Affairs*, May/June 2006)
- ◆ 44% said they believe the U.S. government could do a lot to prevent jobs from moving overseas if it really tried.¹⁸ (*Foreign Affairs*, May/June 2006)

◆ **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.¹⁹
(*Fortune Magazine*, January 2008)

◆ **Fair trade resonates with Republican voters.**

- ◆ 59% of Republican primary voters say “Foreign trade has been bad for the U.S. economy”.²⁰ (*Wall Street Journal*, October 2007)
- ◆ Republican voters considering a vote for a Democratic candidate cite “trade agreements” as the top reason not to vote Republican.²¹ (“Re: *The Meltdown Election*,” memo to “*Friends of Democracy Corps*”, November 2006)

Message Box

Us on Us	Them on Us
<p>We can't keep selling off America. When you're in a hole, stop digging. No more NAFTAs.</p> <p>We need to end the race to the bottom and start by requiring that trade accords protect core worker rights, consumer safety, and our environment.</p> <p>Compete globally by investing in America: modern infrastructure, quality education, energy independence, and innovative research.</p> <p>Enforce our trade laws to protect workers and domestic producers from unfair trade practices.</p>	<p>This is just more protectionism. They want to turn their backs on the world. But trade barriers will slow our economy, shed jobs and raise prices. They don't think you can compete in the open market.</p>
Us on Them	Them on Them
<p>They've created a trade strategy for the multinationals, not for the nation. For Wall Street, not Main Street.</p> <p>It makes no sense to export good jobs abroad, then import toxic toys that go uninspected.</p> <p>They are leading a global race to the bottom in wages and environmental devastation.</p> <p>They have failed to put teeth in trade deals and enforce the rules. It's time for new leadership.</p>	<p>Americans can compete and win in the global market place.</p> <p>Reduce barriers to trade, level the global playing field and build effective enforcement of global trading rules.</p>

Additional Resources

AFL-CIO: An Economy That Works For All
<http://www.aflcio.org/issues/jobseconomy>

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

"Costly Trade With China: Millions of U.S. jobs displaced with net job loss in every state,"
Robert E. Scott, 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

"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>

Polling Report data on trade: <http://www.pollingreport.com/trade.htm>

Bob Kuttner, *The Squandering of America*. New York: Alfred A. Knopf, 2007

Endnotes

¹ "Study: US workers are world's most productive," Associated Press, 3 September 2007.
http://www.boston.com/news/world/europe/articles/2007/09/03/study_us_workers_are_worlds_most_productive/

² U.S. Department of Labor, Bureau of Labor Statistics. Data compiled and Available from:
<http://www.bls.gov/ces/home.htm>.

³ Deborah Bennett Millen, "CAFTA is suspect in Jockey Job Losses," *The Millen News*, 26 July 2006.
http://www.themillennews.com/news/2006/0726/Front_Page/002.html.

⁴ Jeff Faux, "Globalization that Works for Working Americans," *EPI Briefing Paper #179*, 11 January 2007. <http://www.sharedprosperity.org/bp179.html>

⁵ U.S. Census Bureau Foreign Trade Statistics, FT900: U.S. International Trade in Goods and Services, February 14 2008. http://www.census.gov/foreign-trade/Press-Release/current_press_release/press.html

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- ⁶ U.S. Department of Labor, Bureau of Labor Statistics. Data compiled and Available from: <http://www.bls.gov/ces/home.htm>. See also: Robert E. Scott. "Manufacturing Job Loss: Productivity is Not the Culprit." Economic Policy Institute. February 2007. <http://www.epi.org/content.cfm?id=2626>.
- ⁷ "An analysis of 57 recent major research initiatives of the U.S. telecommunications industry showed that all but five were located outside the U.S." See Jeff Faux, "Globalization that Works for Working Americans," *EPI Briefing Paper #179*, 11 January 2007. <http://www.sharedprosperity.org/bp179.html>
- ⁸ Alan S. Blinder, "How Many U.S. Jobs Might Be Offshorable?" CEPS Working Paper No. 142, March 2007. <http://www.princeton.edu/~ceps/workingpapers/142blinder.pdf>
- ⁹ "Toxic Trade: Globalization and the Safety of the American Consumer," Institute for America's Future, 30 October 2007
- ¹⁰ Ibid
- ¹¹ U.S. Census Bureau Foreign Trade Statistics, FT900: U.S. International Trade in Goods and Services, February 14 2008. http://www.census.gov/foreign-trade/Press-Release/current_press_release/press.html
- ¹² "Major Foreign Holders of Treasury Securities," Department of the Treasury/Federal Reserve Board, 18 January 2008. Available at <http://www.treas.gov/tic/mfh.txt>
- ¹³ Daniel Yankelovich, "The Tipping Points," *Foreign Affairs* May/June 2006. <http://www.foreignaffairs.org/20060501faessay85309/daniel-yankelovich/the-tipping-points.html>
- ¹⁴ Ibid
- ¹⁵ *Fortune* magazine poll, January 14-16 2008. <http://money.cnn.com/magazines/fortune/electionpoll/2008/pollresults.html>
- ¹⁶ "Opinion Leaders Turn Cautious, Public Looks Homeward: America's Place in the World," The Pew Research Center for People and the Press, 17 November 2005. <http://people-press.org/reports/display.php3?PageID=1020>
- ¹⁷ Daniel Yankelovich, "The Tipping Points," *Foreign Affairs* May/June 2006. <http://www.foreignaffairs.org/20060501faessay85309/daniel-yankelovich/the-tipping-points.html>
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- ²¹ "Re: The Meltdown Election," memo to "Friends of Democracy Corps" from Robert Borosage, James Carville and Stan Greenberg, 15 November 2006