

## **FAST TRACK OR THE RIGHT TRACK?**

U.S. trade policy today is barreling along down the wrong track, on a route littered with broken promises and missed opportunities, threatening to jump the rails altogether.

Our trade deficit hit a staggering \$764 billion in 2006. Real median wages and family income continue to stagnate, while productivity growth soars. We have lost more than 3 million manufacturing jobs since 2000—many of them to trade—and good white-collar jobs that pay well are increasingly vulnerable. Estimates range from 14 million to 42 million service-sector jobs that could be subject to offshoring over the next decade -- offsetting many of the promised benefits of trade liberalization.

We see heartrending daily reports of workers' rights abuses—here at home and around the world—as governments and corporations desperately try to eke out an advantage in a cutthroat global economy with no minimum enforceable international rules to protect workers' human rights. Democratically elected governments find their policy scope increasingly narrowed by global trade rules that impinge on many areas that previously were the domain of national policy—from environmental and public health protections to land-use rules, gambling restrictions, immigration policy and corporate taxes.

Most of the costs of this flawed globalization model are paid by workers, family farmers and domestic producers—but all Americans are affected by growing inequality and eroding protections for consumer safety, public health and the environment. Our declining manufacturing capacity poses a serious and growing threat to both our economic and national security.

Taken together, the loss of millions of skilled jobs, the closure of nearly 40,000 manufacturing facilities and the exporting of design, engineering and research and development capacity mean the next innovation, the next generation of products and the next investment will be made in other countries. At the same time, we are losing the capability to supply our military troops with ammunition, uniforms and other essential equipment in a timely and flexible manner. The offshoring of our capacity is underwritten by a toxic brew of workers' rights violations, lax environmental standards, currency manipulation and illegal subsidies that global corporations seek and from which they benefit.

Decades of trade deficits – all record-breakers in recent years – have contributed to a mounting cumulative international debt, which now exceeds \$3 trillion. This unsustainable debt has greatly increased our vulnerability to financial crises and speculative currency movements. And the U.S. image abroad has suffered as our government is increasingly perceived as imposing an anti-development, anti-worker trade agenda on behalf of our multinational corporations. Indeed, workers' rights have not improved, and in some cases have worsened, in

Central America. Nor have the promised jobs materialized in most CAFTA signatories. It is no wonder that tens of thousands of workers and farmers have taken to the streets in Korea, Costa Rica and Thailand—among many other countries—to protest proposed trade deals put forward by the U.S. government.

It doesn't have to be this way. The movement of goods, services, money and people across national borders can and often does bring many benefits: increased economic growth and dynamism, as well as the beneficial spread of technology, culture and ideas across borders. The key missing part is how those benefits are distributed—and how to resolve the uneasy compromise between enforceable international rules and democratic decision-making.

For globalization to live up to its promise to improve the lives of workers and the poor, not just the wealthy and the powerful—here and around the world—we need an entirely new set of rules and institutions.

We need global trade rules that link market access to strengthening protection for workers' fundamental human rights, as laid out in the International Labor Organization's (ILO) 1998 Declaration on Fundamental Principles and Rights at Work: the freedom of association and the right to organize and bargain collectively, and prohibitions on child labor, forced labor and discrimination in employment. These must be enforceable requirements, subject to the same binding dispute settlement and enforcement mechanisms as commercial provisions. No government should gain a comparative advantage in global markets by offering to violate its own workers' human rights—just to keep labor costs down. And no company should profit by taking advantage of vulnerable workers in one country to produce goods to sell to wealthy consumers in another.

Similarly, international environmental commitments under multilateral environmental agreements should be reaffirmed and protected in trade rules. Private investors must not have the right to challenge domestic environmental and public interest laws and regulations before closed international tribunals – leaving taxpayers liable for huge payouts.

We need to strike a better balance between domestic rule-making and international obligations—ensuring that trade rules do not threaten governments' ability to provide affordable and high-quality public services or to regulate labor markets, the environment, public health and consumer safety. Trade agreements must not require privatization or deregulation as a condition of market access, nor should they obstruct developing countries' right to address HIV/AIDS and other health crises through public access to essential medicines. Procurement provisions must not undermine the ability of federal and state governments to use tax dollars to create and maintain good jobs, to promote economic opportunity and development and to achieve other legitimate social goals. Changes in our immigration laws should be made by Congress, not through irreversible commitments offered up in trade negotiations.

We need more transparency and much broader public participation in the negotiation of trade rules, at both the national and international levels. Business is not the only constituency affected by trade and capital market liberalization, and it should not be the only non-government group at the table when these deals are cut.

On each of these fronts, our own government has let us down over and over again. Since 2001, the Bush administration has failed to seek meaningful protections for workers' rights and environmental standards in free trade agreement negotiations with more than a dozen countries and at the World Trade Organization in multilateral talks.

In fact, the administration recently proposed abandoning the internationally recognized ILO workers' rights as a standard and replacing them with U.S. labor laws in the Peru, Colombia and Panama free trade agreements. This proposal would replace decades of expertise and jurisprudence and hard-won international tripartite consensus at the ILO with a vague standard that our trading partners should have labor laws that are generally equivalent to U.S. labor laws. This is an arbitrary, unworkable and ill-conceived idea that would be an international embarrassment.

At the same time, the administration has aggressively sought excessive trade rules on investment, intellectual property rights, government procurement and service sector access on behalf of multinational corporations—heedless of the impact on workers, the poor or governments' capacity to regulate.

The Bush administration has given America's workers, farmers and producers few reasons to have confidence that it will fight for our interests in the international arena. The administration has failed to enforce our own trade laws, rejecting strong 421 safeguard cases in defiance of the findings of the U.S. International Trade Commission. It refused to even consider four separate Section 301 cases challenging China's violation of workers' rights and currency manipulation. It has failed to effectively enforce workers' rights provisions in existing U.S. trade laws, including the generalized system of preferences and bilateral agreements. It has done far too little to protect our trade laws from international challenge, leading to erosion of those laws as we lose challenge after challenge at the WTO.

President Bush has asked Congress to renew Fast Track (also called Trade Promotion Authority) when it expires in June of this year. We will vigorously oppose any attempt to extend the current flawed Fast Track authority. We cannot simply continue the status quo approach, which has resulted in bad trade agreements, lost jobs, stagnating wages and a spiraling trade deficit.

We welcome a national debate over how best to reform our trade policies—and how to strengthen the role of Congress in this important and contentious area.

The first step in any new trade policy must be a serious strategic review of existing trade agreements *before* the initiation of any new trade negotiations. We need to re-examine the content and performance of current agreements to measure their strengths and weaknesses and determine how we can do better in the future. Tracing the actual trade and investment patterns that result from trade deals by sector and by state, as well as their impacts on employment, living standards, social regulation and communities, would allow a much more nuanced debate about the actual outcomes of trade deals rather than their promised benefits. Such a review must also include recommendations on how to address problems in existing agreements, up to and including renegotiation.

Second, Congress should have a role in choosing trade partners, which it does not have under our current set of rules. Congress should lay out “readiness criteria” to assess any potential trade agreement partner, including: the economic opportunities available for U.S. workers, firms and farmers; a country’s legal framework and enforcement regimes; a country’s compliance with ILO standards, multilateral environmental agreements and fundamental human rights; and the existence of a democratic governance system. Only countries that meet these readiness criteria should be eligible for negotiations. With these rules, we would not have negotiated a trade agreement with Colombia, whose government is responsible, by act or omission, for the deaths of thousands of trade unionists.

The third key element is to make the negotiating objectives laid out by Congress mandatory, rather than optional. Current Fast Track authority simply lists negotiating objectives without any requirement that each objective be met. For labor in particular, this has yielded terrible results: the corporate sector’s objectives jump to the top of the list and ours limp along in last place. *In fact, workers’ rights have been among our negotiating objectives for more than 30 years, with very little progress being made.* The U.S. Trade Representative has consistently ignored Congress’s instructions with respect to protecting our trade laws and insisting on reciprocal market access, among many other things. These mandatory negotiating objectives should, at a minimum, address the issues listed above: labor, environment, investment, procurement, protecting our trade laws, intellectual property rights, services and immigration.

Fourth, Congress must certify that an agreement has met all the mandatory objectives before the agreement can be signed. Without such certification, an agreement will not receive expedited and preferential consideration and will be subject to amendment.

These represent only the most crucial changes that are needed to get our trade policy back on the right track.

Our nation no longer can continue with status quo trade policies. Those policies have failed—and failed miserably. They have failed our workers, our communities and our environment, and they pose a serious threat to our national security.

The November election was an urgent call by voters to this administration and Congress to drastically reform the way they set our trade agenda.

Congress must act now to reassert its voice and control over trade policy, which increasingly affects many areas of domestic policy. Without deep reform, we cannot come together to meet the many challenges we face as a nation.

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