

# INTERNATIONAL BROTHERHOOD OF TEAMSTERS

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June 12, 2007

VIA FACSIMILE

Dear Representative:

On behalf of the 1.4 million members of the International Brotherhood of Teamsters, I am writing to express our opposition to the trade deal announced May 10, 2007, by Chairman Rangel, some members of the Democratic Leadership, and the Bush Administration to facilitate passage of more Bush North American Free Trade Agreement (NAFTA) expansions. Not one labor union, small business, family farm, consumer, environmental or faith organization supports this deal. The Teamsters plan to strongly oppose the Free Trade Agreements (FTAs) unless further changes are made to fully address the concerns with the Bush-negotiated FTAs that we enumerated to the Ways and Means Committee well before the negotiating process began.

It is time for the United States (U.S.) to push for trade policies that will create jobs here in the U.S., not passage of more bad free trade agreements. In fact, there should be a moratorium on all new trade agreements until the United States adopts the policies necessary to restore our economy so that all workers benefit and so that our skyrocketing trade deficit is finally brought to balance. It is astounding to the Teamsters that Members of Congress would consider passing the Peru or Panama FTAs -- or any FTA -- without fully addressing the serious problems of the NAFTA- Central America Free Trade Agreement (CAFTA) trade model or the impact our current globalization policies have had on workers everywhere. The public strongly demanded a new American trade policy during the 2006 election. Adding even the best labor and environmental standards to agreements containing the same NAFTA foreign investor, procurement, and other provisions that have proved to destroy U.S. jobs and push down wages is not a new American trade policy. It is more of the same policy the majority of Americans rejected.

A new American trade policy would ensure that trade agreements do not contain foreign investor rights that promote offshoring or procurement rules that ban Buy America and anti-offshoring policies. The May 10 deal fails to remove

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these NAFTA-CAFTA core provisions that are included in the Bush FTAs. A new American trade policy would focus on reducing our staggering trade deficit, rebuilding our manufacturing base and taking on the China trade disaster, not on reviving the old Bush FTA agenda.

We are eager to be able to support new trade agreements that will create good American jobs. But this unfortunately is not the case with the May 10 deal that will instead facilitate passage of more NAFTA-style pacts with predictably damaging results. More than 3 million manufacturing jobs have been lost during the NAFTA era. The loss of these good jobs has resulted in downward pressure on all American wages. While American workers' productivity has soared, real median wages remain at 1970s levels. Meanwhile our current trade model has resulted in a nearly \$800 billion trade deficit which at 6 percent of our national income threatens U.S. and world economic stability. Earlier this year, Hershey Company announced that more than 3000 Hershey workers will lose their job, 575 of which are Teamster workers, and a new plant will open in Mexico in order to take advantage of NAFTA and cheap labor. How much more does the U.S. worker have to endure before this path to further job and wage loss ends?

I am pleased to see that some progress was made with respect to the protection of our ports, access to medicine, and within the labor and environmental chapters of the FTAs. However, adding these improvements to Bush trade agreements based on the NAFTA-CAFTA model is like putting new tires on a car that does not run. And, I remain concerned with the enforceability of the new proposed labor and environmental standards themselves.

As you are aware, a central element of the May 10 deal is insertion of an obligation for FTA parties to adopt and enforce the core labor standards of the 1998 *Declaration on Fundamental Principles and Rights at Work* of the International Labor Organization (ILO). This obligation could strengthen current FTA labor provisions, but the way the obligation is constructed leaves two serious problems regarding the enforceability of this provision.

First, the deal states: "The obligations of this agreement, as they relate to the ILO, refer **only** to" the 1998 ILO Declaration. This limiting language is not found in previous FTAs (for instance the Jordan FTA) or U.S. trade preference programs

that contains labor rights conditions. This new limiting language provides worrisome discretion for FTA dispute settlement panels to interpret and apply the terms of the ILO Declaration differently than the Declaration has been interpreted and applied by the ILO itself. The ILO interprets the Declaration's core labor standards by referring to eight fundamental ILO conventions and the decades of jurisprudence that the ILO has developed in applying those conventions. But ***an explicit instruction to "refer only" to the ILO Declaration could make it harder for FTA panels to follow the ILO's practice*** and instead lead FTA panels to define the core labor standards based on general principles that are vague and elastic.

Second, even if this issue is resolved, the improved labor and environmental standards will only have any effect *if* President Bush takes action to initiate cases when our trade partners fail to meet the new standards. Given the record of this Administration attacking and undermining the enforcement of domestic labor and environmental policies, it seems highly unlikely that President Bush would take action to counter failures of labor and environmental enforcement in other countries.

In contrast, the damaging core NAFTA-CAFTA provisions that the May 10 deal fails to remove would have immediate effect without reliance on action by President Bush. For instance, I am concerned with the fact that the deal fails to eliminate the excessive NAFTA 'Chapter 11' foreign investor privileges. Indeed, the Peru FTA extends these extreme provisions to include new foreign investor rights to attack the terms of their contracts with the U.S. federal government regarding construction and infrastructure projects. This Peru FTA investor right, which could affect the building trade workers we represent, goes beyond what was even in CAFTA despite the explicit opposition of many Democrats to the CAFTA version of these investor rights. These investor privileges create incentives for U.S. firms to move offshore. They also enable foreign investors operating here to directly sue the United States in World Bank and United Nations (UN) tribunals demanding massive damages claiming that our own government's regulatory actions, including environmental and public health laws, undermine their expected profits. Nothing in the deal remedies the Bush FTAs' actual investor rules that grant greater rights to foreign investors here than our own Constitution provides U.S. residents and firms. The threat of such expensive lawsuits under NAFTA

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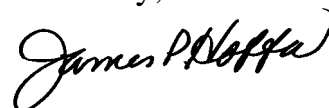
already has had a chilling effect, and in turn, pressures governments to weaken their domestic public interest regulations further promoting the race to the bottom.

The May 10 deal also does absolutely nothing to address our serious concerns regarding the Bush FTA's procurement chapters. The FTAs' rules on procurement ban anti-offshoring and Buy America policy, instead explicitly requiring that all firms established in FTA countries, even foreign firms, must be treated the same as U.S. firms when seeking government contracts. When our state and federal governments spend our tax dollars to purchase goods and services, we have a right to demand that those tax dollars be invested in creating good American jobs. Unfortunately, the procurement rules in current trade agreements prohibit such preferences. Further, the FTAs' procurement rules can be used to challenge a variety of important procurement provisions including domestic sourcing preferences, prevailing wage laws, project-labor agreements, and responsible contractor requirements. We believe that governments must retain their ability to invest tax dollars in domestic job creation and to pursue other legitimate social objectives. Trade rules must be re-written to protect the right of governments to spend their citizen's tax dollars responsibly, to promote the public good, to create jobs, and to protect workers' rights. This deal falls short of that standard.

I urge you to join me in opposing this deal and to fight for an entirely new American trade policy that can benefit our nation.

Please feel free to contact me, or Yvette Pena Lopes (my point person on trade issues at 202-624-6805), if you have any questions or wish to discuss further.

Sincerely,



James P. Hoffa  
General President

JPH/YPL/cwl