

May 5, 2003

Dear Representative:

The US-Singapore and US-Chile free trade agreements will be signed in the near future. Later this year, Congress will be asked to consider these agreements under fast track procedures. The AFL-CIO would like to draw your attention to serious deficiencies in these agreements and register our opposition to their signing by the Administration and consideration by the Congress. The AFL-CIO supported the last trade agreement to come before Congress—the US-Jordan FTA—but these agreements fall far short of the goals and standards embodied in that breakthrough pact.

Furthermore, unless Congress expresses its strong opposition now to the direction of the negotiations presently underway with Central American nations on a free trade agreement, the result will be an agreement even more seriously flawed because of a totally inadequate response to the serious economic problems in those countries. The egregious workers' rights situation in Central America shows that significant changes are required in Central American domestic labor laws, which do not come close to meeting the five internationally-recognized ILO labor standards. There must be far stronger mechanisms for enforcement of labor laws and a more effective dispute settlement procedure than what was negotiated for Chile and Singapore. It would be a grave mistake to use the workers' rights provisions in the Chile and Singapore agreements as a starting point for the Central America FTA negotiations, which is the approach currently being adopted by the Administration.

If the Chile and Singapore agreements are enacted, working families in the US stand to lose even more ground through job displacement and an increased US trade deficit, while workers in Chile and Singapore are likely to face widening income inequality.

The labor provisions of the Chile and Singapore FTAs will not protect the core rights of workers, and represent a big step backwards from the Jordan FTA and our unilateral trade preference programs. The agreements' requirements that governments meet international standards on workers' rights are completely—and intentionally—unenforceable, meaning that even rampant violations of the core labor standards cannot be taken to dispute resolution. The one commitment that can be taken to dispute resolution—the commitment to enforce domestic labor laws—is subject to remedies that are much weaker than those available for commercial disputes. This violates a key TPA negotiating objective that equivalent remedies be available for all parts of a trade agreement.

The Singapore agreement will create a sweatshop haven on two Indonesian islands through a program called the Integrated Sourcing Initiative (ISI). The initiative allows electronics components from these islands to count as Singaporean content under the FTA, even though the Indonesian islands are not subject to the labor and environmental provisions of the agreement. The agreement requires no reciprocal market

access for US goods in Indonesia, and the initiative can even be expanded to more products and regions in the future. ISI supporters say the program will help prevent terrorism, but it is hard to imagine how low-wage, high-turnover sweatshop jobs are going to endear Indonesians to the US. The real purpose of the initiative seems to be facilitating offshore production for export into the US.

The economic impacts of the Chile and Singapore agreements on US workers will not be positive. In every case in which the US has reached a comprehensive free trade agreement with another country, the impact on our trade balance has been negative. For example, our combined trade deficit with Canada and Mexico is now almost ten times what it was before NAFTA went into effect. Both the Chile and Singapore agreements focus more on facilitating the shift of US investment than increasing US exports. Nearly all of Singapore's tariffs were already at zero even before negotiations began.

Both FTAs create entire new visa categories for the temporary entry of professionals, eroding basic protections for guestworkers and the domestic labor market. These provisions were negotiated despite the lack of any Congressional negotiating objectives on temporary entry.

Provisions in both FTAs on investment, procurement, and services constrain governments' abilities to regulate in the public interest, pursue responsible procurement policies, and provide public services. Investment rules fail to ensure that foreign investors are granted no greater rights than domestic investors, violating Congressional negotiating objectives. The FTAs also increase the likelihood of financial crises and currency devaluation by constraining the ability of Chile and Singapore to impose capital controls and reasonably regulate financial speculation.

The idea that concluding trade agreements with Chile and Singapore will somehow increase US security and regional stability rings hollow when examining the historical record. Within a year after NAFTA's passage, Mexico faced an armed rebellion—inspired by its accession to NAFTA—and then steeply devalued its currency, creating tremendous political, economic, and social instability. Ironically, NAFTA's failures—not its successes—helped undermine the ruling party in Mexico. The increase in trade volume from Mexico created a massive volume of uninspected cargo, which reduced safety by permitting more tainted food and illicit goods such as narcotics into the US. Numerous government studies documented these hazards, but little was done to correct the flaws. Singapore—already the world's second biggest source of transshipments—will be especially vulnerable, and the FTA does not put into place an infrastructure capable of preventing transshipments of dangerous or illicit goods.

If Singapore is indeed being rewarded with an FTA, it is not for its record on human rights and political freedom. According to the US State Department, Singapore's government has "wide powers to limit citizens' rights and to handicap political opposition...Caning, in addition to imprisonment, was a routine punishment for numerous offenses...The Government continued to significantly restrict freedom of speech and freedom of the press, as well as to limit other civil and political rights."

For these reasons, the AFL-CIO urges you to oppose the Chile and Singapore FTAs, which fall short of Congressional negotiating objectives, set damaging precedents for future trade negotiations such as the US-Central America FTA, and harm the interests of America's working families.

Sincerely,

William Samuel, Director  
DEPARTMENT OF LEGISLATION