

UNITED BROTHERHOOD OF CARPENTERS AND JOINERS OF AMERICA

Douglas J. McCarron

General President

June 4, 2009

Barack Obama
The President
The White House

Dear Mr. President:

On behalf of the 550,000 members of the United Brotherhood of Carpenters, I strongly recommend that your administration support a freeze on all new trade agreements pending a thorough and open review of U.S. international trade and investment policies. Specifically, I urge you not to propose or support a Free Trade Agreement with Panama.

On its merits, the Panama FTA, which was negotiated by the Bush Administration, fails the test of common-sense economics. Although the language on labor rights is somewhat improved from the NAFTA model, it remains inadequate in two important respects:

- 1) The labor protections require adherence to the *principles* embodied in the International Labor Organization's core protections, not to the core protections, themselves.
- 2) The enforcement mechanisms are weak and unacceptable. As in the case of Peru, Panama does not have to change its labor law until after the FTA is signed. Although the Peru FTA was signed in late 2007, it still has not passed the promised modifications intended to strengthen its labor code. Worse, some of the changes it has made seem to have undercut even further the bargaining power of Peruvian workers.

At the same time, the Panama FTA copies some of the worst provisions of NAFTA and the discredited CAFTA. For example, it would allow foreign companies and subsidiaries of domestic companies to sue the United States over consumer, financial, procurement and health regulations on the grounds that they threaten future profits.

Panama's status as a major tax haven for American multinationals makes this agreement especially worrisome. Panama may be a small nation, but it is a central actor in global corporate tax dodge schemes. Some 350,000 corporations are registered in Panama. The vast majority do so to take advantage of the Panamanian government's willingness to accommodate tax evasion, fraud and money laundering. Our members are outraged that major Wall Street firms – who are now receiving billions in government subsidies – route their revenues through Panama to avoid the IRS. Citibank has 17 subsidiaries in Panama. AIG is now using its Panamanian subsidiary to sue the United States for over \$300 million in back taxes it claims it does not owe. This is outrageous, and surely outside your administration's intent.

President Barack Obama
June 4, 2009
Page Two

According to the Government Accounting Office, the U.S. Treasury loses over \$100 billion to this kind of fraud every year. Our nation desperately needs these revenues to repair its infrastructure and make other vital investments to regain sure economic footing.

Mr. President, I applaud the steps your administration has taken to stop offshore tax evasion as part of the long term effort to bring down looming budget deficits. I fear the FTA will signal to the multinational community that the U.S. government is not serious about stopping this drain on its revenues, and it will be seen as rewarding Panama for its irresponsible behavior.

In addition to the specific flaws in the Panama FTA, its passage will undercut the critical work now underway to change the misguided trade policies of the last several decades that have seriously undercut American living standards and economic opportunities. Beginning with NAFTA through trade concessions to China and then to more than a dozen bi-lateral agreements, the central “deal” has been the same: allow American and other multinational corporate investors to produce goods and services for the U.S. market in nations that provide cheap labor, tax havens and escape from environmental regulations.

As each deal is proposed, the American people have been promised – just as the promoters of the Panama FTA are now promising – that the U.S. will benefit because our exports will rise more than our imports. Thus, in 1993, we were promised that U.S. workers would benefit from NAFTA because we were at that time running a trade surplus with Mexico.

In 2000 we were told that our trade deficit with China would improve. In both cases the surpluses quickly turned into huge deficits. After 15 years of unfulfilled promise the results include:

- A 500 percent rise in the U.S. trade deficit causing some roughly 6 million American jobs to be lost or displaced;
- American wages relentlessly undercut by competition from exploited foreign labor;
- A U.S. debt to foreigners that will reach 35 percent of our GDP in 2009 – roughly five trillion dollars; and
- A shrinking industrial base, putting America further behind in developing the new technologies upon which future living standards will depend.

Your administration and the new Congress were elected with a mandate for economic change. The time has come to stop the discredited deal-by-deal approach of the past, in which each trade agreement becomes the excuse for the next, with little reference to the real interests of American workers.

President Barack Obama
June 4, 2009
Page Three

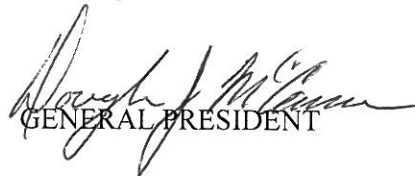
In that spirit the UBC respectfully urges you to consider a common sense two-step approach to trade policy:

First, reject the Panama FTA and similar agreements (Colombia, South Korea) based on the old failed model.

Second, support a thorough and open review of U.S. trade and economic globalization policies in order to assure that future policies and agreements make U.S. economic interests a priority. In this regard I urge you to support the Trade Reform, Accountability, Development and Employment Act (TRADE Act) when it is reintroduced this year.

The members and families of the United Brotherhood of Carpenters do not oppose global trade, but we expect that our government will pursue trade policies in our national interest. Like all American working families, our members are struggling with the effects of the worst economic crisis since the Great Depression, and they are aware that the fate of all American workers is now tied together in this brutally competitive global economy. That is why we feel so strongly about this, and ask you to help pave the way for new trade and globalization strategies that will work for working Americans.

Sincerely



GENERAL PRESIDENT

DJM/mlb

C: Vice President Joseph R. Biden, Jr.
Speaker Nancy Pelosi
Senator Harry Reid
Ambassador Ron Kirk