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Statement for the Record

Hearing: Advancing Congress's Trade Agenda, The Role of Trade Negotiating Authority  
By UAW President Bob King

United States Senate Committee on Finance  
215 Dirksen Senate Office Building  
Washington, D.C. 20510

The UAW strongly agrees with the Obama administration that the most important challenge facing the United States is the dramatic growth in income inequality, and we join President Obama in his conviction that trade agreements should serve to reduce rather than exacerbate this inequality. We support agreements that grow our economy, enhance domestic manufacturing, strengthen the enforcement of labor rights, and address climate change through enforceable standards.

The UAW strongly believes that President Obama's first trade agreement, The Trans Pacific Partnership (TPP), must contain three essential objectives: 1) the preservation and expansion of U.S. manufacturing employment; 2) the recognition and protection through strong effective enforcement mechanisms of global labor rights under the International Labor Organization's (ILO) Declaration on Fundamental Principles and Rights at Work; and 3) the enforcement of strong environmental standards.

The ILO Declaration on Fundamental Principles and Rights at Work covers four fundamental principles regarding rights at work:

1. Freedom of association and the effective recognition of the right to collective bargaining;
2. Elimination of all forms of forced or compulsory labor;
3. Effective abolition of child labor;
4. Elimination of discrimination in respect of employment and occupation.

We are deeply concerned that these three objectives are not being adequately addressed in current negotiations and could be severely compromised by the passage of S.1900, Bipartisan Congressional Trade Priorities Act. For example, a one-way trade agreement with Japan could devastate our automobile industry over time. Countries who are party to the TPP encompass more than 40 percent of global gross domestic product. This percentage is expected to increase over time, so the significance of the TPP and passage of S.1900 are difficult to overstate.

S.1900 also extends TPA by four years, with an option to renew an additional three years – allowing Fast Track authority for the next administration. In addition to the TPP, the bill could impact other important future trade agreements that, if completed and implemented, will have a lasting impact on our economy and working families for decades to come. Congress should not diminish its role on the TPP and future agreements. Therefore, the UAW opposes the Bipartisan Congressional Trade Priorities Act and urges Congress to work with the administration to address economic inequality here and abroad.

The UAW position is informed by our experience with past trade agreements. In the case of the Korean Free Trade Agreement (KORUS FTA), we were appreciative that the administration focused on and secured provisions that will protect the U.S. auto industry. Therefore, we supported the adoption of KORUS even though there were provisions with which we disagreed.

Earlier trade deals, in particular NAFTA, have shown the terrible impact on the middle and working class of agreements that lack strong enforceable labor and environmental protections, and that incentivize companies to offshore manufacturing jobs. Having learned from this experience, the UAW believes it is essential that we not repeat past mistakes, and that we work together to find an approach that supports our shared values and interests in a global economy where imports and exports account for more than 30 percent of our national economy.

NAFTA resulted in a net loss of nearly 700,000 jobs in the United States. In Mexico, NAFTA led to a huge upheaval in which more than two million subsistence farmers were forced from their land. While some gained jobs in factories, they still lack the right to freely form independent unions. The UAW actively supports Mexican workers in their fight for the right to join unions that will negotiate for decent wages and safe working conditions. But NAFTA's failure to include strong enforceable labor rights undermines our joint efforts to improve Mexican labor standards and motivates companies to outsource work to Mexico where they can exploit Mexican workers. Negotiating a trade agreement with some of the countries engaged in the TPP poses a serious risk that some of the deficiencies in NAFTA will be reproduced in the TPP.

Vietnam's inclusion in the TPP provides an example of the problems posed by trade agreements with countries with poor labor standards. The average wage in Vietnam is 75 cents an hour; there is no right to freely form unions, and there is documented use of child labor in Vietnam. We must ensure that any trade agreement elevates the living standards

of the people of Vietnam and other nations, but this will not happen automatically. There must be strong enforcement of international labor standards included in all trade agreements so that corporations cannot exploit workers.

Further, some Japanese corporations have a double standard regarding worker rights, respecting those rights in their home country while disregarding them outside their borders. Most Japanese car manufacturers manufacturing in the United States do not respect the right of American workers to freely form unions. For example, Nissan has a cooperative, respectful relationship with unions in Japan, and it works with unions elsewhere around the world. But when workers in the U.S. attempted to organize a union, the company implied in many ways that its facilities would close if workers unionized. Workers were called into individual and group meetings and warned of the negative consequences of forming a union. Entering into a trade agreement without strong, enforceable worker rights mechanisms could encourage Japanese companies to continue to adopt a double standard regarding their attitudes toward unions outside of their home country.

A trade agreement with Japan could harm the middle class and lead to the closing of work places across the country. The U.S. has a competitive and open market but Japan does not; its market is the most closed in the developed world and Japan could gain an ever greater competitive advantage if the TPP fails to create a level playing field.

Under the TPP as proposed, other countries are negotiating the reduction and eventual elimination of U.S. tariffs on cars imported from Japan. Removing these tariffs would be equivalent to a \$1 billion tax break for Japanese auto companies.

Our lopsided trade imbalance could get much worse. In 2012, Japanese companies sold well over 5 million cars in the U.S., capturing nearly 40 percent of the American market. Sadly, for every vehicle we export to Japan, it exports 130 vehicles to the United States. And it's not just a problem for American companies. Hyundai, KIA and many other auto companies have given up on selling in Japan, leaving in frustration with their closed system. S. 1900 does not directly address these serious problems and would prevent Congress from taking action to remedy the issue.

The UAW is extremely proud that the American auto industry leads the country in exports and is creating tens of thousands of new jobs a year, most of which were created as a result of collective bargaining. The hard work and enormous sacrifice of UAW members, retirees and auto companies have paid off. The administration and many in Congress also deserve a great deal of credit for taking bold action to save more than one million jobs in the auto sector during the economic crisis. We must pass trade agreements that will expand this growth and not diminish it.

We are also concerned that environmental standards being negotiated under the TPP are inadequate. Last fall, 24 environmental organizations, including the Sierra Club, the Natural Resources Defense Council (NRDC), and the World Wildlife Federation (WWF), sent a letter to the U.S. Trade Representative Michael Froman calling for a strong and

legally enforceable environment chapter in the TPP that includes the elimination of subsidies for harmful fisheries which are a key driver of overfishing; a ban on trade in illegally harvested timber, wildlife, and fish; and obligations to uphold domestic environmental laws and commitments under multilateral environmental agreements.

“If the environment chapter is finalized as written in this leaked document, President Obama’s environmental trade record would be worse than George W. Bush’s,” said Michael Brune, executive director of the Sierra Club. “This draft chapter falls flat on every single one of our issues –oceans, fish, wildlife, and forest protections –and in fact, rolls back on the progress made in past free trade pacts.”

The UAW is proud that by working with our environmental allies, companies and the administration, we were able to achieve new progressive CAFE fuel efficiency standards. It is important that we continue moving forward with cooperation in pursuing goals shared by labor, environmentalists, management and government to protect both the environment and our economic future.

Additionally, meaningful and enforceable provisions to prevent currency manipulation by potential trading partners must be part of any trade agreement. The UAW commends the supermajority of Senators and the majority of House members for their support of addressing currency manipulation with enforceable measures in the TPP. However, S.1900's provisions have inadequate enforcement mechanisms and contain loopholes that would likely be exploited by countries that have a history of manipulating their currencies, like Japan. Congressional oversight and engagement can provide valuable input on these and other important matters.

Finally, workers who have been displaced by trade agreements must not be left in the cold. Trade Adjustment Assistance and Health Care Tax Credits need to be reauthorized. Because of these concerns we urge the committee’s rejection of S. 1900 and instead urge it to work to combat inequality here and abroad. The UAW stands ready to work with all stakeholders to accomplish this important national objective.