

Town Hall Meeting on Free Trade
Johnson County Community College
August 30, 2001

Remarks by Judy Ancel, Director, The Institute for Labor Studies.

The Greater Kansas City Fair Trade Coalition proposed this debate to Congressman Moore because we want members of our community to become more informed in the debate over NAFTA expansion to the entire Western Hemisphere, a project called the Free Trade Area of the Americas or FTAA. That debate is focused right now in Congress on fast track legislation, or Trade Promotion Authority. A big part of that debate will be about NAFTA, its successes and failures, and whether the NAFTA model should be expanded.

I want to make it clear from the start that we are not opposed to trade nor to any project, which promotes cooperation between the peoples of the world. We oppose, however, the idea of trade as the highest good, because certain kinds of trade agreements actually impoverish us and destroy our right to govern ourselves.

NAFTA is but one component in a much broader initiative by the world's biggest corporations to erase the ability of people and their governments to balance the interests of big corporations against the interests of those of us who work for a living and buy most of the products. That initiative is a very selective sort of deregulation, which on the one hand wipes out trade and investment barriers and laws that safeguard labor and the environment while on the other hand institutes exacting rules to protect corporate rights. NAFTA is an object lesson in how this works.

Free traders talk about NAFTA's tremendous expansion of exports and will make promises of increased exports and jobs under the FTAA. But their promises are as phony today as they were back in 1993 when they predicted that NAFTA would create 200,000 good jobs in the U.S. What they don't talk about, however, is the much larger growth of imports. Here's what's actually happened: first, a \$16.6 billion net trade deficit with Mexico and Canada has increased by 378% to a whopping \$62.8 billion dollar deficit when adjusted for inflation.

Second, a growing deficit was built into the system of Mexican production for export, production which takes place in factories called maquiladoras – foreign owned, high-tech sweatshops, which produce entirely for export to the U.S. and Canada. NAFTA took a narrow free trade zone just along the Mexican side of the border with the U.S. and expand it to all of Mexico. There was never any intention of developing the Mexican internal market to buy US goods. They'd have to pay people a living wage to do that. The exports that grew were what's called turn-around exports, that is parts and raw materials going to the maquilas which then have a minimum of value added by workers making the princely sum of \$4 to \$5 a day assembling the products which are then reimported into the U.S. tax free.

What is the effect of this? No sustainable development in Mexico and permanent trade deficits for the US. Another effect is permanent pressure on US workers to lower their standard of living or lose their jobs. The workers who formerly assembled those products in the U.S. or Canada who led middle class lives, paying taxes, sometimes sending their kids to college have lost their jobs – over 700,000 of them. To be sure, most found other jobs in the so-called boom of the late 90s, even several jobs at the same time since workers displaced by trade make an average of 13% less in their new jobs – those that find one. That's what happened to the workers at Goldblatt (Stanley) Tool in Kansas City Kansas when their jobs moved to Puebla a couple of years ago, or the Goodyear workers in Topeka.

But what about the retraining programs to transition the victims into new jobs? The 600 plus GST workers laid off in April due to steel imports found they can't afford the program. There's no health insurance. So they're taking jobs that pay half of what they earned at GST, just to be able to provide their families with healthcare.

Meanwhile, do the companies that move pass on to the consumer what they save in wages, taxes, and waste disposal at their Mexican sweatshops? No, that goes to bloated CEO salaries and inflated profits. And when workers at companies like Delphi in Olathe or Goldblatt in KCK go to the bargaining table, what do they hear? "You must be competitive and control yourselves or we'll be forced to move to Mexico." Of course,

in cases like Delphi, they are the competition. Delphi is one of Mexico's largest employers.

And when workers in the U.S. try to organize unions to have a voice, what happens? In a Cornell study of over 600 companies 62% threatened to close or move if workers voted for a union.

It's a race to the bottom for working people who are forced into competition with workers in Mexico, or China, or if Bush has his way, Chile, Brazil and Argentina.

One of the things I have done since 1992 is follow the jobs to Mexico. In numerous trips, I have interviewed maquiladora workers, talked to Mexican health experts, economists, journalists and independent unionists to find out if at least our American workers had sacrificed their jobs so that Mexico could prosper. What I have learned however, is that as an economic development strategy which would help Mexicans earn enough to not have to emigrate, NAFTA has been an absolute and unmitigated flop.

On every trip, people are poorer, the workers are younger, and the birth defects from toxic chemicals are swelling. There has indeed been massive investment in the maquilas and the workforce has more than doubled. Despite a 48% increase in productivity since NAFTA, the workers have lost. Since 1994, the minimum wage has dropped 18% and manufacturing wages are down over 20%. The growth of poverty is evident everywhere rising to include over two-thirds of the population. Extreme poverty – that is slow starvation – is up from 21% to 27%. A recent study of 15 cities in northern Mexico on Purchasing Power of maquila workers found that the minimum wage – now about \$4 a day, covers barely 20% of what a family needs to sustain itself. The choice between eating and sending a child to primary school is common, and today companies like Delphi, Alcoa and Sony are laying off higher paid old workers, over the age of 25, to hire cheaper children age 16-20, and sometimes younger on temporary contracts. As border environmentalist Domingo Gonzalez has said, "The drive for profit is causing a disaster in our communities. The more factories we get, the poorer we get."

Why? Two reasons: first, free trade, the elimination of price supports, and land law changes have driven hundreds of thousands of formerly poor but self-sufficient

peasants from the land, creating a labor pool for expansion of export driven industrialization. And second, whenever maquila workers try to organize real unions to win improvements, they face massive repression by the government, the companies and the corrupt unions which cut secret deals with employers.

That was supposed to have been stopped by the Labor Side Accords, tacked onto NAFTA. The Labor Accord provides that if any NAFTA country fails to enforce its own labor laws, then, after a hearing, their secretary of labor can be forced to go to a meeting with ours, or ours with theirs. Of the 24 cases that have been brought since 1994, 15 were against Mexico. A new GAO study found that cases take at least two years to process and none has gone past consultations. In fact, not one fired worker at GE or Honeywell or Sony or Han Young or others who brought cases has ever gotten her job back and not one real union has succeeded.

In a case last summer the Zedillo government agreed to institute secret ballot elections to certify unions. Yet in one such struggle in Rio Bravo at Duro Bag, a Hallmark supplier, workers endured mass firings, arrests, the blacklist, death threats, and months of procedural obstacles aimed at blocking a representation election. When it finally happened, the Mexican government allowed a hundred thugs from a government and company -dominated union to "escort" the workers to vote before a battery of company, government, and union officials where they had to declare out loud which union they were voting for. Labor Secretary, Carlos Abascal, patriotically declared, that he didn't have to abide by any agreements with foreign countries to provide a secret ballot.

Last week the GAO published a study comparing outcomes of the labor, environmental and Chapter 11 cases. It shows how the labor and environmental cases end in meetings, empty promises, studies, and workshops to tell workers the rights they've already fruitlessly tried to exercise while the Chapter 11 cases have garnered millions of dollars in damages paid by citizens to corporations and overturned several laws which protected the environment and public health by limiting sale of dangerous products. NAFTA gives workers no rights and gives big business many, with no responsibilities.

So, that's the NAFTA model, a model that has led to a continent-wide pattern of stagnant worker incomes, increased insecurity, and rising inequality. Now the Bush administration is asking Congress for fast track legislation to expand NAFTA. Fast track means that Congress will surrender its right to debate and amend any trade agreement Bush negotiates. I think we all need to understand that the fast track vote is the most important vote there will be on the FTAA. Fast track is a blank check not only to spread the NAFTA model, but to introduce new provisions which will do to service sector and public sector workers what NAFTA has done to manufacturing workers and which may further erode our rights as citizens to govern our own communities.

If you look at the draft text for FTAA, you find that the Bush administration has heard nothing of the protests from North America or around the world. It turns a deaf ear to the students and young people who protest sweatshop globalization or to the communities on both sides of the border whose health and environment have been unspeakably fouled, or to hundreds of thousands of blue-collar workers who have sacrificed their standard of living and their children's futures for the good of the multinationals.

Not only are the free traders risking the engine of economic growth: the American middle class, but they are generating massive social protest and unrest throughout the world which will, in the end, by whatever means, find a way to win a more just economy.