

The New Politics of American Trade

BY SUSAN ARIEL AARONSON

The remaking of the trade debate.

For many years, the U.S. debate over trade has been a little like a sixth-grade dance. Proponents from business, academia, and government squirm on one side of the room. Meanwhile, opponents—members of labor unions, civil society groups, academics, and local government officials—refuse to move. But on December 6, 2010, two unions joined the dance. The United Auto Workers and the United Food and Commercial Workers expressed support for the Korea-U.S. Free Trade Agreement (KORUS), arguing that the agreement will not only “protect” but, according to the UAW, “grow more jobs.” These unions became the first U.S. unions to publicly support a free trade agreement since the U.S.-Canada free trade agreement of 1988. Meanwhile, several other prominent unions, including the American Federation of Labor umbrella organization, continued to signal their opposition to KORUS and other trade agreements.

Does this development signal a new policy environment for trade? Perhaps. The UAW got special provisions to protect workers in the auto sector from import surges. But the politics of trade may be changing. The Obama Administration has made labor enforcement a top priority for trade policy-making and in so doing has built trust with union leaders and members of Congress. Moreover, in

recognition of changed economic and demographic conditions, some union leaders see opportunities in some of these agreements.

The Obama Administration has worked hard to show trade agreement critics that it is focused on achieving improved governance, labor rights, and employment “results” from trade agreements. The Bush and Clinton Administrations did little to hold FTA partners “accountable” for their labor practices. In fact, the United States has rarely acted to enforce these labor rights provisions and has never applied sanctions in response to violations. In 2009, the Congressional Government Accountability Office found that these agreements had done little to improve labor rights.

Obama Administration officials shrewdly recognized that labor rights language in bilateral FTAs could not appease concerns about these agreements. In its first (2009) trade policy agenda report, the Administration acknowledged that protecting worker rights makes “support for global markets sustainable.” Ron Kirk, the U.S. Trade Representative, asserted that “USTR will proactively monitor and identify labor violations and

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enforce labor provisions.... When efforts to resolve violations have been expired, USTR will not hesitate...to invoke formal dispute settlement.”

The Administration began to act on its promises. Trade officials maintained the Bush Administration’s ban on Mexican trucks. Trade and labor officials put FTA partners on notice that the United States would monitor their labor rights performance. The Administration added an addendum to the Korea-U.S. FTA to ensure that the American auto industry would not suffer from harmful surges in Korean auto imports, and worked with key members of Congress to find ways to improve Colombia’s labor, human rights, and judicial practices. And on July 30, 2010, the Obama Administration promised to challenge Guatemala’s labor practices if that country did not reassure the U.S. government that it would effectively enforce its labor laws.

Changing economic and demographic conditions have also forced union leaders to rethink their strategies. Public-sector unions have grown dramatically in recent years. However, in the past two years as the economy withered, state and local governments have cut public-sector jobs and benefits. As a result, public-sector unions are shrinking. Union leaders will have to find new recruits in other sectors or countries if they are to grow.

Workers and union leaders confront a world where both skilled and unskilled workers are plentiful but jobs are scarce. Exports, however, are clearly stimulating U.S. employment. The U.S. Department of Commerce reported that through the first three quarters of 2010, U.S. exports increased 17 percent from the same period in 2009. As the United States exports more goods and services, firms from associated sectors such as education, financial services, tourism, agriculture, transport, and warehousing also need more employees. In 2008, exports supported more than 10 million (or 12.7 percent) U.S. part- and full-time jobs. (Due to the downturn, the 2009 figures dropped to 8.5 million or 6.9 percent of total employment.) The U.S. manufacturing sector is relatively efficient at manufacturing, and has also shown a marked hostility toward unionization. Therefore, expanded goods exports may not directly result in many new manufacturing jobs. However, the U.S. service sector is more labor-intensive, and unions may find such companies more fertile ground for unionization.

Finally, union leaders recognize the power of demographics. Many of the fastest-growing countries in Latin America and Asia also have growing middle classes ready to consume a wide range of U.S.-produced goods and services. Although the American population is growing, according to the International Monetary Fund, overseas markets represent almost three-quarters of the world’s purchasing power and some 87 percent of economic growth.

Some union leaders seem to have decided it is better to help shape the trade agreements that can help stimulate that growth.

Union leaders are unlikely to become enthusiastic converts for trade liberalization. They see these agreements as deregulatory, and they have a point. They have seen pay and relative labor standards decline for many workers. But these agreements are also re-regulatory—they give foreign market actors, including workers, a voice in regulating our trade partners.

The AFL notes quite rightly that South Korea has labor rights problems, including limitations on strike activity and widespread intervention in internal trade union affairs by the state (including restrictions on union membership). Moreover, some 55 percent of the Korean workforce works as contingent or irregular workers. These

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workers have little ability to affect workplace conditions. If American workers want to help empower these workers, will they have more influence with the trade agreement or without it? In making its case for KORUS, the Obama Administration argues it will challenge violations of labor rights related to trade, as it may do with Guatemala. However, the AFL argues that even with a sympathetic administration, it will be difficult to challenge violations because it will be hard to prove a connection to trade or investment. But the AFL certainly cannot challenge violations without the agreement.

In sum, Obama Administration strategies coupled with changing economic and demographic conditions are remaking the political environment for debating trade. Labor is now divided as to the potential benefits and costs of free trade agreements. This division will allow a broader, more honest debate about the costs and benefits of bilateral free trade agreements, and allow discussion as to whether these agreements are deregulatory or re-regulatory. Such a debate is in America’s best interest. ♦