

**MAPPING THE LANDSCAPE:
PERSPECTIVES ON THE IMPLEMENTATION
OF FREE TRADE AGREEMENTS**

REMARKS

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I Free Trade Agreements Benefit Both Workers At Home and Those in Other Countries

Free Trade Agreements have been good for workers at home and in other countries. At home, workers benefit by lower prices on goods. According to a recent study by the United States Trade Representative's Office, the North American Free Trade Agreement (hereinafter NAFTA) and the World Trade Organization (hereinafter WTO) agreements saved a U.S. family of four between \$1260 and \$2040.¹ These savings are in the form of reduced import duties on things the average family buys.

Free Trade Agreements also promote exports, further benefiting workers here at home. New WTO trade negotiations, for example, would especially benefit our agricultural sector. Free Trade Agreement of the Americas (hereinafter FTAA) negotiations would help exports by reducing tariffs. Currently, average tariff rates are still over 10% in many FTAA countries.² Reduced rates would not only help our software, service and pharmaceutical industries where we are extremely competitive, but would also protect other markets as well. In addition, Free Trade Agreements promote economic efficiency and foster competitive advantage which benefits all.

Free Trade Agreements also promote democracy. That is, U.S. ideas follow U.S. commerce. U.S. workers are not the only citizens to benefit from Free Trade Agreements. Workers in other countries also benefit as trade is the best way to move countries out of poverty. The World Bank estimates that if agricultural subsidies were eliminated, it would result in \$1.5 trillion in additional income for developing countries over a decade.³ In addition, Free Trade Agreements raise labor standards for workers.

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¹ Press Release, Office of the United States Trade Representative, USTR Documents Benefits of Trade for American Families (Sept. 19, 2001), *available at* <http://www.ustr.gov/releases/2001/09/01-73.htm>.

² U.S. GEN. ACCOUNTING OFFICE, FREE TRADE AREA OF THE AMERICAS: NEGOTIATORS MOVE TOWARD AGREEMENT THAT WILL HAVE BENEFITS, COSTS TO U.S. ECONOMY 95 (Sept. 7, 2001).

³ *A Chance for Trade*, WASH. POST, Oct. 2, 2001, at A24.

Wealthier countries have higher labor standards. To the extent that a country can raise its living standards, it is likely that labor standards also will rise.

Although Free Trade Agreements provide many benefits and advantages, we must also consider the problems they may pose. It is inevitable that some workers will lose their jobs. Simply put, as our own trade barriers are reduced, other countries will have a comparative advantage, especially in labor-intensive industries. To counter this, we need more effective trade adjustment assistance programs to assist dislocated U.S. workers. We must recognize that some countries have terrible labor situations, with child labor, long hours, and poor working conditions. We need to address these situations, but there are no easy answers.

II A Compromise Is Being Considered By the Congress on How to Handle Labor Issues in Trade Agreements

Currently, Congress is considering a compromise on how to handle trade agreements in future trade negotiations.⁴ The President must have trade promotion authority to pass trade agreements. Particularly, in exchange for Congressionally-mandated negotiating objectives, Congress should be required to cast an up or down vote on the President's negotiated agreements. The resulting legislation must not be subject to amendment. This characteristic is crucial because allowing such agreements to be amended would require the President to re-open negotiations after he signed an agreement with another country. No nation would negotiate on that basis. The focus of the debate thus far has been whether or not the U.S. should have labor (and environmental) negotiating objectives in trade agreements. Numerous attempts to pass trade promotion authority have failed because of the fierce debate about whether to include labor and environmental issues in trade agreements. Now, it appears that we may have a workable compromise.⁵

The compromise represents the views of Republicans and moderate Democrats. It is led by Chairman of the House Ways and Means Committee, Bill Thomas and supported (with suggested changes) by Max Baucus, Chairman of the Senate Finance Committee which has jurisdiction over trade issues. The compromise has three main components: (1) overall negotiating objectives, (2) specific negotiating objectives, and (3) other priorities for the President.⁶

The compromise's overall negotiating objectives explicitly include labor and environmental standards. With regard to labor, the objectives promote respect for worker rights and the rights of children consistent with International Labor Organization (hereinafter ILO) core labor standards. Specific negotiating objectives ensures that parties to trade agreements effectively enforce their own labor laws. This includes the effective and timely resolution of disputes, compensation, and penalties.

As a result, labor and environmental disputes would be put on parity with other disputes for enforcement. Presidential priorities set forth in the compromise include greater cooperation between the WTO and ILO; establishing consultative mechanisms to strengthen core labor standards; reviewing the impact of trade agreements on U.S. employment; and reporting on child labor laws in countries with which we would be

⁴ Bipartisan Trade Promotion Authority Act of 2001, H.R. 3005, 107th Cong. (2001); see also *A Chance for Trade*, *supra* note 3.

⁵ *A Chance for Trade*, *supra* note 3.

⁶ Bipartisan Trade Promotion Authority Act of 2001, *supra* note 4, at §2.

negotiating.

The Democratic leadership is offering its own proposal through a group led by Representatives Sander Levin (Michigan), the ranking Democrat on the House Ways and Means Trade Subcommittee, and Charles Rangel (New York).⁷ The legislation calls for the ILO core standards to be adopted as a negotiating objective.

III. Conclusion

In conclusion, Free Trade Agreements are beneficial for workers at home and abroad. More trade is inevitable. The question is whether the United States actively participates in the global marketplace, or whether the U.S. sits back and allows others take the lead. I think we are better off if we show leadership. We should promote trade in a way designed to further the rule of law and benefit workers in the United States.

⁷ Comprehensive Trade Negotiating Authority Act of 2001, H.R. 3019, 107th Cong. (2001).