

Democratic Policy Committee  
Hearing on Trade Agreements  
June 18, 2004

SEN. DORGAN: We'll call the hearing to order, this hearing of the Democratic Policy Committee this morning on the subject of international trade and the trade deficit. My name is Byron Dorgan and I will be joined by my colleagues in a few moments. And I'm joined by one of my colleagues now, Senator Stabenow from the state of Michigan, and I'm very pleased she's here. Senator Evan Bayh will be with us momentarily, and others. So we thank all of you for being here, we especially thank our witnesses this morning for coming. I'd like to begin with an opening statement and then I'll call on my colleagues for some comments and then we will here from the first panel.

Yesterday there was a column in the Washington Times magazine by Paul Craig Roberts... Washington Times newspaper I should say, by Paul Craig Roberts. He was one of the top economists for the Reagan Administration, and I want to read part of his column because it's very interesting. It says, "American job growth is now concentrated in low-paid domestic services, such as restaurants, bars, temporary help, health care and social assistance. Of the 248,000 new jobs last month, 213,000 are in those kinds of areas." It says, "The good news is 32,000 manufacturing jobs were created in May. If this manufacturing jobs growth continues, by June of 2011 the U.S. economy will have regained the June 2001 level of manufacturing employment."

His point is, of course, that we have seen the erosion of good manufacturing jobs in this country. It says, "Advanced technology products are touted as America's manufacturing advantage, however the U.S. suffered its first ever trade deficit in advanced technology products in 2002. That deficit grew significantly in 2003 and is growing once again this year." He says, "U.S. manufacturers are increasingly assemblers of foreign-made parts." The reason I reference Paul Craig Roberts, I've referenced him on the floor of the Senate a number of times too, because he makes the point, and this is a conservative columnist, he makes the point that job growth that comes from economic recovery may well not be U.S. jobs but foreign jobs as a result of a U.S. recovery. And I think it's an interesting point.

I want to make a couple of points about the last couple of months with respect to our trade deficit. We are told that as the value of the dollar decreases on currency markets of course our trade deficit will shrink. In fact, U.S. trade deficit grows unchecked. That's a little over a month ago, \$46 billion gap in one month, the next month another U.S. trade deficit set in April, \$48 billion. This is a relentless increase in our trade deficit. It is not surprising, because if you know anything about what's happening to products and manufacturing in this country you know that we are seeing an exodus of good American jobs, more American products made overseas. Let me give you some examples. If you like Fig Newton cookies you are buying Mexican food these days. It used to be made in America, Fig Newtons were all American. But now, of course, Fig Newton moved from the United States to Mexico. So next time you ask for Mexican food don't be surprised if somebody gives you a Fig Newton cookie.

Huffy bicycles, made by American workers. But they were too expensive, \$10 to \$11 an hour, so Huffy bicycles after nearly a century moved to China, where they pay 33 cents an hour. Radio Flyer, the little red wagons, over a century made in the United States. Not made here anymore; they're gone. Levi's, Fruit of the Loom, well they say that it's one thing to lose your shirt, but you know Fruit of the Loom left this country. All these products moving to access lower-cost labor abroad for the purpose of producing abroad and then sending their products to the store shelves in this country to be purchased. It is an international economy, a global economy, I understand that, but the circumstances of this trade in many situations are not fair trade circumstances.

We'll talk a little today about new trade agreements, the North American Free Trade Agreement, I was saying to my colleague Senator Stabenow I was on the Senate, or the House Ways and Means Committee rather, at the time that the NAFTA trade agreement was enacted, and there were 35 votes on the House Ways and Means Committee, and NAFTA was passed by a vote of 34 to 1. Well guess who the one was, and I was told by my colleagues you just can't vote against this, we need a unanimous vote, and I said I'm not going to cast a vote for this because it's a bad deal for this country, and time has proven me right, far beyond my imagination. And now we have CAFTA and Australia and more and more and more, and in each case let me just use Australia as an example, just as they did with Canada, they allow a state trading monopoly that would be illegal in this country, called the Canadian Wheat Board, to unfairly subsidize products into our country and hurt our farmers. Australia, the same kind of subsidized state-sanctioned monopoly, no change, they're going to do an agreement and allow that to stand. CAFTA, the first step in undermining, in my judgment the U.S. sugar program, which provides stability for both our growers and also our consumers.

There's so much to talk about. Look, all of us want the same thing for our country. We want our country to do well, we want our country to harbor good jobs that pay well, that have good security, that have good pensions, and that's the way in my judgment that you have a strong and growing economy. No world economic power will long remain a world economic power without a vibrant, strong growing manufacturing base. And I worry very much about what's happening to the manufacturing base in this country. And it's happening, at least in part, because of trade agreements that do not require fair trade. They do not require an admission price to the American economy, that we fought for a hundred years over, that is safe work places, fair wages, laws against child labor, and a whole range of issues of that type. So we're going to have a discussion about a trade deficit that is alarming, I mean very alarming, \$48 billion merchandise trade deficit in one month, I mean that is a significant, significant, growing problem that no one here wants to talk about, that we're going to talk about today. Let me call on my colleague Senator Stabenow.

SENATOR STABENOW: Well thank you, Mr. Chairman, for calling this very important hearing in a series of important hearings that you have called, but I don't think there is anything that is more important, and I welcome all of our distinguished panelists, and I have to particularly welcome Ron Gettelfinger from my home state of Michigan, and we're very proud of all that you do and your leadership. And of course Linda, we're very appreciative of all of your efforts as well.

I think what we're about here today is to refocus the debate from an old debate to a new debate. Whenever we talk about what is fair for Americans, we're told that we're against trade, we're told that the debate is either open, free trade, meaning no rules, or protectionism. We couldn't stop the Internet no matter how high the wall. The fact is we are in a global or international economy. The question is, how do we make it work for us? How do we make it work for American workers, American families, and American businesses? And that's the debate that we need to be having, and why I so much appreciate, Mr. Chairman, your holding this hearing, and I recall another hearing that you held where you were gracious enough to allow me to invite one of the workers from Electrolux in Michigan, where we are seeing among many, many businesses the impact of not having smart trade, fair trade. Where our workers are being told, unless you work for \$1.57 an hour and no health benefits, we're moving to Mexico. We know that if they did work for \$1.57 an hour and no health benefits, we would lose our middle class. Who would buy the refrigerators from Electrolux, who would buy the automobiles, who would buy the goods and services that we make in the United States.

The strength of America is the opportunity and the middle class that we have in this country. That's what separates us from other countries. So the question is, how do we keep our middle class, strengthen our middle class, and make sure that trade allows other countries to create a middle class? I want Mexican workers buying our cars, buying our refrigerators, being able to have a middle class, so that we can compete up, rather than competing down. One of our...the hearing where we talked about Electrolux, Mr. Chairman, you had two folks from the academic sector who talked, and one gentleman talked about globalization versus internationalism. Globalization meaning, we don't worry about what country it is, it's just one globe, and it all, businesses decide where capital flows, it goes to the lowest cost in the globe. The other version is internationalism, meaning within our country's borders, caring about America, how do we move and trade and operate in a world economy. And the gentleman who came before us said globalization was the most radical approach. Unfortunately that's the approach that's being used by this administration and by those in charge who believe that if we want to talk about America and how we compete fairly and effectively in a world economy, that somehow that means we're protectionist.

So I would just end by saying that we are working hard on a number of fronts. We had an international tax bill in front of us that I'm very proud to say in the Senate we moved to a manufacturing bill. Senator Dodd had an amendment addressing contracts and the awarding of contracts if the workers are American workers, federal contracts. I was pleased to have an amendment that rewards American businesses that create American jobs with a lower tax rate through a more jobs tax credit. But we know if we don't tackle the trade deficit in the larger trade debate that we will not really be able to address the issue of how we as America keep who we are, our strength, the opportunity we have as Americans for good-paying jobs so we can care for our families, and have the American dream, which is what we all want for ourselves and the people we represent. So thank you, Mr. Chairman, thank you to all of our distinguished panelists today, I appreciate your coming and sharing with us, and I'm hopeful that the information that we bring forward today will help us as we tackle what is one of the most critical issues facing all of us as Americans.

SENATOR DORGAN: Senator Stabenow, thank you very much, and thanks for your work on these issues over a long period of time. We're please to be joined by Senator Evan Bayh. Senator Bayh.

SENATOR BAYH: Mr. Chairman, thank you, I apologize for running a little bit late, but I do want to welcome our witnesses here today, Linda welcome. Ron, it's good to see you again, I was telling the chairman earlier today on the phone about the years that we enjoyed working together in Indiana, so Mr. Chairman the people of Indiana are proud that one of our own would rise to a level to head such an August organization as the United Auto Workers, so Ron so I want to compliment your work on behalf of working people for all these many years and say it's just good to be with you again. And I'm wondering if the Committee, Mr. Chairman, is running a little bit low on funds, we couldn't afford a name sign here for Mr. Ruther, but perhaps we'll, he's too modest, Mr. Gettelfinger, much too modest.

Just very briefly, I would like to echo the concerns of my friend and colleague Senator Stabenow. This is an issue, as Mr. Gettelfinger would know very well, that resonates in the state of Indiana. We have the, Mr. Chairman, the state of Indiana has the highest per capita percentage of manufacturing of any state in the United States of America. So when we talk about the adverse consequences of illegal trade practices on manufacturing, it hits home in Indiana. Just the big three and their first tier suppliers alone employ 60,000 people in our state. And so this resonates across our state and communities large and small, and there has been a lot of pain and suffering because of some of the things that have been taking place. And it's not just an issue for individuals and individual families; entire sectors are being affected, and indeed our entire economy is being affected.

And I'll just mention two things because in spite of appearances we're here to hear from you and not the other way around, but I'll just mention two things. Senator Stabenow was touching on it, where this is going for our country. Our trade deficit is now at an unsustainable level, every economist agrees with that. I was asking Alan Greenspan about that earlier this week and he said he issued a report, Mr. Chairman...he's up for reconsideration...reappointment for head of the Fed, and he said that they are focusing on things that could destabilize our country. He mentioned specifically the possibility of another act of terrorism, and he said there are other things we're worried about. Well when my time came to question him, I said well I'd like to ask you what some of these other things are. And he didn't want to get into too many details, he didn't want to scare people. I said well let me suggest some things then. The trade deficit has grown to a point where its unsustainable as a percentage of our economy, we're hemorrhaging money to the rest of the world, and we're in a position of actually having to borrow from other countries' central banks to fund our own government. This affects our sovereignty, so where all this is heading, is that we will have a lower currency, which will lead to inflation, higher interest rates, lower investment, productivity, and ultimately a lower standard of living because we're...for our people...because we are allowing this trade imbalance, these unfair practices to just continue without any redress. That's where this thing is ultimately heading. So it's going to affect, not just people in the manufacturing sector, not just those of you who represent working men and women in the manufacturing sector, it's going to affect the entire country if we allow this to continue. So let there be no illusion, nobody's going to escape the consequences of these trade imbalances and some of the unfair practices that are taking place.

The final thing I'd like to say is, again to echo what I had a chance to hear Senator Stabenow say, and that is that my...you know I go across our state and I talk to a lot of working folks, and what I hear consistently is, they don't mind competition, I mean when you talk about global competition they say bring it on, we're prepared to compete with anybody on a level playing field. But there is a strong suspicion backed up by a lot of evidence that the playing field just is not level. To use an analogy that the people of Indiana can understand, Mr Chairman, it's a little bit like saying, let's play a game of basketball, and you know, our team, you know our team will shoot at the regular ten-foot hoop, but the other team they're gonna get to shoot on an eight-foot hoop, oh and by the way, the referee's a cousin of the captain of the other team, and this is not what you'd call a fair and free competition, but too often that's what we've got.

So I hope we can talk a little bit today about some of the subsidies that take place, some of the currency manipulations that take place, some of the other things that distort trade, make it not free trade, but managed trade, and in essence, mean that working men and women in our country are paying the price for industrial policies in other countries. As they try and create jobs and investment there, we're bearing the consequence of that, and it's not right for the individuals, it's not right for the companies, and it's not good for our society as a whole. So I welcome all of you, I look forward to hearing from you, and again Mr. Chairman I would like to thank you for your leadership in conducting this hearing today.

SENATOR STABENOW: Mr. Chairman if I might just interject I want to note to Senator Bayh that even with an unlevel court the Detroit Pistons would win.

SENATOR BAYH: Well, let the record show that the Indiana Pacers won one more game against the Pistons than the Lakers did, so next year, Mr. Stabenow...

SENATOR STABENOW: We hold the title.

SENATOR BAYH: We missed an opp...next year we'll have a little wager, we missed our opportunity this year.

[COMMENTS]

SENATOR DORGAN: I was sitting here observing that both of you have claimed Mr. Gettelfinger from your two respective states, Indiana and Michigan. We have two panels today, and the first panel is a panel made up of Linda Chavez Thompson, as well as Ron Gettelfinger, and let me, if I might, introduce both of you and call on you to prevent...to provide your testimony.

Linda Chavez Thompson is the executive vice president of the AFL-CIO, a position she's held since October of 1995. She has 30 years of experience in the labor movement. She is the highest ranking woman in the labor movement in our country. Her background is full of accomplishments...let me just say that she was appointed by President Clinton to serve on the President's Initiative on Race, as well as to serve as the vice-chair of the President's Committee on Employment of People with Disabilities. She has a remarkable career and we are just really

pleased that she is with us.

Ron Gettelfinger is the president of the United Auto Workers. He formerly served as UAW Vice President and Director of Region 3. He has a remarkable career as well. He is proud of his work as a chassis line repairman in a Ford plant, he was elected to represent them as committee person, bargaining chairperson, president, as well as delegate to the national Ford Council, and he has risen to head this wonderful union, and...graduate of Indiana University he is one of the significant labor leaders in our great country. So we are pleased to have both of you, I might say that Mr. Alan Ruther is accompanying them, to our right, he's the legislative director, and he's the face that we see most often on Capitol Hill, and he is for us in many ways the face of United Auto Workers. Thank you for being with us.

Linda, why don't you proceed.

LINDA CHAVEZ-THOMPSON: Thank you, Senator. Mr. Chairman, members of the committee, thank you so much for holding this very important meeting and for inviting me to testify. Before I make my remarks I would like to thank you for listening today, and hopefully that you will hear not just from myself and Mr. Gettelfinger, but you're also going to hear from people who are affected by the trade deficit, whether it's their jobs or whether it is the product that they make. So today you'll be listening to the voices of workers and farmers directly impacted by trade agreements.

SENATOR DORGAN: Just for a moment let me point out that we did invite the U.S. Trade Ambassador to join us as well. We've sought other voices on these issues, but thank you for allowing me to make that point.

LINDA CHAVEZ-THOMPSON: Thank you. We must fight against trade agreements that will ship more U.S. jobs overseas, put the squeeze on working families, and undermine the rights of workers here and abroad. And that is what brings me here today. As you know, the Bush administration is negotiating a multitude of free trade agreements. Last month, the United States and five Central American countries signed CAFTA, the Central American Free Trade Agreement, which will lower trade barriers and establish new rules for trade and investment between our countries but not adequately protect the rights of workers. In addition, negotiations are under way with Thailand and several South American countries where worker's rights are undermined. As you know, President Gettelfinger will outline with you the effects on the industry that he represents and will give you an idea of what the criticisms are, especially on the proposed agreement with Thailand, and of course I join him in voicing these concerns. But before I discuss the danger of these new trade negotiations, I believe it is important to review the performance of trade deals like NAFTA, which serves as a model for CAFTA. Since NAFTA was signed in 1993, the rise in the U.S. trade deficit with Canada and Mexico has caused the displacement of production that supported nearly 900,000 U.S. jobs, according to the Economic Policy Institute. Most of these lost jobs were high-wage positions in manufacturing industries. But the loss of these jobs is just one element of NAFTA's impact on U.S. workers. In fact, NAFTA has also contributed to rising income inequality, downward pressure on wages, weakened worker's collective bargaining powers and ability to organize unions, and of course

reduced fringe benefits. The U.S. Trade Deficit Review Commission concluded that trade is responsible for at least 15 to 25% of growth in wage inequality in the United States. Although NAFTA is not responsible for all the problems of U.S. workers, it has made a significant contribution to the state of the U.S. economy, both directly and indirectly. Without major changes in NAFTA to address unequal levels of development and enforcement of labor rights and environmental standards, continued integration of the United States with developing economies will continue to threaten the prosperity of a growing share of the U.S. workers. Expansion of NAFTA-style agreements such as CAFTA and Thailand will only worsen those problems. It is time for America's leaders to admit trade agreements like NAFTA have not delivered on their promises of job creation and economic development. With CAFTA, the Bush administration has negotiated an agreement that will utterly fail to create good jobs at home, or to promote equitable and sustainable development in Central America. This agreement will leave workers, family farmers, the environment, and communities more vulnerable, while enriching and empowering corporate elites. Simply expanding market access and freeing capital, as CAFTA proposes, will not stimulate real development in Central America. Increased trade with the region must be accompanied by improvements in workers rights, measures for debt reduction, a just immigration policy, and commercial rules that safeguard the public interest, not just private profits.

Workers in Central America have too often been excluded from the benefits of increased trade in the region, as they continue to struggle to have their basic human rights respected in the workplace. I have been to many of these countries – I have been to the Dominican Republic, I have been to El Salvador, I have been to Costa Rica just two weeks ago – and they are saying they don't want CAFTA, they don't need CAFTA, because it does not improve their conditions of work, nor does it improve the rights within their country as workers. The repeated and systematic violation of these workers' rights retards the development of Central American countries and drags down the standards of American workers who are thrown into a vicious race to the bottom with their fellow workers in the region. Not one Central American country, including the CAFTA, comes close to meeting a minimum threshold of respect for the ILO's core labor standards: freedom of association, the right to organize and bargain collectively, and freedom from child labor, forced labor, and discrimination. In Central America, employers pay young women poverty wages to labor for long hours in unsafe conditions. I know Victoria's Secret, because in the Dominican Republic, they make their lingerie and they pay the women there 25 dollars a week, which is what you would pay here in the States for one piece of lingerie that they sell. When these workers try to organize to try to win a voice at work, they face intimidation, threats, dismissal, and blacklisting. Employers are allowed to violate workers' rights with impunity under Central America's weak labor laws, which have been repeatedly criticized by the ILO, the U.S. State Department, and independent human rights organizations. Yet the Central American Agreement does not require any improvements in labor laws, and actually contains weaker workers' rights protections than existing rules for trade with the region enacted by Congress. In some, CAFTA would reward companies that ship American jobs overseas with greater access to the U.S. market, more freedom to violate workers' rights with impunity, and the ability to challenge government regulations enacted in the public interest. CAFTA's rules on investment, government procurement, intellectual property rights, and services create new rights for multinational corporations. But the agreement contains no effective new protection for workers' rights and actually removes existing protections, leaving the interests of ordinary working women and men out in the cold. For these reasons the AFL-

CIO joins with our Central American partners and our allies to oppose the passing of CAFTA. Senator Dorgan, and Senators Bayh and Stabenow, I will close with these thoughts. The U.S. economy continues to break records, but not in the ways that help working people. The all-time high U.S. trade deficit of 48 billion dollars last month is an abstract issue. Jerry Nowadsky can attest to that— he will testify later on today. It shows up every day as working men and women see their plants closed, or are asked to train their own overseas replacements, or asked to swallow wage or benefit cutbacks that affect their family lives in hundreds of ways. Entire communities suffer the consequences of failed trade agreements. We urge the Senate to reject CAFTA, and any proposed free trade deals such as the U.S.-Thailand FTA that will undermine the rights of workers and lead to the destruction of good-paying jobs. Thank you.

SENATOR DORGAN: Mrs. Chavez, thank you very much. Mr. Gettelfinger?

RON GETTELFINGER: Thank you very much. On behalf of the men and women of UAW, and workers throughout the nation, we want to thank you again for this opportunity as well. First, we also want to express our appreciation to you for allowing David Doolittle to testify in March on behalf of the members UAW Locals 137 and 1554 concerning the close of the Electrolux refrigerator plant in Greenville, Michigan. Thank you again for that. My testimony today is going to focus on the threat to automotive jobs in the United States. Since President Bush took office, we've lost over 100,000 automotive jobs, mostly in auto parts. This represents almost a 10 percent drop in overall automotive employment. The overwhelming reason for this disastrous drop in automotive jobs has been the flawed trade policies of the Bush administration. As the overall U.S. trade deficit has risen to record levels, the automotive trade deficit has also continued to rise, reaching 128 billion dollars in 2003. A significant share of the growth in our automotive trade deficits is directly attributable to the shift in auto production and jobs to Mexico and China. The auto manufacturers have been pressing suppliers to shift parts production to these countries to take advantage of appallingly low wages and other labor costs, as well as lax environmental standards. The value of exports of auto parts from Mexico to the United States has risen 50 percent in the last five years. Last year alone, auto companies spent 1.23 billion dollars in Mexico on new or expanded auto facilities. China, as we all know, is also becoming a leading auto producer. The U.S. auto parts deficit with China has steadily risen to 2.3 billion dollars in 2003. Because Chinese automotive production capacity is expected to far exceed their domestic demand, we believe that China will become, and I stress, will become, a major exporter of autos and auto parts in the future, resulting in even more plant closings and job loss in the United States. In addition, the United States is continuing to run huge automotive trade deficits with Japan, totaling 43.9 billion dollars last year. And faced with this massive shift in automotive production and jobs from the United States to other countries, the Bush administration has failed to take any steps to support American workers and their communities. It has done nothing to stop the escalation in our automotive trade deficit. It has been silent about the persistent violations of our trade agreements. It has refused to take meaningful actions against widespread violations of worker and human rights, and it has acquiesced in currency manipulation that gives foreign producers an unfair advantage. The Bush administration's flawed trade policies reflect its belief that the outsourcing of jobs is good for the United States. We all know that is absolute nonsense. The loss of 100,000 automotive jobs in the United States has been a disaster, for the men and women, hourly and those who are salaried, who have lost

their livelihoods. It has meant a huge loss of income and benefits. Homes have been lost, families destroyed, children have been unable to go to college, and retirement dreams have been dashed. In addition, the loss of these automotive jobs has had a devastating impact on the communities where these jobs were located. And the flawed trade policies of the Bush administration have also been a disaster for workers in Mexico, China, and other nations, where wages for most workers have been stagnant, where working conditions are often terrible, and violations of workers' and human rights are rampant. As trade unionists, we know that international trade is not just about the products that are exchanged between nations. It is also about the lives of the women and men who make those products. The Bush administration refuses to acknowledge this most basic, fundamental truth. For example, it has failed to take any meaningful action against China's serious violations of workers' rights, including the imprisonment of two Chinese trade union leaders, Yao Fuxin and Xiao Yunliang. Instead, it arrogantly dismissed the Section 301 petition filed earlier this year by the AFL-CIO challenging China's suppression of workers' rights. Alan Ruther is holding a poster, which we will make sure all members of the committee are given. It's just unbelievable what happened in this situation, and we are going to continue to talk about human rights and workers' rights, as well as environmental standards. Instead of expressing concern about job loss and workers' rights during an election year, which we would all expect, the Bush administration is actively pursuing a trade agreement agenda that will lead to even more devastation in the U.S. automotive sector. Specifically, it has announced its intentions to negotiate a free trade deal with Thailand, which is the world's second-leading producer of pickup trucks. The major Japanese and U.S. auto manufacturers currently produce pickup trucks in Thailand. Thailand is actively recruiting companies from South Korea and India to locate even more automotive production there. Pickup truck production will soon approach one million units annually, and is expected to grow even larger. Now, if you're aware, the United States currently imposes a 25 percent tariff on imported pickup trucks, and the UAW, and in fact workers across our country, are deeply concerned that if this tariff were eliminated in a trade deal with Thailand, this could lead to a surge in imports of pickup trucks from Thailand. And in particular, there is a significant danger that Japanese, South Korean, and Indian companies would use facilities in Thailand as a back door into the U.S. automotive market. The net result is the U.S. would lose important leverage to negotiate reductions in tariff and non-tariff barriers in these countries. A surge in imported pickup trucks from Thailand would have a devastating impact on the jobs of tens of thousands of American workers. The big three auto companies assemble pickup trucks in 8 plants that employ more than 20,000 workers. In addition, thousands of other workers are employed in plants throughout the country that produce engines, transmissions, stampings, and other parts for these pickup trucks. Unfortunately, the Bush administration has been totally indifferent to this enormous threat to U.S. automotive production and jobs. In November 2003, I wrote to President Bush and his key Cabinet officials to express our concerns. To this day, the administration has not even bothered to respond. It is apparent to the UAW that the Bush administration simply does not care about the 100,000 automotive jobs that our nation has already lost, or the tens of thousands of additional automotive jobs that would be threatened by the proposed trade deal with Thailand. In contrast, the UAW applauds Senator John Kerry and the Democratic Congressional Caucuses for taking a clear position on the need to protect and expand automotive jobs in the United States. We are pleased that 37 Senators and 204 Representatives have already sponsored a resolution stating that trade negotiations on automotive issues should not proceed on a piecemeal, country-by-country

basis, as the Bush administration has proposed in its bilateral negotiations with Thailand. Instead, automotive issues should be through comprehensive negotiations with all auto-producing nations that address both tariff and non-tariff barriers. The UAW believes that is the only way to ensure that we have fair automotive trade. The UAW also commends Senator Kerry and Democratic Congressional Caucuses for taking a strong stand on the need to review existing trade agreements and to take prompt corrective action to address problems in the implementation and enforcement of those agreements. We are pleased by their insistence that future trade agreements must include strong, enforceable workers' rights provisions and protections against import surges, and we welcome their support for tough actions to combat currency manipulation by other nations. In conclusion, we believe that a vibrant and strong manufacturing sector is essential for achieving economic strength in the United States. In order to stop the erosion of jobs in our manufacturing sector, it is critically important that we pursue new trade policies that will protect and expand automotive jobs in this country. Thank all of you very much.

SENATOR DORGAN: Mr. Gettelfinger, thank you very much. Mr. Gettelfinger, you're familiar, I assume, with the bilateral agreement that we reached with China some years ago?

RON GETTELFINGER: That's correct.

SENATOR DORGAN: You're aware, I expect, that the bilateral agreement that was completed with China allows, after a phase-in of a certain period of time, the Chinese to impose a 25 percent tariff on U.S. automobiles being sent to China, and the United States would impose a 2.5 percent tariff on Chinese automobiles coming into the United States. In other words, negotiators, on behalf of this country, actually agreed to a proposition that we should allow the Chinese to have tariffs that are 10 times the size of ours on bilateral auto trade. Do you have any idea how that happens? I mean, what kind of negotiators would agree to that sort of nonsense?

RON GETTELFINGER: Well, obviously it's people that are not concerned about protecting jobs in this country. It's people whose interests are those of corporations as opposed to workers. And if you just look at what has happened with NAFTA, and we see that 10 years later real wages and benefits have gone down in Mexico from 2 dollars and 40 cents an hour to 2 dollars and 34 cents an hour, we see now jobs leaving Mexico to go to China. And the question is, if we go back and just look at Greenville, Michigan, with the Electrolux facility, sure they're going to build the refrigerators in Mexico, but where are they going to sell them? And the people in China cannot afford to buy these products with the low wages that they currently receive. So the negotiators clearly are not looking out for the best interests of this nation.

SENATOR DORGAN: Are we likely to see China become a significant automobile exporter in the next decade or two, do you think?

RON GETTELFINGER: Unfortunately, I think if we just look at a little bit of geography, and looked at China, and watch where the auto plants that are being built are being constructed, and there's clearly every intent, in our mind, that they will be sending vehicles there.

SENATOR DORGAN: So we have a bilateral trade agreement with China that we negotiated

that makes it harder for us to get our cars into China and easier for future Chinese automobiles to get into our country. Is that the way the agreement is written, in your judgement?

RON GETTELFINGER: Absolutely. And for everybody's benefit, I'm sure you know this, but unit capacity in the world right now is about 75 million, the potential to build 75 to 80 million units. They sell about 60 million, so what's that tell us is going to happen? And when there's no worker's rights, there's no environmental protections, and from the standpoint of corporations there's no intellectual property right protections, and in addition to that, Senator, I would be very, very concerned, if I were dealing with Communist China and I were a businessperson, that tomorrow I could wake up and everything that I had invested there would then belong to the government. And the other thing that is of major concern to us is the pressure that is currently being put on suppliers to move work over to China. If we destroy this base, this competitive base in this country with that unlevel playing field that Senator Bayh and Senator Stabenow mentioned, if we destroy that and then China becomes the source, what are they going to do when they have a monopoly?

SENATOR DORGAN: Well, I think this administration's record on trade is abysmal. I think neither political party has been a big bargainer in these last decades on trade, I might say. And I'm not suggesting that somehow we ought to be protectionist, or put up walls, but I am, and I use the Chinese example as an example of what I think is unfair trade, we actually negotiate and agree to unfair trade circumstances. Why on Earth should our workers and our producers be subject to a circumstance where it's much harder for us to get our products into a foreign country and we make it much easier for them to get their products into our country? You mentioned Thailand, and it's interesting. As we negotiate our free trade agreement with Thailand, last week the Department of State released a report describing child exploitation in 10 nations, and Secretary Powell singled out Thailand as an example of that. And he recounted the story of an 11 year-old girl named Khan, kidnapped from her home and taken to an embroidery factory in Thailand, where she worked 14 hours a day for just food and no wages, and Secretary Powell said, quite correctly, this is called slavery. I think it is critical that we understand the circumstances of trade and set us up, as producers, as workers, as a country, to engage in fair trade. And if we cannot compete in fair trade, then we need to rethink our strategies. But if trade is not fair, and it's not fair that we ought to trade with a country, for example, or set up a trade agreement in which a country has 11 year-olds being put in embroidery factories to work for no wages, if we don't understand all these things then we are consigned forever to very large trade deficits and an eroding manufacturing base, which in my judgement weakens this country. Let me call on Senator Stabenow.

SENATOR STEBENOW: Thank you Mr. Chairman, and thank you again, both of you, for very powerful and important testimony about something that's very alarming, I think, to all of us. Before asking a couple of questions I did want to also indicate that both Senator Bayh and I sit on the Banking Committee, where we have raised the issue of currency manipulation with our treasury secretary. We know that China is manipulating their currency, pegging their currency, and we know that Japan has done that and that it had a real effect on the auto industry. We know that the Treasury Secretary of the United States, by simply signing a report, that it's occurring, can actually give us the ability to do something about it, and yet they will not sign a report saying

that it's happening. What does that mean? Well, it can cost up to 40 percent more to sell into China and cost them up to 40 percent less. As you mentioned, concerning suppliers being pressured to move to China, this is certainly something affecting not only the auto industry in Michigan. But when I meet with furniture makers on the west side of Michigan, they tell me story after story of being pressured to move to China and the unfair situation. China makes it harder to sell to them because they want the plant there, and we're making it easier, by not tackling this, for them to be able to sell here, which doesn't make any sense. I might also comment, in terms of the current administration's budget this year, what we hear in response to what you're saying today is 'Well, there are jobs that are created under trade, there are jobs that are eliminated under trade, we have to continue to focus on education, and innovation and so on, in order to be on the front line and create new high-tech jobs.' But when we look at the budget, we see education being cut, the lowest education budget in 9 years, we see the Manufacturing Extension Partnership, which helps small and medium-sized firms be able to retool and be efficient and compete in the world economy, being cut by over 60 percent. We see the advanced technology program, which funds partnerships with universities and automakers and others to create that new, cutting-edge technology, so that we can compete as they say that we should, and they are proposing to eliminate that. So even with the strategies that they say we should be using, they are not following through on those strategies. Instead, it's just 'Whatever happens, happens – just let capital flow to the cheapest point,' and unfortunately what that means is we're losing American jobs and our American way of life. Enough commentary. Question, and I would ask both for you, Linda, and for Ron. We can trade differently, and we can create model trade agreements that would work for us, and allow us to operate in a world economy. Could you talk a little bit about what a model trade agreement would be like from your standpoint? What do you believe we should be doing in trade agreements? Ron, I guess I would ask you, and then Linda, if you'd like to comment as well, or really whichever one of you would like to go first.

LINDA CHAVEZ-THOMPSON: I think the AFL-CIO was very supportive of the trade agreement with Jordan. That was one of the agreements which very clearly set out labor rights and environmental standards, and very much other trade agreements could be modeled after that one.

RON GETTELFINGER: I agree with Linda, but there is no question we have to look at everything. We have to look at workers' rights. Workers should be able to belong to labor unions, to negotiate for themselves. We need to look at environmental standards. We need to look at currency manipulation. When we bring all of that together, if we do look at the Jordan agreement that is one model that we think could be used. But there are so many things that we could talk about on trade agreements on what should be in them. The fact is that we need to sit down and look at these trade agreements, put some enforceable provisions in them, make sure that the other countries are living up to their commitment because it is obscene what is happening to this country and people are actually becoming so apathetic to it because they just don't think that they can make a change. But I can see in being out, and I was really pleased to be with Senator Kerry last night, there is so much talk now. People are starting to feel like maybe there is some hope out there and we certainly see that in his campaign. And that is why we want to thank you again for holding this type of meeting. Because we are not going to be silenced because those that control the airwaves can attack us and label us. You know, this is our country too and

we believe in standing up for what's right, that nobody has ownership of it, about all of us. So we just think that it is important to get back to the table, step back, and say, what makes sense. China, before PNTR \$69 billion, and that came about 1999 or 2000, here we are now talking \$124 billion. You mentioned furniture, my home county in Indiana, Harrison County, Kailore Manufacturing, I just read, has over 100 jobs that they are going to lay off because of bringning furniture in. So we need to step back and take a look at the whole picture.

SENATOR STEBENOW: One more quick question if I may ask, and change just a little bit to an issue that many of us work on together, and that is health care and how that relates as well to the unfair trade situation because of the way that we operate health care in this country and the way we pay for it versus what is happening in other countries. Senator Dorgan and I are working on an issue that I find ironic in light of this discussion today since we are trying to allow Americans to be able to purchase perscription drugs from wherever they can get the best price of safe prescriptions, and Canada's one place; and yet our policy is that we can't open the border for that. And why? Because one of the major industries in the country, the pharmaceutical indistry, benefits by keeping the border closed, and ironically I heard one of the CEO's say that to open the border would cost jobs, which I thought was a rather interesting comment, given the general policy on trade. But I am wondering if either of you would like to speak at all to the issue of health care and as it relates to our competitiveness. Also any suggestions that you may have as to how we can tackle that is a way so that the only answer is not to say to the American worker you're going to have to pay a bigger premium, a bigger co-pay or take less coverage as retirees, or less coverage in order to be able to compete. Isn't that a major issue for us today?

LINDA CHAVEZ-THOMPSON: And it isn't just about those that are trying to renegotiate contracts or trying to keep up with the health care costs and having to pay more, or employers passing on more of the costs, it's the fact that hundreds of thousands of jobs that quote, "are being created" carry no health insurance benefits. All of these jobs that will be replacing good manufacturing jobs are service sector jobs that carry no health insurance, carry no pension plans, no sick leave, no vacation time, you're off, you're off the payroll. Time and time again, they tell us and show us, we've lost jobs, but we are creating them, but it is not creating the kind of jobs that provide a living wage for workers and certainly health insurance is one of the things that the labor movement is fighting the hardest over in all contract negotiations with all employers because they are trying to put the cost on the worker. Time and time again when we are looking at the health care issue, it isn't being addressed, certainly the loss of jobs with health care benefits that are being taken out of the country are affecting all workers here because we lose the power of negotiation in that area.

RON GETTELFINGER: If I may add a word to what Linda said. Shifting costs does nothing to lower costs, it does nothing to improve the quality of Health Care. The UAW has long advocated a single pair of universal, national health care programs for every man, woman and child in America because we believe that health care should be a right and not a privilege. And if we just real quick look at the 30 nations and this country who are members of the Organization for Economic Cooperation and Development, and go back to the most recent data that I've seen, which is '01, if you compare the cost of health care in those countries to the gross domestic

product, the United States pays 13.9%. The next closest country in Switzerland with 10.9%, and Germany with 10.7%, but the average for the 30 countries is 8.4%. The difference between us and the 29 other countries is that they cover everyone and we leave somewhere in the neighborhood of 44 million Americans without any health care. Again it is an area and it is an issue that we need to take on. I was pleased to hear Bill Ford, last year, make sort of a positive statement in this regard, then followed up by Rick Wagner this year. Now, when John Kerry is elected president of the United States, we feel very comfortable that that will open the door for us to go in and work out a health care plan that fits the needs of this country. We need to be reminded of what was done to the Clinton administration, and if you go back and look at Truman, when health care first came out, they said you have got to do two things: you have got to make people afraid of it; and you have to give somebody to blame. And they did. And what did they do in '92? They made people afraid of it by calling it socialized medicine, and who did they blame? Hillary Clinton. It was totally wrong. But we're on a roll on health care, again when you go out and talk to people, they want to talk about health care. I have spoken with all of you and every time that you meet with your constituents, it doesn't matter whether it is organized labor, if it's a mom and pop shop, if it's big business, they talk to you about health care. So the time is right, we just need to make a change in Washington, in the White House, and move forward.

SENATOR DORGAN: Senator Bayh.

SENATOR BAYH: Well I certainly agree with your conclusions, Mr. Gettelfinger. Let me follow up on that, Ron. This is such an important issue for our country, sweeping health care reform to deal with the uninsured, the costs that escalate many times greater than inflation for people who do have insurance, etc. etc. That is a longer term goal, hopefully we can get to with new leadership in Washington. Let me mention one other thing though that does relate to health care costs because I think that so many in manufacturing kind of take a double-whammy. Number one, you have been exposed to low cost for labor, so that is a tremendous challenge right there. At the same time, because of the aging of our population you have legacy costs and you have done right by your workers as we should in our country, with pension and health care benefits, but that is another cost that we bear. So they have low costs, which is a competitive problem, and we have good benefits and that is an issue too. We can't um. . . we can pressure, we can try and do a lot of things to these other countries to get them to do the right thing, sometimes it is tough, but we can control what we do. And I think that as you know, and Alan know, some of us have been working on an approach that would be trying to deal with these legacy costs because that is what is within our control. And particularly some of us had an idea that within the context of this FISC/ETI Bill that is currently coming along, where we would provide a 10% credit on top of what the companies currently get for the health care costs of workers between the ages of 55 and 64. That is one thing that we can do. We may not be able to bring them up, you know, treat their people any better but we can try and deal with our side of the equation some while we are still working on this global solution to health care costs. I would just like to ask you, would something like that, is that something that we can do unilaterally, regardless of whether we can get these other countries to play by the rules, is this one thing that we can do unilaterally to help level the playing field to make us competitive so that we can begin to address some of these challenges?

RON GETTELFINGER: Absolutely. Any types of those types of discussions are critically important to us moving forward, and we will have bumps in the road along the way in those discussions, but yes that would be a starting point. I would just want to mention that recently there was a forum held for corporations that were going to take their work to China and one of the . . . we sent one out our research people, we paid the registration fee, and sent one of our research people in, and one of the questions that one of the companies that was represented there was talking about was health care in China, and they said well, that's not an issue. You don't have to worry about health care in China. So that disadvantage is really there, but what we need to do is to really move forward. And we applaud your efforts in that area.

SENATOR BAYH: Well as I say it's, we need to try and get our competitors abroad to play by the rules, there will be some fits and starts there. And we need to work on global Health Care solutions, but in the mean time it seems to me that there are some things that we can do unilaterally to help address some of the inequities on our side of the equation, particularly because the way that this bill had been structured, it benefitted some companies, but left some of the companies out. Particular some of the companies that are competing in the international markets and have these legacy costs, and it wasn't going to do a whole lot to address that, so I thought that there was a matter of equity that was within our control that we could move forward on. Let me ask you about on other thing, I don't know if Debbie or Byron hear this from time to time, but sometimes I am talking to some of the economists about this trade issue, they'll say, "Well," and I'll say, "Look I'm for competition. In Indiana we are actually the 13<sup>th</sup> largest exporter, so it's important for us that we open up other markets and that we sell our goods and services abroad. It is also important that we insist upon a fair shake for our workers so that we do not have illegal trade practices harming them, so we need to strike that balance. But sometimes when I was talking about, "I am for competition but we have got to make sure that everybody's playing by the same set of rules," the response I get from some of the economic types is, well they'll say, "Senator, you know, it is actually O.K. if the other countries cheat." I say well, um, "What do you mean?" "Well if they're illegally subsidizing products, if they are depreciating their currency unfairly, or rather making it more expensive, if they are doing things that basically tilt the playing field against us, that is subsidizing U.S. consumers. U.S. consumers get to buy a lot of cheap stuff. And that's good for America 'cause eventually in the long run that is unsustainable and eventually the capital will flow back our way. So I guess that I would be interested in your response to that. I'll tell you what mine is, I have two reactions. Number one, we ought to have more foreign countries subsidizing economists, I think that that might help to clarify their thinking a little bit about the consequences of that kind of behavior. That is number one. And number two, it reminds me of something that I think John Maynard Keynes once said and that is, "In the long run, we're all dead." You know this thing might even out in, you know, 50 or 60 years, but what does it do for the people who have lost their jobs, the companies that have closed their doors, the communities that have been devastated by these kinds of things? There is no going back for them. So I would just be interested in your reaction to that theory that actually an unlevel playing field, that cheating is O.K, and that in fact other countries cheating in a concerted attempt to make American jobs is in some way good for our country. It is out there, so I just thought that I would ask for your reaction to it.

RON GETTELFINGER: Well, very simply, we are a lot of times labeled as protectionist when

we talk about trade as you know. And there are so many issues surrounding. . .[tape switch]. . .in these trade agreements that make it right, make it fair, make it what it should be for America, and for her citizens.

LINDA CHAVEZ-THOMPSON: Senator?

SENATOR BAYH: Yes, Linda.

LINDA CHAVEZ-THOMPSON: When it comes to cheating, who gets cheated? It is the workers, the workers in these other countries who are getting paid not even their country's wage because, I've been to Costa Rica, I've been to the Dominican Republic, to El Salvador, I have been to many of these countries and I've had the opportunity to meet with the different labor groups within those countries, and those workers are suffering not just the indignities of having American corporations come to their country, build behind a fence because it's an enterprise zone and dictate that the laws of that country do not apply to them because they are free zones from any rules that apply to that country. So, if countries are able to cheat, who are they cheating? They are cheating their workers, they are cheating the families in those countries, and then the question here is why are we having problems with immigration? Why are so many people coming to this country? It is because they cannot live in their own countries, they can not make a living for their family in their own country, so they seek us out because they figure that if nothing else we can go to America and get jobs, even minimum wage here is still ten times more than they would get in their own country.

SENATOR BAYH: Well that is absolutely true, and one of the things. . .I have just two other brief questions, you all have been very patient. . .one of the things that struck me as curious about this is when we talk about currency manipulation, or government subsidizing, or dumping at below cost as a conscious industrial policy; countries that intentionally build excess capacity beyond what the market would ordinarily bear; these are. . .in my mind these are not free trade, this is conscious manipulation, this is something other than free and open trade. And so it seems to me, actually even the language of this debate has been somewhat skewed in some cases. Two final quick questions. I have got a provision that I am working on. Curiously under our trade laws the provisions that, the sanctions that we can impose for illegal dumping in our country, selling below cost, that kind of thing, are not applicable to cases where there are government subsidies. Where the government is consciously subsidizing products for export, which is obviously not free trade if the government is subsidizing it. So we have got an amendment that I am working on that would make the penalties applicable to both. Does that sound like something that would make sense? In other words, if illegal dumping in our country is an unfair manipulation of trade, well then if a foreign country is consciously subsidizing the costs of production, then we ought to be able to take that into account too?

RON GETTELFINGER: Absolutely.

SENATOR BAYH: My final point is that this, this may be something that people on both sides of this debate can agree upon. Every once in a while you stumble upon something like that around here. And that is the need for greater transparency in the process of the WTO. Currently

in their adjudications, they are closed to the public and no third parties are allowed to listen to the debate to see what's going on, and I think that most of us would say look more sunshine is a good thing let's, you know, if the decisions are being made on the merits, what's wrong with having observers watch and listen and see, so that people can know what is being said and what the facts are, what is being debated and so forth and so on. So, as a part of some of these future debates about the trade agreements, I am personally hoping that we can include a provision about the WTO itself, and insist that our government stand for more transparency in the process, and also look at some of the appellate processes because it appears to me that in some of these cases the WTO has gone beyond its charter and has in fact been legislating extrajudicially and that their appellate process has not been one that has been willing to say now wait a minute we are overstepping out jurisdiction here and getting into areas that are really none of our business. So, I am hoping that we can look at WTO reform, again in the spirit of let's have free competition and fair competition, but let's make sure that the rules are being enforced adequately, transparently, and let's make sure that the WTO is staying within the bounds of its charter and not going off and basically legislating in ways that it was never intended to do. Is that something that would make some sense?

LINDA CHAVEZ-THOMPSON: Yes, transparency is absolutely the bottom line. We have to have it, or else we're not going to get ahead on any issues. And another point that I'd like to make is that whatever trade agreements are being made and whatever discussions are being held at whatever level, where it affects workers, the voices of working families should be sitting at the table and part of the discussion, and we have tried to get that through this administration, and past administrations, and we will continue to do that. But the AFL-CIO stands ready to help any efforts that are made towards that.

SENATOR BAYH: Sitting at the table would be ideal. I mean, at least being in the room to know what's going on, that would be a step in the right direction.

RON GETTELFINGER: Senator, I couldn't agree more with your comments, as well as with what Linda said. And for anybody here that can... To go to Miami this past November and to see how American citizens were treated in the streets of Miami when we went down to talk about free-trade areas of the Americas. It was deplorable, it was unbelievable, it was like you were in a military regime. So transparency, we welcome it at all levels of our negotiations.

SENATOR DORGAN: Let me thank both of you for testifying. Your voice is a very important and powerful voice on an important subject for this country, and we appreciate very much your attendance today. Mr. Gettelfinger, thank you very much, Mrs. Thompson.

LINDA CHAVEZ-THOMPSON: Thank you so much.

SENATOR DORGAN: We have four additional witnesses that I am going to call now. Jerry Nowadsky, from Monticello, Iowa; Robert Green, from St. Thomas, North Dakota; Claude Barfield, from the American Enterprise Institute; and John Hansen, of the Nebraska Farmers Union. If you would come forward and take your seats. Let me thank you very much for being with us. We'll start with Mr. Nowadsky, from Monticello, Iowa. He worked for 12 years as a

machinist for Goss Graphics in Cedar Rapids, Iowa, before Goss closed all its US plants and moved its production offshore. Mr. Nowadsky has spent a year getting training in computers, not yet found work in that field, and is currently working at a grocery store stocking shelves, I believe, and working at night for half the pay and no benefits. We thank you very much for being with us, Mr. Nowadsky. Why don't you proceed?

JERRY NOWADSKY: I haven't been able to find work as a machinist since Square D shifted its production to Mexico. Before that I worked at Goss Graphics for 12 years, but they downsized until there was no one left to downsize, closed shop, and moved everything overseas. There's only so much work for a machinist to find, when all the plants in the area are closed. I'm not alone in this boat, though. Our local union lost 1,000 members, and all these people are in the same boat that I am, and that's a pretty scary boat. After getting laid off at Goss, I went to school, to learn computers for a year, but all the jobs I applied for wanted 5 years of experience. I've pretty much given up on that option, because some of our other businesses in Cedar Rapids downsized, and so you've got hundreds of people out there with 15, 20 years of computer experience in the same job market you're in. Now I'm stocking shelves at a grocery store at night. I just signed up for unemployment insurance again because, after I took a leave of absence to do political work during the Iowa caucuses, when I went back there I wasn't given too many hours. I'm luckier than most because my wife works, and I'm able to maintain my health insurance through her, because I had quadruple bypass right before I got laid off from Goss. But I'm really not concerned about myself, I'm worried for the future of my children. I know they feel sorry for me because I haven't been able to find work, but my concern is for them. I know they're going to be stuck in low-income wages all their lives. I've got a son who just graduated from high school, he's 18 years old. I hope he can go to college. But I had to tell him, "I don't know how much help I can be for you. I'm barely making it now." My daughter, she's in a nursing program, and I pray that when she gets done with her nursing program she can find a job. My oldest son, he just returned from a tour over in Egypt – he's in the National Guard – and I'm trying to help him find a job now, so that he can get out on his own and start a life. Frankly, my main concern is that middle-class jobs are gone. We're being eliminated, they're killing us. President Bush hasn't done anything to stop jobs from going out of this country. And if we keep expanding the boundaries on these free treaties, it's going to kill us even twice, three, ten times worse. We gotta give America back to the American citizens, not to greedy corporate America. One of the guys I was talking with at work, you know, he talked about this American they're holding hostage over there now. He said, "The bad people, they got a gun against his head, and they're saying, 'You release so many hostages or we're gonna kill you.'" He said, "Corporate America does the same thing to us. They go into negotiations, they say 'Work for less money or we're moving it to Mexico.'" Well, what's the difference between terrorists over there and corporate America doing the same thing in that aspect? I said, "I don't know." I just hope that we can do something to repeal these free trade agreements instead of expanding on them.

SENATOR DORGAN: Mr. Nowadsky, thank you very much. You're a young man to have bypass surgery.

JERRY NOWADSKY: Rough life.

SENATOR DORGAN: It went well?

JERRY NOWADSKY: Yeah.

SENATOR DORGAN: Well, thank you for being here. Mr. Robert Green farms on a fifth-generation family farm that grows sugar beets. His grandfather started growing sugar beets in 1928 with 15 acres, and he's the third generation on that farm to farm sugar beets. He comes to us to discuss the perspective of trade that is different than the manufacturing sector, but nonetheless very, very important – the commodity trade, the trade of grains and sugar beets, and other issues – and we would like to welcome you, Mr. Green, thank you for coming to us from St. Thomas.

ROBERT GREEN: Thank you, Senator Dorgan, for holding this very important and timely meeting. I am Robert Green, and I would like to acknowledge that my wife Susan is here with me today. Together we farm sugar beets in St. Thomas, North Dakota, for the American Crystal Sugar Company, a grower-owned cooperative of 3,000 farmer-shareholders located in the Red River Valley of North Dakota and Minnesota. We have a total investment of about 270 million dollars in the cooperative, and we produce beets on about half a million acres. Sugar is the most distorted commodity market in the world. The world sugar market is a dump market. Countries provide a vast array of subsidies to their farmers, and export their surpluses to the world market at prices well below the average cost of production around the world. These are predatory trade practices that threaten to ruin an efficient and globally competitive U.S. sugar industry. Our domestic policy is a proper response to those unfair subsidies. It is also important to note that our program runs at no cost to the taxpayer, and provides a reliable supply of high-quality sugar to our consumers at prices that are 22 percent below the consumer prices in other developed countries. The U.S. sugar industry is not a surplus producer. While we are efficient by world standards, we are not able to produce enough sugar to meet the domestic demand, and therefore not able to export. This is not something we chose; it is required of us. Under the World Trade Organization and the North American Free Trade Agreement, the U.S. is required to provide access for about 15 percent of our needs every year. This makes us the fourth-largest net importer of sugar in the world, which is clear evidence that we are neither protectionist nor isolationist. We do not export sugar, and we cannot expand acreage nationally. This is why every ton of additional access provided to another country in a trade agreement, when the market is oversupplied, is an absolute and precious loss to every individual sugar farmer. Bad trade agreements will cause real pain right here at home. As you said, my farm is a fifth-generation family farm that grows sugar beets. My grandfather started raising sugar beets in 1928 with 15 acres. My father was active when it became apparent that, in order to continue, the growers themselves would have to risk everything, purchase a neglected company, and make it into one of the best agricultural cooperatives in the country and the finest sugar beet cooperative in the world. I represent the third generation to farm sugar beets, and just three years ago, while my son was still in college, I helped convince him that the time was right to take out a loan and start farming sugar beets on his own. Sugar beets are the heart of our farm. This crop accounts for more than half of our economic activity, and the investments we have made over the years represent almost half of the farm's equity. If sugar beets are taken out of the operation, or made less profitable, it would send our farm on an unpleasant and inevitable course. I would like to

look at the impact of the sugar industry on my home area. Three grower-owned cooperatives, over 4,000 independent family businesses, make up the sugar industry in North Dakota and Minnesota. We have 7 factories among the 3 cooperatives that are located in small rural towns and provide employment to many of the townspeople. The sugar industry is directly responsible for providing more than 2600 jobs, and indirectly supports more than 29,000 jobs and associated businesses. These are good-paying jobs that include benefits for the employees. Our factories are unique facilities – the growers own them, they have been well-maintained and improved over the years so that they can efficiently produce sugar. But that is all they do; they make sugar. If these factories shut down they will be lost forever, which would be a total waste of our significant investment. Sugar happens to be in the spotlight right now, but that’s only because, as I stated earlier, we are an import crop with certain sensitivities. Others in agriculture will be targeted next. Count on it. Look at what’s happening with the challenge against our cotton program from Brazil, which could have implications for many of our major commodities. How many problems do we have in agriculture where trading partners don’t live up to their side of the agreement? So I say to my colleagues in agriculture: Don’t think that can’t happen to you. If you do expect a tough trade fight in the future, from, say, Brazil, don’t think you can win it alone. In agriculture, farmers need to stick together. That’s the only way we are going to achieve our shared goal of maintaining the way of life we want for our families and for ourselves. Farmers have many things in common, but one of the most important things is that no matter what we produce, we work hard to produce it. We seek efficiencies on our farms and in our factories. We raise a high-quality, homegrown product that’s safe and abundant. One would think that our government would see value in that, and help us to continue it. Instead, our own government is threatening us with an incredibly misguided trade agenda that will put us out of business. So as I walk the fields on our farm this summer, and care for the crops, I reflect on what my grandfather started and what my father improved, and I see the tremendous good it’s done in the Red River Valley. I almost can’t believe I’m having to defend it. But here I am today, ready to defend an industry that’s good for my family, good for my community, good for my state, and good for the country. The biggest question on my mind as I speak to you here today is, “How do I explain to my son that this industry seems about to be sacrificed in the name of foreign relations?” Thank you.

SENATOR DORGAN: Mr. Green, thank you very much for being with us and for your testimony. Next we’ll hear from Mr. Claude Barfield. Mr. Barfield has a B.A. from Johns Hopkins, an M.A. and P.H.D. from Northwestern University. He is a resident scholar and director of the Science and Technology Policy Studies and coordinator of Trade Policy Studies at the American Enterprise Institute for Public Policy Research. He is also a faculty member at both the University of Munich and Yale University. He has written extensively on trade issues, including a book entitled Free Trade: Sovereignty and Democracy and the Future of the World Trade Organization. Dr. Barfield was also a consultant with the Office of the U.S. Trade Representative from 1982 to 1985. Dr. Barfield, thank you very much for joining us today.

CLAUDE BARFIELD: It’s my pleasure, Senator Dorgan. I wonder what the hell I’m doing here though from the American Enterprise Institute, but I’m happy to be here, and I will try to make a contribution. I feel like I’m into sort of “family” issues here among Democrats, and for that reason I want to back up and do some reading from other Democratic institutions. I will also say

that when I got the call on Monday, I was going to be out of town for part of the week, so I did not have a prepared statement, but I did do some background reading. I also was told that this was largely about CAFTA and labor and the environment, so my discussion will by and large involve that.

SENATOR DORGAN: Mr. Barfield, might I just indicate to make you feel more comfortable that the Democratic Policy Committee is the adjunct of our caucus, as is the Republican Policy Committee of the Republican Caucus. We have from time to time held joint meetings and I want to tell you that guests of ours in the past have been Vice President Cheney, President Bush, Rupert Murdoch, among others, Condoleeza Rice, and we attempt, when we have either meetings or discussions like this, to have discussions from all sides of the issue.

CLAUDE BARFIELD: Well, I'd like to start, before I get to CAFTA and to labor and the environment, by picking on something that Senator Bayh said, and it's something, I think, that there ought to be some common thinking, but whether there's agreement I don't know. That is, before one talks about adding labor and environmental rules or regulations or sanctions to trade agreements, I'd like to step back and point out that a worry of mine is that it's not just pressure from the AFL-CIO for their particular goals, or for some Democratic goals, it's also a problem from the Republicans and the Right. And that is, I worry that we're not overloading our trade treaties, whether they're bilateral treaties, or regional treaties, and certainly the WTO, with too much extraneous material. Senator Bayh picked up on this when he talked about the appellate body. And just to look at the other side, I think the administration made a mistake when it pressed to have capital controls as part of trade agreements, when it pressured Costa Rica, in the current CAFTA agreement, to basically end its public monopoly in telecommunications. Now I happen to think that capital controls are very bad. I also think that Costa Rica would be better off by not having a public monopoly. But I think these are things that the people of Costa Rica, and the people of Chile – who we pressured in the Chilean agreement – should make up in their own minds. And it's coming back to haunt the United States. Someone mentioned here the cotton case. Well the cotton case in the WTO goes right to the center of our particular government program for agriculture. I happen to disagree with that. The same thing is true with the Byrd Amendment – I think it's a very bad policy. The same thing is true with the FISC. I think our export subsidies are very bad. But these are all decisions that are being forced by outside groups, and it's something that the Congress ought to be dealing with. I would fight the Byrd Amendment, but Congress does a lot of things that I don't agree with. I say this because I think this carries over to labor and the environment. And I worry about the ability of dispute settlement mechanisms, whether its in the WTO or in this particular agreement, to handle these issues. Having said that, let me just go on to make three points about the CAFTA, and labor and the environment. I should say I looked at OECD studies and I looked at studies by the Progressive Policy Institute, and there's a recent study that you may know about on labor standards that came out just last week or in the last two weeks by the National Academy of Sciences, which was acutally headed by an appointee of the Clinton Administration, Ted Moran of Georgetown University. In relation to labor standards, but this is also true of environmental standards, study after study has shown, and the OECD has collected these at various times, that there is no direct connection between core labor standards and export performance. In a big study that the OECD did in the late 90s, they concluded that there's "no evidence that low-

standard countries enjoy better global export performance than high-standard countries. Core labor standards do not play a significant role in shaping trade performance. The view which argues that low-standard countries will enjoy gains in export market shares at the detriment of high-standard countries appears to lack empirical support. So I'd point out that still today -- we've had the 50-year span of peace and we've had a trade system growing and trade opening up between high-income countries and low-income countries -- still 80 percent of foreign direct investment is among high-income countries. So if this was going to leak out, you would have seen some evidence of this. I should say that in a piece that the Progressive Policy Institute, as you probably know, did, called "The United States and Central America Ten Years after the Wars" by Ed Gresser, looking at CAFTA, they also argued against labor standards in that particular agreement. They said as follows: "Attempts to enforce high labor standards overseas through trade sanctions have failed in the past and are unlikely to work in the future. Trade sanctions are a very blunt instrument to address the complex range of factors contributing to poor labor standards, such as poverty, corruption, and political and regulatory weakness." Their argument was that the best way to help the laborers and workers, in Costa Rica, in Guatemala, or wherever, really was to open up more for the United States in textiles and clothing and agriculture, and also to have support -- and this is very much, I suppose, a progressive attempt to distinguish themselves from I suppose, the administration -- and to have the United States really go into a kind of joint program with a number of these countries to raise the education standards, in other words that we begin to subsidize this. The third point I want to make, to go back to the findings of the National Academy of Sciences study, the thrust of that study was, it looked right directly at core labor standards. The point the study made was that there is no agreement around the world in what constitutes core labor standards, particularly when you get to collective bargaining, and that ultimately it would be impossible to enforce this. What the chairman of the study group said: "This report reveals how far the world is from agreement to determine compliance so as to instruct trade dispute panels and appellate bodies. It shows that the proposal to let the ILO determine the innocence or guilt of particular countries could not work except in simple cases with small passive states, and it shows that formulating a multilateral jurisprudence for use in trade and labor cases would require fundamental substantive changes to labor law within developing and developed countries." And they pointed to the fact that the ILO is all over the map on such things as when you can replace workers during a strike, right to work laws, a number of things in this area. Their whole point was that this is kind of a mare's nest, and that you will not be able to get any kind of consensus if you attempt to do this. I'll just leave it there, and I'm open for questions later. Thank you very much.

SENATOR DORGAN: Mr. Barfield, thank you very much for your excellent testimony. Mr. John Hansen is the president of the Nebraska Farmers Union. Mr. Hansen, thank you for joining us.

JOHN HANSEN: Thank you, Chairman Dorgan, it's a pleasure to be here. Tom Bias, Vice President of our Government Relations, was not able to be here today because he is in the state of North Dakota dealing with a bunch of preventive planning issues, and I assume that you think that's important. I know Mr. Green does, and our organization does. The issue of trade is very critical for production agriculture because our national trade policy now sets the public policy direction of and the legal framework for our domestic farm policy. And so those of us who are

impacted by farm policy must be engaged and involved in this process and we must be evaluating how these trade agreements are put together and how they operate. It is apparent to me as a person who represents production agriculture that we are in a crisis in rural America, and that crisis is a man-made economic crisis, it is a crisis of policy failure, and as we look at all of the data and all of the statistics that we would use to measure what is going on in the world community, we see growing depopulation, we see growing poverty, we see more and more family farmers and ranchers forced to work off the farm. When we look at the census data that just came out the trend continues, as you know, we're seeing that the number of farms in the last five years is down 4%, and the two categories that grew, interestingly enough, were the small farms and the very large farms. So what we're clearly seeing is an increase in consolidation of land ownership, and that traditional system of independent, family-farmer-owner-operator agriculture, which is what most, I think, Americans would believe that production agriculture is and should be, is being dismantled. Those full time farmers that make their living from the land are increasingly being displaced and put out of business. They're unable to pay their insurance premiums, they continue to be forced into the arms of a health care system which they cannot afford, and so as folks let their premiums lapse in order to meet cash flow requirements, they're seeing farm after farm being liquidated and run through the health care system. As folks not only lose family members to disease and health problems, but also lose their land, lose their farms, lose their machinery, and I am involved in that process. In my own home state we co-sponsor the Farm Crisis Hotline, the longest continuously serving farm crisis hotline in the country; we've done it since 1984. It is a combination of local and state church organizations as well as farm organizations that come together through inner-church ministries to help provide emergency needs for farmers and ranchers in crisis, emergency food assistance, emergency legal assistance, financial counseling. The number of folks who've used our services in the last two years are at all-time record levels going back to the ag crisis of the mid-80's. So is that working? I don't think so. I've been on the CBS and ABC evening news twice in recent years talking about the growing number of staged farm suicides—folks who stage their own farm accidents and highway accidents so they can collect on insurance policies so they can get out of their personal pain while their families are able to hopefully pay off their bills. As extreme as that sounds, that seems to be, unfortunately from the viewpoints of folks trapped in that situation, the only way out. Now, is what's going on in rural America different than what's going on in the rest of the world as the result of our international trade policy? The National Farmers Union just hosted the International Federation of Agricultural Producers Conference here in Washington, D.C., several weeks ago. We had 100 organizations that represented farmers from around the world, from seventy countries, 400 participants. Here are the things that I learned in helping host that conference. Family farmers around the world are talking about growing poverty, growing hunger, rural depopulation, young farmers unable to get started, and all the same issues that we're talking about whether they're in a developed nation or whether they're in a developing nation. The one thing that struck me is that wherever you go in the world, you see the ag processors control the political agenda and the public policy in those countries, and you see that the folks who do the work, take the risk, produce the product, the family farmers and ranchers on the land, who are unable to pass their costs of production on to anyone else in the system, are going broke and being forced off the land. We're having huge economic and sociological impacts because of this great policy. Our organization took to Cancun a proposal that we put together with the help of Dr. Daryll Ray of the Agricultural Policy Institute in Tennessee, and we have attached today

copies of that proposal. What is painful to me, as the trade advisor having been involved in this process intimately for the last ten years, is that the process itself, in terms of how we develop this policy which has all of these huge, far-ranging economic, sociological, political, and structural impacts, is done virtually in a vacuum. We are not developing policy in a transparent, open, democratic, representative fashion. The community, the trade community as a whole, is completely divorced from the consequences of the trade policy that they themselves develop. So whether you're talking to trade officials from Brazil, which I did recently, or my own trade officials, or trade officials from other countries, their belief is that as long as they continue to implement the three pillars of the WTO—to eliminate trade distorting, domestic income subsidies, tariffs and quotas, and export subsidies—then all is well. They don't want to hear or know about the actual outcome of those kinds of policies. The frustration is that we could be doing things so much better, we could be using this international process to help raise up the standards of livings of family farmers and ranchers around the world, grow rural communities, grow income on the part of those raw material producers, which then create more jobs, create more taxes, and improve the rural infrastructure and the quality of life. And so, Mr. Chairman, it is with a great deal of frustration and also trepidation that I conclude my remarks and I'm willing to answer any questions you might have about where it is that we're at today in trade policy. This is a trade policy that either does not work or if it does work, needs new goals. Thank you.

SENATOR DORGAN: Mr. Hansen, thank you very much. Let me ask a series of questions, first Mr. Green. Some make the case that we are "protectionist" with respect to sugar trade. I think you made the point in your testimony that, in fact, most world sugar trade is not free and open trade. Most sugar trade is traded by large contract between countries, and that which is not traded that way becomes surplus dump sugar at prices that have nothing to do with the cost of production. Is that accurate, and can you expand on that just a bit?

ROBERT GREEN: That is very accurate, the fact that the world sugar price is trading at something around half of the average cost of production amplifies that point that most trade is taking place under contracts and agreements within countries and between nations and the rest is pretty well dumped.

SENATOR DORGAN: And you indicate that we are the fourth largest importer of sugar?

ROBERT GREEN: That is correct.

SENATOR DORGAN: Tell me about the CAFTA agreement from your perspective.

ROBERT GREEN: Right now the CAFTA nations have a very high allocation that this government allows them, the CAFTA agreement would almost double that. One of the things that they would actually be a little concerned about is that that additional hundred and some thousand tons coming in here might collapse our market. That would ruin the benefit they would get from the 126 thousand tons that they are now allowed to bring into this country under the allocation that they have.

SENATOR DORGAN: Mr. Barfield, you indicated that there's really no evidence that the core

labor standard issue affects the balance of trade between countries. You know, I know there are studies that say that and studies that contend otherwise, but the anecdotal evidence to me, however, would suggest otherwise. I was visiting with a person who owns a very large company in this country, it's a telecommunications company, and he indicated that he has not yet moved his telephone servicing offshore, but every one of his competitors has, and he said, "I'm likely to have to do that, just to compete." And I said, "Well why are they moving them offshores?" "Very simple," he said, "It is far less expensive to do it offshore, you don't have to pay the kind of wages you have to pay in the United States." So when you talk to people in a number of different industries who have had to make a choice about whether they're going to remain competitive, they say well, we've moved this offshore why? Because instead of paying \$11 an hour we pay thirty cents an hour, instead paying \$15 an hour, we can pay \$1 an hour. Anecdotally it seems to me the evidence is clear, you're saying that from the standpoint of the studies, it's not so clear.

CLAUDE BARFIELD: Well, I don't think the anecdotal evidence that you present and the larger studies that economists left, right, and center have done are necessarily in conflict. At any given time, yes, given the flux of competition, the change of competition, not just wages but other things, you're going to have movement back and forth. This happened before in the United States in other industries. So you could have given in the 1940s, the 1970s, all sorts of anecdotes that had to do with other industries. But if you look over time, see that by and large, this is not to say that there are not lags or you don't get authoritarian governments, the Chinese government or whatever, the Russian government earlier, that skew this, but by and large, wages have risen in the 20<sup>th</sup> century related to productivity. Companies ultimately have to come back to that. That is, why wouldn't Intel go to subsaharan Africa? Well, because there's not a labor force there. Now there is beginning to beginning to be a labor force, and I think it would be very good to come back at me since we talked about CAFTA. Costa Rica now, of all of those countries, probably has the most sophisticated labor force, and so you're going to begin to get investment in that direction. But if you just look at the numbers, it just defies logic if wage rates were the only thing that governed investment, investment would have gone into poorer countries years ago, decades ago. Still we have a situation that most foreign direct investment is among high income countries. Now, that is changing to some degree, it's not a static, you just don't freeze things, I think we have to pay attention to what's happening in China. Even under a government that is not certainly a democratic government, pressures of the market are forcing wages up even in China. So I'm not arguing that you're not correct, nor would I argue that there's not a social responsibility of the government, this government or any other government, for this adjustment. What I do think is a disaster has been proven again and again, we owe the worker or farmer some kind of social base, some kind of social investment, but to try to keep that worker and that farmer in that particular job is not only disastrous, but it's futile. I agree we have to have a robust manufacturing, but somebody might have said we have to keep robust agriculturally, we are moving out of manufacturing in this country, and it's happening and it doesn't have much to do with trade, it's that all developed countries are moving from manufacturing more to services. It's under Democratic, Republican, it doesn't have a name, and it doesn't have a lot to do, I think, with an individual government policy, whether it's trade or anything else.

SENATOR DORGAN: We could continue this for a bit, I'm going to ask some other questions

as well. I would just observe that our surplus in services has diminished rather substantially in recent years as well, and I'd make the point that we do a trade agreement with NAFTA, the North American Free Trade Agreement, and the top economists, perhaps economists that you know, named Hufbauer and Schott, they were the bigshots, they produced the big studies that said pass this, you get huge numbers of jobs. They said what will happen will inevitably be that we will get from Mexico the product of low-skill, low-wage labor in Mexico, those products would be helpful to us. We passed NAFTA, well without my vote, and guess what the top three exports from Mexico to the United States are? Automobiles, automobile parts, and electronics, all the products of higher-skill labor. In fact my understanding is, I haven't checked these data lately, but we actually import more cars from the country of Mexico at the moment than we export to all of the rest of the world. Interesting statistic. What it shows is that after NAFTA, these jobs moved, and the assembly of those automobiles moved to Mexico, and then they get shipped back into this country, the cars do. Well, it's about labor, about wages.

CLAUDE BARFIELD: But total job creation, net job creation, grant you it was Democrats' work, Bill Clinton, and Democratic Congress part of the time at any rate, grew at an extraordinary rate, we outdistanced the rest of the world. So to take NAFTA to such a small, it's not small for the people in that community with that automobile plant, I understand that. But the NAFTA economic effect on the U.S. economy was minuscule. If you look at the total 1990s, when Bill Clinton would like to have had, and if he had trade authority would have done just what Bob Zellick is doing, and done more trade agreements, we still, even with the new WTO agreement, we still outdistanced the world in net job creation.

SENATOR DORGAN: Yeah, but Mr. Barfield, the problem is, excuse me, but I used to teach economics as well, not very well I might say, but the problem is that we're replacing high-paying, good-paying jobs with lower paying jobs. So...

CLAUDE BARFIELD: That's not true all the way through. If you look again, I can congratulate Clinton. Through the 1990s that shifted, we moved from lower to higher paying, obviously there are not going to be as many high-paying jobs in the economy at any given time as before, but the shift in inequality began to move in the right direction. Now, we've had a change in the business cycle. We don't know over the last couple years, it would be likely that it's shifted back, I'm not challenging that. But that was beyond the control of either Clinton or Bush, and we'll just have to see as we go along, but to give credit since we're at the Democratic Policy conference here, to the Clinton administration, though I don't think they governed it a lot, we did see a change in inequality during the 1990s. This tide did lift a lot of boats because it was such a strong economy from 1993 to 2001.

SENATOR DORGAN: Mr. Hansen, I'll come back to that, but Mr. Hansen, agricultural trade was obviously one of the bright spots for a long, long while, now that's diminished some, but we still have a surplus, but we're running into problems in a range of areas because we're set up for unfair trade. We have trade agreements with Canada with respect to grains, especially wheat, we set up a trade agreement by which a country that had a government sponsored trading enterprise that would have been illegal in this country, government controlled trading enterprise called the Canadian Wheat Board, would ship into our country at deeply subsidized prices and undisclosed

prices, and it was perfectly legal under that trade agreement. The same prospects would appear to apply with respect to Australia, would that not be the case?

JOHN HANSEN: Certainly, and of course there's a difference in impact whether you're talking about importing or exporting state trading entities. Interestingly enough the characteristics of state trading entities, where large amounts of product are consolidated into a small number of hands, are actually dwarfed, when I look at it, Senator, compared to Cargill, when I compare it to ADM, when I compare it to the grain cartel themselves. So in a lot of cases, these countries are using those kinds of mechanisms out of self-defense in order to try to have their farmers be able to defend themselves against the market depressing power of a handful of international ag processors, most of whom come from the United States. So here we have this situation where we see farmers have back and forth between countries, struggling over trying to stay in business or not. When we look at NAFTA, for example, I've been to Mexico, I've met with those farmers, we've sponsored tours and trips back and forth between Mexican farm organization leaders and our own folks in Nebraska to go to Mexico. What we've seen in Mexico is millions of family farmers being forced off their lands to go to either Mexico City or to the Meguila Dohra area, where there's not nearly enough jobs. So we see all of these folks in a lot of cases coming back to my home state of Nebraska to work in packing plants, who will live together eight, to ten, to twelve in a trailer house, living as cheaply as possible, sending money back home to try and keep their family farm members in Mexico on the farm. So, what is the policy impact of this trade? It's tremendous. But let's not forget what the scorecard is here of this most recent set of farm and trade policy agenda. Going back to '96, when we were looking at the balance of ag trade in '96, we had a \$27.4 billion surplus. Since that time, we have seen the balance of ag trade collapse \$16.9 billion down to \$10.5 billion, and projected to go even lower this year. That's a 61.6% decline. It's no accident that we have a trade deficit in this country. Our trade negotiators, in my opinion, are helping create one. When you look at what that means, that means that while the value of ag exports in that same period of time, from '96 to 2003, actually went down 6%, the value of ag imports went up 40.6%. That tells me that our trade negotiators have done a very good job giving away our domestic markets to our competitors.

SENATOR DORGAN: Mr. Hansen, thank you. Mr. Nowadsky, how many jobs were lost in the company that you were working for due to outsourcing?

JERRY NOWADSKY: I'm not real positive. I say we've had probably 400 at Goss Graphics. That was just hourly employees, I don't know how many salary workers there were who lost their jobs. Square D's went down from like 370 down to about seventy now in the Cedar Rapids plant. The last I heard they were going to lay another two or three hundred off in Nebraska, one of the plants out there, which is headed to Mexico.

SENATOR DORGAN: That's because these jobs are being outsourced?

JERRY NOWADSKY: They're going to Mexico.

SENATOR DORGAN: What do they say to you when the company notifies the employees? Do they tell you the reason that they are closing the domestic plant and moving overseas, moving to

another country?

JERRY NOWADSKY: No, basically they just let you know what's happening. I wasn't at the Goss meeting when they had a closing, but I guess all people went into work and they had a note on their board that tomorrow morning meet at Kirkwood Community College for a meeting. They knew things were getting worse and worse with the downsizing, so they say well, we're going to have a two week shutdown or something of that sort. I guess the plant manager came in with a police escort, went up on stage, and said, "As of twelve o'clock tonight, you no longer have benefits, you no longer have nothing. We're closing the doors and moving out of town. See ya," and walked away. The people there were just shocked and devastated. It took them a while to actually hit home what had transpired. These people worked there for, you know, twenty years, ten years, fifteen years. That was their livelihood. It's just devastating that this happens.

SENATOR DORGAN: Well I wish you luck as you search for a new career and new opportunities.

JERRY NOWADSKY: Thank you.

SENATOR DORGAN: Mr. Green, the prospect of future trade agreements with, for example, Brazil, I assume are even more ominous for the industry. Is that correct?

ROBERT GREEN: That would be correct. Right now our trade representatives don't view Brazil as a developing nation because they do lead the world in sugar exports. They have that figured out very well.

SENATOR DORGAN: I don't know if Mr. Barfield would say this, but at least some would say, "Well, if there's sugar on the market for a nickel a pound or a dime's half the production cost of sugar in this country, why not just take advantage of that?" Someone else obviously can produce it less expensively. Is it free trade, is it not free trade?

ROBERT GREEN: Well, it's certainly not free trade. I think Senator Bayh addressed that earlier when he said that an unlevel playing field might appear to be a subsidy to the U.S. consumer, but that's not sustainable over time. One of the issues with sugar is that you can't get in and out of sugar. Both cane and beets are highly dependant on processing at the site where the product is produced. We can't jump out of sugar production and do anything else with our mills and then get back in at a time down the road when the sustainability of some government's program has run out and then prices rise. We saw that in 1974, I believe, when there was a huge run-up in the price of sugar. Since then there have been some changes in our market. We produce more domestically, and the price has been extremely stable, very, very level for many years.

SENATOR DORGAN: Mr. Barfield, you heard the testimony this morning about China. You indicated that there are pressures inside China to increase wages in China, but as you know some of those who apply that pressure are in prison, especially those who would agitate for workers' rights, higher wages, and so on. Tell me how you feel about that, especially with respect to in

this country over one hundred years we've sort of slogged our way through these really tough battles that have left some dead in the streets in this country to make judgments about things like the right of the worker to work in a safe workplace, the prohibition against child labor, the requirement that you cannot dump chemicals into the streams and into the airshed, the basic right of people to organize as workers. When we have a country that basically denies those circumstances, and yet we engage in trade, are we effectively pole vaulting over a hundred years of social progress in this country by saying the conditions of trade in whatever country we're going to connect with are just satisfactory to us, and we should allow Mr. Nowadsky, in fact require Mr. Nowadsky to compete against that? If you can't compete, sorry that's just the way the market is.

CLAUDE BARFIELD: Well I think, in terms of China, I really do think that this administration, the Clinton administration, the Kerry or Bush administration over the next four years, should continue to pressure the Chinese and to bring it up at every meeting we have, whether it's a political meeting or the WTO or whatever. But the one thing to keep in mind, let's go back to our history, we had child labor well into the 20<sup>th</sup> century. We still have problems in agricultural labor. What the United States found and what other countries have found is that growth actually will allow you the kind of surplus to be able to begin to take care of labor conditions, to have labor regulations, to have environmental regulations. Again, you know keep going back to say, OECD economic studies, but if you just look, the record's pretty clear, if you look at developing countries over the last three or four decades, as you, whether you're talking about Asia, South America, or wherever, as they have grown, as income has grown, they have instituted gradually more and more, stricter and stricter environmental regulations and labor regulations. So we're making a bet, I will say I don't know how this is going to come out. The bet is with China, as it has been with other authoritarian governments, is that as you grow, and as you have a much more complex society with interest groups, and yes, the Chinese are oppressive, I'm not defending the Chinese regime, gradually the government will not be able to keep the pressure on. That is what has happened in other countries, whether it's in Korea or other Asian countries, Singapore, even Thailand is moving, I mean, it's not the democracy we have, but it is also not really an authoritarian government. The same thing is true in Taiwan. So it's not a perfect world, and you know, how do you react to this? I think one of the things about China we have to keep in mind, though, with the trade deficit, that China is not really a trade surplus with the world, and the Chinese model is a very different model than either Japan or Korea, as you probably know. They are throwing the whole economy open to foreign direct investment. They are also decreasing their tariffs at much greater speed than any of the other developing countries in Asia, the Little Tigers, did in the 1950s and '60s. It's a dicey experiment, I agree.

SENATOR DORGAN: But I mentioned the point of 25% tariffs on automobiles...

CLAUDE BARFIELD: Look, I heard you say that. I would certainly argue that anybody who did that, I just don't have the background here, but any trade negotiator who did that ought to be fired. What I suspect happened, and I don't know this, is that didn't the Chinese have a tariff that was maybe 100 or 75% and what they agreed to in the WTO is to bring it to 25?

SENATOR DORGAN: Yes.

CLAUDE BARFIELD: So it's not as if the guy negotiated, he didn't negotiate from zero to twenty-five.

SENATOR DORGAN: No.

CLAUDE BARFIELD: We'll have to keep pressure on him. We should continue to do that.

SENATOR DORGAN: But it is gross stupidity...

CLAUDE BARFIELD: Well, depends on what you, I mean, I'm opposed to it, but...

SENATOR DORGAN: When you have a country that has a giant, giant trade surplus with us, or we have a deficit with them, it is gross stupidity to engage in a bilateral agreement that takes a sector, a sector that can have significant impact on both in the future, and says, "Tell you what. We'll agree that you have tariffs on our exports into your marketplace that will be ten times higher than our tariffs on yours." I'm just saying I would love to find the person who does that. I feel as you do that person ought to lose their job. You know what it comes back to, it comes back to something, Mr. Green used a phrase which I have often used in the past as well. Most of our trade policy is rather soft-headed foreign policy. It is not hard-nosed trade policy, it is soft-headed, in my judgment, foreign policy. Most of what we're doing with China at the moment, comes not out of some thoughtful analysis between economists about what we should do on international trade with China, it comes out of the State Department. Out of the State Department, so they'll determine whether in fact we deal with Chinese labor issues. They say, "No, we don't want to deal with the Chinese, make them nervous," so we don't do it. That's foreign policy, not trade policy. It is an interesting discussion, Mr. Barfield, on the question of what does lift all boats, what is happening to the American manufacturing sector, are we producing new jobs, as Mr. **Bowcrag-Roberts** suggests, that are simply a replacement of better jobs with lesser jobs? This debate's going to go on for some while, and your contribution to it is very helpful.

CLAUDE BARFIELD: Thank you for inviting me.

SENATOR DORGAN: Mr. Hansen, coming from a farm state, you and I are both very concerned about the situation with respect to family farmers. I come from a state that has to find a fair amount of export opportunity for that which it produces. So I'm not someone who says, "Let's put up walls and let's decide we don't trade with anybody." Gosh, I think expanded trade makes a lot of sense to the extent that it is fair trade. But I really feel strongly that we have set our farmers up in the Canada agreement, in NAFTA, and in CAFTA and other circumstances that does not represent anything near fair trade. I'll just say, for Mr. Barfield's edification especially, that one day I was in a twelve year-old orange two-ton truck driving to the Canadian border with a man named Earl, it was his truck actually. And we had a little bit of durum on the back of the truck. All the way from the Canadian border into our country, we saw eighteen-wheeler after eighteen-wheeler after eighteen-wheeler hauling durum from Canada into the U.S. Just flooded our markets with Canadian durum. We got to the border station, pulled up, and you know what? We couldn't get a few miserable bushels on the back end of a twelve year old orange truck into

Canada. You know why? Because you couldn't get durum into Canada. One way trade, fundamentally unfair. So, that's what wrankles a lot of us. One of the major points, however, is that this trade deficit is, in my judgment, alarming and growing. \$48 billion in a month, at a time when our currency valuation is dropping. I mean, I think it's time for all of us to take a serious, sober look at what this means to the future of our economy and our country. It requires, I think, the best of what all of us have to offer rather the worst of what each of us has to offer, in terms of thoughtful debate. I think your willingness to come today and participate and offer statements is helpful just to continue this discussion of international trade in our country. I thank all of you very much for being willing to take the time to be here. This hearing's adjourned.