American Federation of Labor and Congress of Industrial Organizations

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# JOHN J. SWEENEY
## AFL-CIO President

John J. Sweeney was elected to a second term as president of the AFL-CIO at the federation's biennial convention in Pittsburgh, September, *1997*. He was first elected president in 1995 on a platform of revitalizing the 13 million member federation. It. was the first contested election in AFL-CIO history

At the time of his election, Sweeney was serving his fourth four-year term as president of the Service Employees International Union, which grew from 625,000 to 1. 1 million members under his leadership. He also was vice president of the AFL-CIO and chair of the Executive Council committees on Health Care and Organizing and Field Services.

Sweeney's first job in the labor movement was with the International Ladies' Garment Workers, which merged with the Clothing and Textile Workers Union to form UNITE, He began his SEIU career in 1961 when he joined Local 32B in New York City as a union representative. Sweeney was elected president of Local 32B in 1976, and led two citywide strikes of apartment maintenance workers, during the 1970's. He was elected SEIU president in 1980.

In 1996 he wrote a book *America Needs A Raise, Fighting for Economic Security and Social Justice*, published by Houghton-Mifflin. He w-authored *Solutions for the New Work Force* in 1989 and co-edited the UNA-USA Economic Policy Council's *Family and Work: Bridging the Gap* in 1987.

John J. Sweeney was born May 5, 1934 in the Bronx. He graduated from Iona College in New Rochelle, N.Y ., with a degree in economics. He lives in Washington with his wife, Maureen, a former New York City school teacher. They have two children, John and Patricia.

January, 1998

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**The U.S. Trade Deficit: Causes, Consequences, snd Solutions**
Remarks by John J. Sweeney
President
**American Federation of Labor and Congress of Industrial Organizations**
**to the Trade Deficit Review Commission**
**October 29, 1999**
**Pittsburgh, Pennsylvania**

Thank you, Mr. Chairman, members of the Commission, and George Becker, for the invitation to speak to you today on behalf of the 13 million working men and women of the AFL-CIO. It is a particular pleasure to be here in Pittsburgh, a great union city, and the home of the United Steelworkers of America.

This commiss-ion has important responsibilities. Not only arc the short-term consequences of the trade deficit eroding manufacturing employment and depressing communities, but in the long run the mountain of debt we are accumulating threatens our financial stability and economic future. I hope in your deliberations and the report you prepare, you will address both the short-term and long-term consequences of the trade deficit. In my remarks today, I will focus on the short-term impact of the trade deficit on working families.

As the members of this commission arc well aware, the U.S. trade deficit has grown dramatically over the last several years and is headed *for another* record-breaking year in 1999. The merchandise trade deficit is likely to exceed $300 billion this year, up more than 50% from last year. And yet it is not just the size of the trade deficit that concerns working families, but also its composition, its trend, and the underlying policies that contribute to this imbalance.

Working people know from direct experience the tremendous costs borne by families and by communities when imports or outsourcing displace good-paying jobs. A $300 billion trade deficit represents $300 billion worth of goods *not* produced here in the United States, not supporting families, not contributing to the tax base.

While growth in the trade deficit may have only a small impact on aggregate employment, it clearly affects the composition of employment, causing manufacturing jobs to be replaced by lower-paying service sector jobs. The trade deficit has been a significant contributor to the loss of over 500,000 manufacturing jobs since March of 1998. This job loss affects not only the workers and communities directly impacted, but also the overall health of the U.S. economy. as the shift from manufacturing employment to service sector jobs contributes to greater wage inequality and slower productivity growth.

Manufacturing employment pays higher than average wages and contributes to a more equal income distribution, The average hourly wage in manufacturing is 20% higher than the median national wage, and manufacturing jobs are more likely to pay health and pension benefits than the average U.S. job. Manufacturing jobs provide a ladder to the middle class for millions of American workers who don't have a college degree.

Productivity growth is key to a rising national standard of living. Manufacturing productivity growth has been significantly faster than productivity growth in the rest of the economy since 1979. This means that the decline we have experienced in the manufacturing sector has slowed overall productivity growth.

The trade deficit also drags down overall growth, In 1996, it reduced GDP growth by 0.27%. In 1998 it reduced growth by 1.13%, and in 1999 it threatens to reduce growth by 2.23%. This growing negative impact is concentrated in the manufacturing sector, with almost every individual industrial sector being impacted by the deterioration in the goods trade balance since 1997.

The recent growth in the U.S. trade deficit is due to many factors, none of which have easy solutions. Certainly, the financial crisis which has affected Mexico, East Asia, Brazil, and Russia, among others, has slowed U.S. exports and contributed to the rapid growth in U.S. imports. The dramatic currency devaluations engendered by the crisis radically changed the terms of trade with a large group of countries almost overnight, while the recessions that followed the financial crisis decimated potential markets for our goods. Their exports flooded our market, while ours languished for lack of buyers.

But the financial crisis is not the *only* reason for the growing trade deficit. and it is not the only problem that we need to address as we seek fundamental reforms in the rules of the global economy - the rules governing trade, as well as the policies that affect investment, financial markets, and development.

Current trade and investment policies reward and encourage corporate mobility and flexibility, even at the expense of fundamental workers' rights, human rights, community needs. and the environment. Workers all over the world are told daily that they must compete with each other, and that the winners will be those who work for less and endure the worst and most dangerous workplaces- This kind of competition offends our most precious values and corrupts our marketplaces. The evidence is clear: Natural resources are depleted, and the environment is degraded, while communities are left behind. Corporations arc reaping unheard-of profits, their CEOs are compensated as never before, and global inequality is at an all-time high in the history of the world. This kind of competition must be brought to an end.

Unless *and until we change the* rules governing global trade and investment, American workers and their counterparts around the world will continue to shoulder a disproportionate share of the downside and costs of global economic integration.

A key part of the solution to the U.S. trade deficit is spurring growth in developing countries and ensuring an equitable diiiution of that growth. This will not happen unless workers all over the world, in rich and poor countries, are allowed to exercise their rights to form unions and to bargain collectively. Trade policies and the policies of the international financial institutions must place a top priority on protecting, promoting, and enforcing core workers' rights and environmental standards. We must also ensure that developing countries have access to the resources they need to educate their children and build basic infrastructure, as well as implement and enforce higher labor and environmental standards. To that end, the AFL-CIO supports debt relief and development aid for countries that observe core workers' rights. Achieving democratic, sustainable, and equitable development is crucial to a healthy global economy, and all of our policies must support that end,

The dollar is overvalued today against many major currencies, and this is a key factor in the growth of the trade deficit. U.S. policy must aim to bring down the value of the dollar by coordinated exchange rate intervention. At the same time, Japan and western Europe must take steps to stimulate domestic growth, and the IMF must loosen the restraints on growth in the developing world.

National trade policies must change fundamentally, not just to reduce the trade deficit, but to ensure that global competition stimulates equitable and democratic responses, not repression and environmental degradation. The U.S. government must consistently and effectively demand the incorporation of enforceable workers' rights and environmental protections into t&c core of all new trade and investment agreements-multilateral, regional, bilateral and unilateral, including the Free Trade Area of the Americas, extension of NAFTA benefits to the Caribbean and extension of trade preferences to Africa or other regions. We will vigorously oppose any agreements that fall short of this standard.

In addition, we must *strengthen the* workers' rights provisions in existing U.S. trade laws and enforce these provisions aggressively and unambiguously; vigorously monitor and enforce trade agreements that are now in place; and strengthen and streamline safeguard provisions in U.S. law, as well as at the World Trade Organization (WTO). We must renegotiate NAFTA to address serious flaws in a number of areas, including investment rules, safeguard measures and cross-border trucking access. The labor and environmental side agreements need to be strengthened and made enforceable. We need to develop a comprehensive national policy on the transfer of technology, production, and production techniques that makes the rights and interests of U.S. workers a priority. And we need to review our tax policies to ensure that we are not subsidizing offshore production at the expense of domestic producers.

It is crucial that the U.S. not remain the exclusive dumping ground for excess production from all over the world: other industrialized nations must absorb their share of exports from developing countries, certainly during times of crisis, but also at other times. The cartelized market for steel in Europe and Japan barely responded to the excess steel exported by the crisis countries. leaving the United States to bear a disproportionate burden.

This is also evident in the huge and growing bilateral trade imbalances the United States has with China and Mexico, Both of these countries actually have roughly balanced trade with many European countries and Japan, while running a large surplus with the United States. The United States cannot remain an island of openness in a sea of closed markets.

The trade deficit is a problem that will get worse before it gets better, And unless we fundamentally change the rules of the global economy, strengthen our manufacturing sector, and address the obstacles to achieving sustainable and equitable growth, American workers will continue to pay the price for these failed policies,

Thank you for your time and attention. I look forward to your questions.

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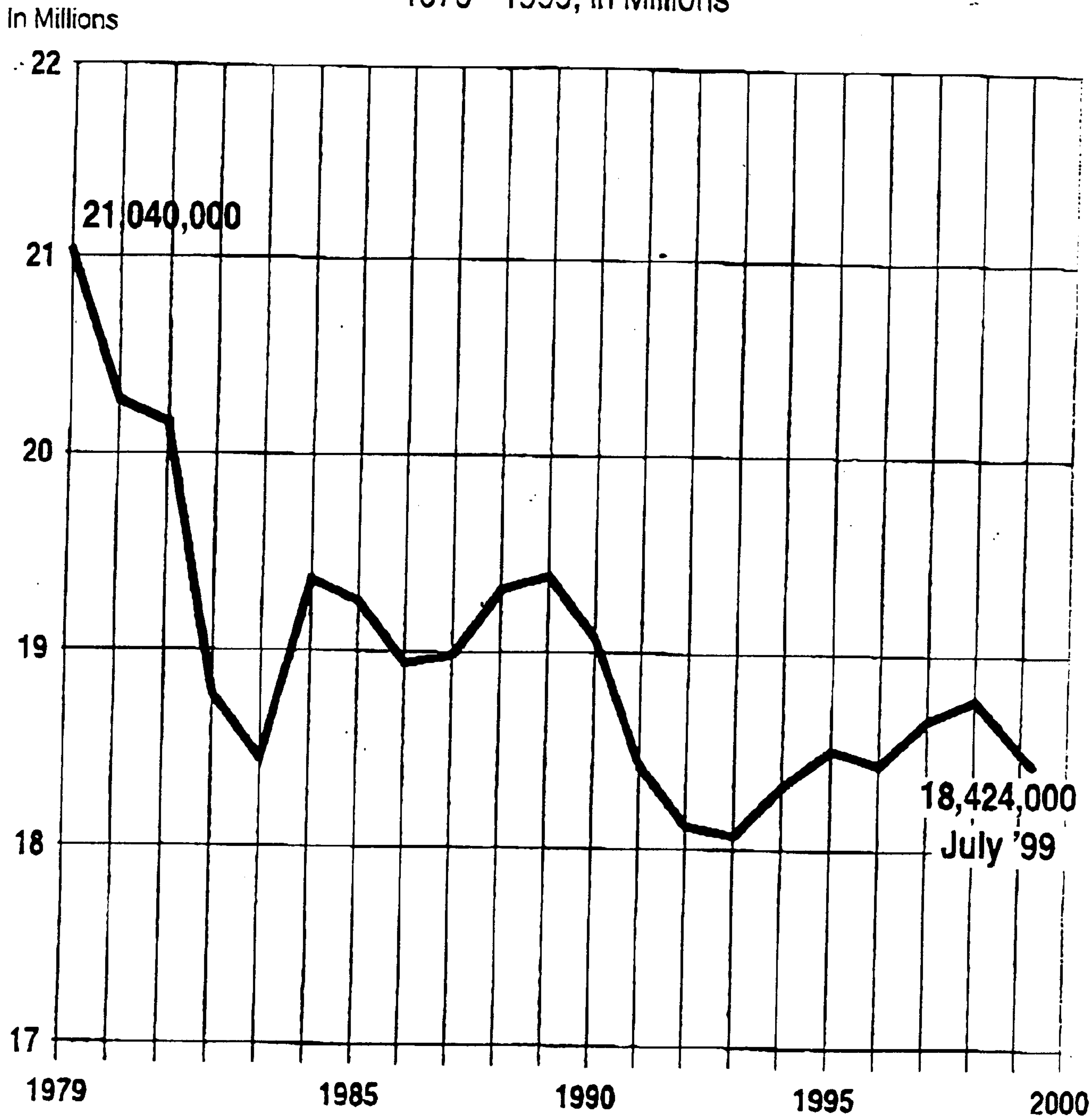
# Industrial Employees

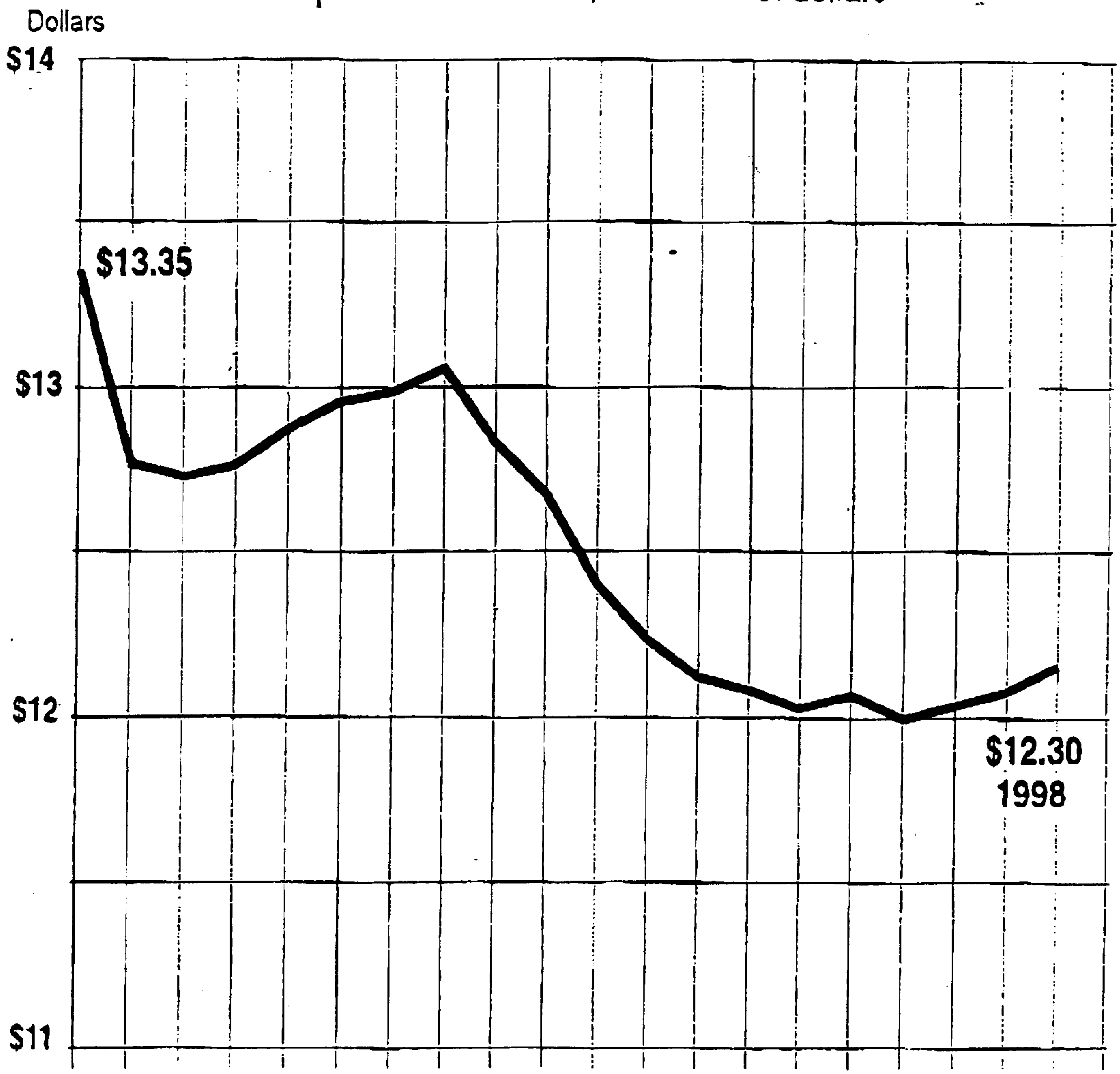
1979 - 1999, in Millions




Source: Bureau of Labor Statistics (not seasonally adjusted)

# Average Hourly Earnings

For production workers, in 1994 U.S. dollars




Source: Bureau of Labor Statistics (not seasonally adjusted)

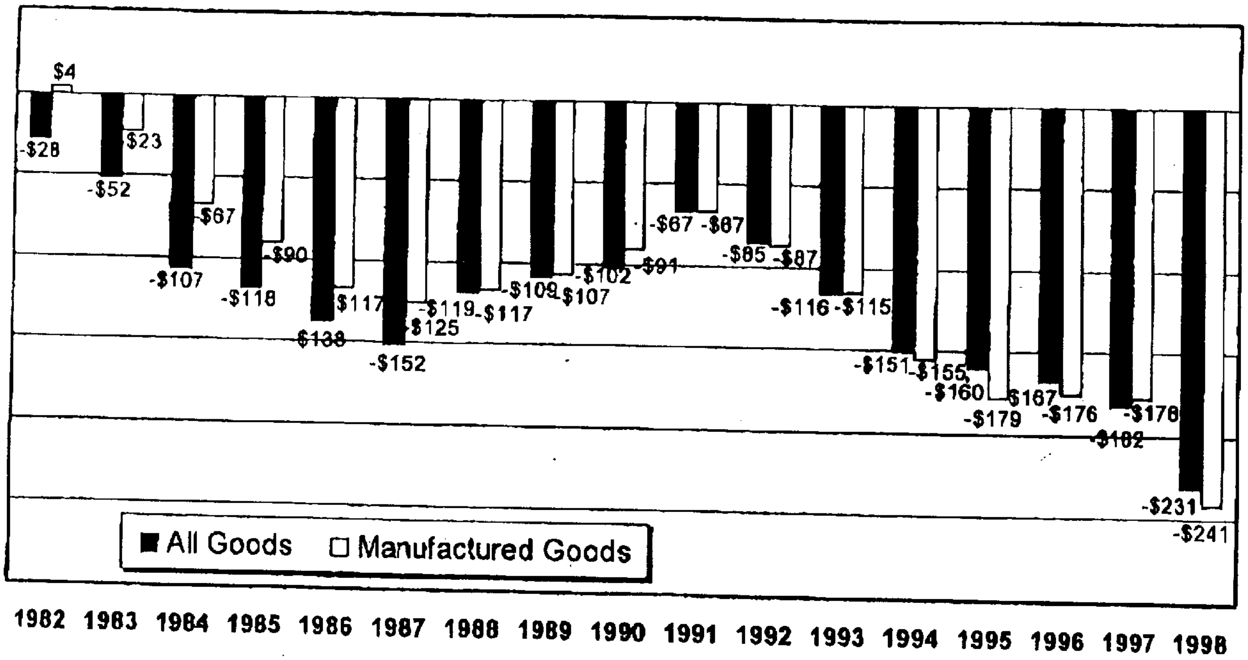
# Job Loss in Industries that Face the Most Import Competition since 1979

Total job loss in manufacturing: 3,559,000

| | |
|---|---|
| Primary metals | -565,000 |
| Machinery | -590,000 |
| Transportation Equipment | -374,000 |
| Textile | -305,000 |
| Apparel | -549,000 |

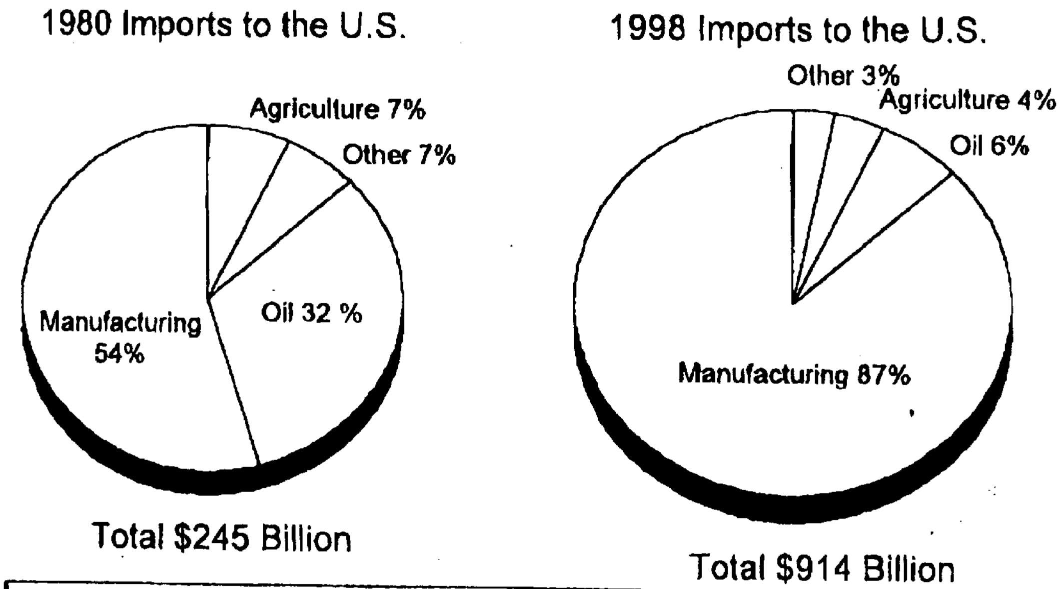
Source: Bureau of Labor Statistics

# U.S. Merchandise Trade Deficit 1982-1998
## All Goods and Manufactured Goods
(billions of dollars)




Note: Merchandise refers to all trade in goods and includes manufacturing, agriculture, oil, and natural resources.
Source: Department of Commerce

# The Increased Share of Manufacturing Imports




In 1980, nearly a third of imports were oil, while in 1998, only 6 percent were oil. Meanwhile, manufacturing imports soared from 54 percent of all imports to 87 percent, while the total level of imports more than doubled.

Source: Department of Commerce