

**STATEMENT OF RICK BENDER, PRESIDENT  
Washington State Labor Council, AFL-CIO  
Before the U.S. – China Economic and Security Review Commission  
Impact of U.S. – China Trade and  
Investment on the Pacific Northwest Economy**

**January 13, 2005**

Mr. Chairman and members of the Commission, for the record my name is Rick Bender, I am the president of the Washington State Labor Council, AFL-CIO. I want to thank you for the opportunity to testify today on this very important topic on behalf of the more than 450,000 union members that the Washington State Labor Council represents.

My comments today will put into a general context labor's perspective on trade and the impact of globalization on the lives of working men and women and the economy in the state of Washington.

In my travels over the years I have often heard others comment on how wonderful the economy of Washington State must be, an economy that reaps the rewards of free trade. Some have even called Washington State a free trade nirvana.

Indeed, Washington State has historically been a trade surplus state. One in five jobs are either directly or indirectly dependent on trade. We have deep- water ports that are vital and bustling with strong and climbing revenues.

Well, in part, I am here today to tell you that things are not always what they seem. The future in Washington State is not as rosy or optimistic as the past might have seemed. Our state has begun to feel the structural dislocations that other parts of the country began feeling quite some time ago.

It is not a coincidence that the opening challenge to the World Trade Organization and to China's application to be a WTO member occurred in the streets of Seattle several years ago. Over forty thousand trade unionists, environmentalists, faith-based leaders, students, and community members raised a question that has become ever more resonant with time: At what price and on what basis will globalization continue?

The question being asked was whether the low road or the high road was to be taken to global economic growth and distribution. Hanging in the balance to these questions are issues no less important than the nature of democracy and sovereignty, labor and human rights, environmental standards, and the overall health and safety of our communities.

When I studied economics at the University of Washington back in the early 1970's, the prevailing wisdom on trade was David Ricardo's theory of comparative advantage. As I recall, every country would be better off if they specialized in the production and export of those things they did best. I recently read that the author of the economics textbook most of us used, Paul Samuelson, is beginning to question the validity of this theory given outsourcing in a global market of skilled labor.

I'm here to tell you that what labor sees on the ground are thousands of workers losing through trade even though shareholders may be prospering. The lower cost of iPods and consumer electronics does not compensate for the loss of high wage/high skill jobs to China. Lower prices at Wal-Mart are not compensating for the aerospace machinist and engineering jobs that are gone forever or for the threat posed to our agricultural and food processing jobs that form the backbone of the economy of Eastern Washington.

Our national trade deficit with China has been rising at an alarming rate over the past two decades. For 2004 the trade deficit is estimated to be over \$150 billion. What is most troubling about this is that China can now compete with the world with low wages as well as with high tech. So much for comparative advantage.

Unfortunately the US Department of Commerce doesn't publish country to state trade balances, so I can't paint a clear picture of the Washington State - China trade balance. However, I can share with you the results of a recent study entitled, "Washington State Job Exports: An Analysis of the Role Trade Plays in Manufacturing Job Loss". This report by the Job Export Database Project (JEDP), of the AFL-CIO Industrial Union Council, for the first time attempts to measure job loss by cause. I have included the whole report with my written testimony.

One of the important policy debates surrounding the problems in the manufacturing sector is whether trade-related factors – import competition and offshore outsourcing - have been responsible for the dramatic decline of US manufacturing jobs. Underlying this debate is whether US Federal trade, tax, and other policies have promoting this job loss.

The Job Export Database Project has taken a first step in addressing this issue by examining plant closures and worker layoffs as reported by states in their Worker Adjustment and Retraining Notification Act notices and Trade Adjustment Act petitions. It is important to note that given reporting threshold requirements these numbers while good will tend to underestimate the problem.

Like many other states Washington has been losing high paying, family wage manufacturing jobs. Between January 2001 and August 2004 Washington State has lost 66,700 manufacturing jobs. This represented one out five of our manufacturing jobs.

According to the report, over the same time frame, “nearly 90% of the WARN-associated layoffs by Washington State manufacturers – 27,196 job cuts involving 14 firms – were trade-related. The Boeing Company alone accounted for the lion’s share of these layoffs, 23,814 job cuts in all, but nearly half of the non-Boeing layoffs – 3,382 of 7,177 cuts – were due to trade. No industry was spared: Lumber and wood products, paper and allied products, electronics, and food manufacturing industries all took big trade-related hits.”

Even given the under-estimation problems of the data, the results still show that 41% of Washington’s plant closures and layoffs in the manufacturing sector were brought about by competition from foreign imports and offshore outsourcing. Exacerbating this problem is the fact that the new jobs being created pay on average one-third less than the jobs we are losing.

I would like to briefly share one non-Boeing example with you. In the late 1990’s China, the world’s largest producer of juice concentrate, dumped apple juice concentrate on the U.S. market. Washington’s juice concentrate industry was hit hard and hundreds of workers represented by the Teamsters and the Operating Engineers unions were laid-off. In 1999 the U.S. Trade Authority charged China with dumping and applied retroactive tariffs on 5 of China’s 9 concentrate exporters. Three years later most of these tariffs were reduced on appeal. While China’s concentrate industry continues to grow our workers have been dislocated.

The threat posed by China’s apple production is even greater. China’s 2004 apple harvest has been estimated at 1 billion boxes, this accounts for one out of every two apples in the world. Put another way this represents about 88 billion apples or enough to feed every man, woman, and child in the world a dozen apples each.

Washington State’s apple production represents one half of all U.S. production but only 1/8 of China’s apple production. While China exports 90% of its juice concentrate production it currently exports only 3% of its apple harvest. China’s goal is to export 25% of the global apple trade within four years.

While Chinese apples are currently prohibited from U.S. markets it is only a matter of time before the U.S. market opens to China. Given the concentration of the tree fruit industry in Eastern Washington, and the relative lack of economic diversity in this region, the potential negative impact on tens of thousands of workers in Washington State, local communities in Eastern Washington, and state revenues is enormous.

These brief comments I hope have given you an overview of labor’s concern about unfettered free trade and the challenge that China poses for the economy in the Pacific Northwest and for workers in Washington State.

Rapid globalization has gone well beyond free trade theory. The existence of a global skilled labor market, offshore outsourcing practices of U.S. multinational corporations, continued currency manipulation by China, and continued repression of labor and human rights in China has created a tremendously non-level playing field for trade. You have your work cut out for you grappling with these issues.

I want to close by thanking you for coming to Washington State to listen to us and for your interest in understanding the impact of U.S. – China trade relations in the Pacific Northwest.

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