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**U.S.-China Economic and Security Review Commission Hearing on
Issues to be Addressed at the Hong Kong Ministerial Conference of the Doha Round
of the World Trade Organization's Trade Expansion Negotiations**

Impact on Labor

Labor unions, both in the United States and around the world, tend to view the current round of WTO negotiations with considerable skepticism and pessimism. From labor's point of view, past liberalization has failed to deliver on its promises and potential – both in terms of creating and supporting good jobs in industrialized nations, and in terms of laying the foundation for sustainable and equitable development in poor countries. Labor is also concerned about the encroachment of trade policy and trade institutions (such as the WTO) into the domestic regulatory arena.

I'd like to lay out some of the grounds for labor's pessimism and concern, and argue that the politics of trade are not as simple as many economists assume.

The traditional economist's explanation for domestic political resistance to trade liberalization is that a noisy injured minority blocks a socially desirable outcome, since the injuries to displaced workers and industries tend to be deeper and more visible than the benefits of liberalization, which are widely spread out and therefore less prominent.

But I would argue that labor's critique of the current global economic rules goes beyond concern for threatened jobs in declining sectors. Rather, the argument is that, without deeper reform than currently contemplated, another WTO round will not address the current global crises of poverty, inequality, and underemployment, and therefore will once again fail to deliver on its promises. Furthermore, taking the labor critique of the WTO seriously and addressing labor's concerns substantively could in fact help bolster the WTO's legitimacy and viability, and help it get beyond the paralysis it currently faces.

Why the WTO talks are in trouble – again

In 2005, the globalization debate (and the WTO negotiations) are not just about how quickly to cut tariffs and non-tariff barriers, but what rules to put in place to govern international flows of goods, services, capital, and people -- and what sort of an institution should administer those rules, and how. And yet many people paint the trade debate as bi-polar: free trade versus protectionism, pro-globalization versus anti-globalization. It is entirely possible, however, to understand and value the potential

benefits of trade liberalization and still reject the current path of WTO rules and negotiations.

Since the completion of the Uruguay Round, the WTO has not regained its forward momentum. The Seattle ministerial collapsed without a deal in 1999. The Doha Round was launched in 2001 (in a tense post-911 atmosphere), but has not stayed on track since then, with a failed ministerial in Cancun in 2003, and the Hong Kong ministerial scaled back significantly. WTO members are unable to reach the necessary consensus on basic principles, formulas, and commitments. Trade ministers from rich and poor countries are unwilling to make the domestic political sacrifices for uncertain gains.

In the United States, we face a current account deficit likely to hit \$800 billion in 2005, rising poverty, falling real median incomes, and stagnant real wages. While the WTO is not responsible for all (or even most) of the problems in our domestic economy, there is plenty of evidence that trade liberalization under current policies has exacerbated, rather than ameliorated, these problems, especially for workers in the manufacturing sector. So it is not unreasonable to question whether moving ahead faster on the current track will solve more problems than it creates.

Labor Perspective on the Doha Round

The American labor movement's pessimism about the Doha Round results from several factors. On the one hand, issues that we would like to see at the center of multilateral trade talks are not on the agenda at all; on the other, issues that could be quite damaging to the interests of American workers are very much in play. Our experience with past rounds of trade liberalization is that when the talks are not going well, it is often workers' interests that get sold out in the interests of cutting a deal.

What's not on the agenda?

The key WTO issue for the labor movement is moving forward a constructive discussion about how the global trading system can strengthen international protections for workers' rights, rather than allow global competitive pressures to undermine those protections. In an intensely competitive global economy, the absence of rules in one area becomes an important signal – both for governments and for corporations – about what forms of competition are considered legitimate or illegitimate.

If WTO rules can be applied to protect copyrights and patents across national borders, judge whether national environmental or public health laws are legitimate, and pressure governments to eliminate or reform subsidy programs, then surely the WTO can clarify that no country should gain a competitive advantage by violating the human rights of its own workers (as defined by the international consensus reached at the ILO and embodied in the 1998 Declaration on Fundamental Principles and Rights at Work).

Yet, despite coordinated and concerted efforts by the international labor movement (reflected in the statements of the International Confederation of Free Trade Unions) over

many years, WTO members have consistently and vociferously resisted any move to allow labor issues or workers' rights to be on the formal agenda of the WTO. WTO members have rejected proposals for a study group, a working group, or even a joint WTO-ILO symposium on workers' rights.

Ironically, the complete exclusion of workers' rights from the WTO agenda simply ensures that this issue will be addressed unilaterally or bilaterally by the industrialized countries (through the Generalized System of Preferences or FTAs) – where the bargaining power of the developing countries is significantly less. It would seem preferable to address the issue in a multilateral forum so that developing countries can be at the table to voice their specific concerns, and so that a multilateral solution can be developed.

A second crucial issue not on the WTO agenda is currency manipulation. Even though WTO rules in principle forbid frustrating WTO commitments “through exchange action,” this provision has never been applied. It is clear that the WTO needs guidance on how to operationalize currency rules effectively. The WTO's failure to address this issue effectively strains the entire global trading system, as certain countries intervene extensively and one-sidedly into currency markets to bolster their export industries. Yet there does not appear to be any intention for the trade ministers to even discuss currency manipulation in Hong Kong.

Finally, the Doha Round will not address needed institutional reforms at the WTO, especially in the areas of transparency and accountability. Key reforms would include timely declassification of documents and open dispute settlement proceedings.

Issues of concern on the Doha Agenda

While issues that labor would most like to see addressed in Hong Kong are not even on the table, many issues of great concern are under discussion. U.S. trade and immigration laws are vulnerable, as many countries have expressed interest in weakening our trade laws, and in obtaining new commitments to raise current limits on temporary entry visas. NAMA negotiations put enormous pressure on the few remaining industrial sectors with high tariffs – while offering little hope of progress on workers' rights or significant reciprocal market access concessions. Services negotiations threaten the viability and quality of some public services.

All in all, the Doha Round offers numerous potential pitfalls and few concrete benefits for American workers. Maybe the repeated failures to reach agreement will convince our negotiators and their counterparts that an entirely new approach to global trade rules is needed if significant forward progress is to be attained.

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