

Statement for the record

Of

The United Steel, Paper and Forestry, Rubber,

Manufacturing, Energy, Allied Industrial and Service

Workers International Union (USW)

for the

Committee on Finance

Subcommittee on International Trade, Customs, and Global Competitiveness

hearing on

“The Strategic Benefits of a Multilateral Approach to Trade Policy in the Asia-Pacific Region”

June 22, 2021

The United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union (USW) is North America’s largest industrial union representing 1.2 million active and retired members. We welcome the opportunity to comment and submit this statement on the subject of today’s hearing.

The union questions the title of this hearing given the significant challenges multi-lateral trade negotiations have yet to overcome since the U.S. started entering into modern trade agreements. The failure of multi-lateral agreements to significantly address income inequality among signatory countries coincides with the failure to address labor, migration, and environmental standards in a manner that ensures fair economic competition and a high rule of law.[[1]](#footnote-1) Unfortunately the title of the hearing, “Strategic Benefits of a Multilateral Approach to Trade Policy in the Asia-Pacific Region,” shows a clear bias towards the status quo, with the chairs of the hearing having openly called for re-engagement into the Transpacific Partnership (TPP) in a public op-ed[[2]](#footnote-2) and failed to include any representatives of workers on the hearing agenda.

Supporters of the TPP say that it represents 40% of the world's economic activity (GDP), but they fail to mention that the U.S., and the members of the TPP with whom the U.S. already has a trade agreement with, constitute 80% of that 40%. The other five countries represent the other 20%, with Japan alone being 17.7% of that total.[[3]](#footnote-3)

Some say that a strategic benefit of multilateral negotiations, if there is even a need for one, is to better account for the blanket inadequacies that continue to plague free trade agreement (FTA) negotiations. For example, proponents of the TPP have recently highlighted that the People’s Republic of China is starting talks on technical details of the CPTPP pact, the follow-up to the agreement after the U.S. made the decision to withdraw from the pact.[[4]](#footnote-4) This effort to have China dock onto the FTA will be a multi-year process but ultimately one that the labor and environmental communities have highlighted as a sign of the serious deficiencies of the agreement. The TPP contained a “docking agreement” which was highlighted by opponents of this inadequate free trade agreement as a means to reduce debate and governmental process for trade negotiations and to fast track new entrants.[[5]](#footnote-5) The notion that China could even be a potential member of the CPTPP highlights its serious limitations.

There was extensive work done in the 114th Congress to highlight the inadequacies of the TPP as negotiated, and many of those provisions remain in the CPTPP. The Rules of Origin (ROO), which guide the amount of content a product must contain from the trade party countries to qualify for duty free status, were significantly less than what has been recently negotiated in USMCA. At the time of U.S. negotiations, the TPP created a ROO that a car can enter the United States duty free with just 45% content from TPP countries. And that 45% figure does not count the additional flexibilities provided in a special appendix. There was analysis that indicated, depending on the methodology used, that an automobile would need as little as 37% trade partner content.[[6]](#footnote-6) The AFL-CIO also provided extensive comments on the inadequacies of the TPP that are just as relevant to the conversation today.[[7]](#footnote-7)

Future trade agreements in the Asia-Pacific will also need to better address China’s growth of state enterprises in ASEAN and CPTPP countries using the Belt and Road Initiative. For example, Guangxi Beibu Gulf International Port Group Company Ltd., a large-scale wholly State-owned enterprise directly under the management of Guangxi Zhuang autonomous regional government, has recently signed an agreement to jointly operate the Muara port, Brunei’s largest port.[[8]](#footnote-8) Investments by large state enterprises that create uncompetitive advantages for domestic producers will need to be better accounted for before entering into any future trade negotiations in the region. Even the business members of the Advisory Committee on Trade Policy and Negotiations (ACTPN), an advisory group to the Obama Administration, highlighted the serious problems with the TPP’s provisions on SOEs that would allow for all previously-provided subsidies to be grandfathered in and that could limit claims of injury in certain cases only if they lasted a year or more.

Of particular interest to the USW is the well documented issue of Chinese foreign direct investment in the Asia-Pacific region which will lead to increased steel capacity in the region that would contribute further to global overcapacity and potentially harm U.S. producers. The South East Asia Iron and Steel Institute (SEAISI) documented in 2020 that Chinese-led steel sector investments are pouring over 61 million tons of additional steel capacity into the region in the near future.[[9]](#footnote-9) For perspective, the current projected capacity increases are almost two thirds U.S. annual production. It is likely that this additional capacity will lead to increased import pressures for U.S. producers. As the largest union in key industries such as steel, rubber, glass, and paper, we believe policy makers should do everything in their power to ensure strong domestic supply chains and not allow trade agreements to be a vehicle for Chinese state supported or subsidized commodities flooding our market.

Additional upgrades to our trade enforcement regime to respond to twenty-first century trade distortions should be prioritized before renewing any FTA discussions. Legislation like S.1187 - Eliminating Global Market Distortions to Protect American Jobs Act of 2021 – must take Finance committee priority before pursuing a traditional and flawed trade agreement model that has significantly underperformed on improving wages, hours and working conditions for workers in all countries.[[10]](#footnote-10)

Ignoring the lessons of trade negotiations during the United States-Mexico-Canada Agreement (USMCA) would also be a dramatic policy failure by Congress. Supply chains must be better monitored for labor and environmental violations and multi-national companies must be held accountable for labor and environmental violations. Improved ROO provisions in USMCA also ensure that the automobile supply chain remains in the USMCA zone and develops wage standards for the first time.

These are just some of the serious flaws in the TPP that generated the opposition of both Democratic and Republican Presidential candidates in 2016. There was broad bipartisan opposition, recognizing that the flawed, failed policies of the past should be abandoned.

The Biden Administration has committed to creating a more “worker-centered” trade policy.[[11]](#footnote-11) The USW plans to work closely with the Administration and urges Congress to do the same to ensure the current discussion creates an environment where trade policy puts workers’ rights, environmental sustainability and democratic norms ahead of tariff cuts and special protections for investors like the Investor State Dispute Settlement (ISDS).

There is a path forward. But it has to be a different path. Workers need trade policies that create growth and broadly shared opportunity, sustainable development, and consumer and health protections. The TPP fails to measure up on any of those metrics.

1. <https://cepr.net/images/stories/reports/nafta-mexico-update-2017-03.pdf?v=2> [↑](#footnote-ref-1)
2. <https://www.washingtonpost.com/opinions/2021/06/13/dont-cede-asia-pacific-china-us-must-learn-its-tpp-mistake/> [↑](#footnote-ref-2)
3. <https://www.industryweek.com/the-economy/trade/article/22008116/how-could-the-transpacific-partnership-affect-you-or-your-business> [↑](#footnote-ref-3)
4. <https://www.bloomberg.com/news/articles/2021-05-17/china-steps-up-efforts-to-join-trade-pact-created-to-exclude-it> [↑](#footnote-ref-4)
5. <https://www.citizenstrade.org/ctc/trade-policies/tpp-potential-trade-policy-problems/> [↑](#footnote-ref-5)
6. <https://waysandmeans.house.gov/sites/democrats.waysandmeans.house.gov/files/documents/TPP%20Issue%20Analysis%20-%20Autos.pdf> [↑](#footnote-ref-6)
7. <https://aflcio.org/reports/report-impacts-tpp> [↑](#footnote-ref-7)
8. <http://www.xinhuanet.com/english/2020-12/22/c_139611431.htm> [↑](#footnote-ref-8)
9. <https://www.oecd.org/industry/ind/Item_5_SEAISI_March_2020.pdf> [↑](#footnote-ref-9)
10. <https://www.congress.gov/bill/117th-congress/senate-bill/1187/text?r=2&s=1> [↑](#footnote-ref-10)
11. <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2021/june/remarks-ambassador-katherine-tai-outlining-biden-harris-administrations-worker-centered-trade-policy> [↑](#footnote-ref-11)