

3-25-1993

AFL-CIO Industrial Union Department Conference

Max S. Baucus

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Baucus, Max S., "AFL-CIO Industrial Union Department Conference" (March 25, 1993). *Max S. Baucus Speeches*. 506.
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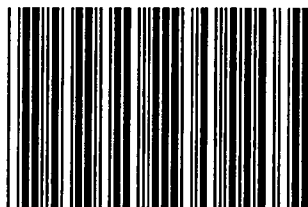
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(2) Subject* **AFL-CIO Industrial Union Department Conference**

DOCUMENT DATE*: **03/25/1993**

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BAUCUS

Remarks of Senator Max Baucus
AFL-CIO Industrial Union Department Conference
March 25, 1993

Thank you very much. I always consider it a special privilege to speak to the AFL-CIO because Montana takes pride in one of America's oldest and strongest union traditions.

As early as 1886 -- three years before we became a state -- Montana miners, carpenters and other workers affiliated as the Silver Bow Trades and Labor Assembly, one of our country's first umbrella unions.

This May marks the centennial of the day in 1893 when the Butte Miners Union gathered hard-rock miners from across the west -- men who worked all day digging metal ores from solid rock with pick and shovel -- to organize the Western Federation of Miners, with the Butte union as Local Number One.

In those days they called Butte, with its eighteen hundred organized miners, "the Gibraltar of unionism." And Montana unions have been a power in our state ever since, led by people like Jim Murry a few years back and Don Judge today.

Many of the unions represented here today -- the Electrical Workers, the Paperworkers, the Carpenters, Teamsters, Steelworkers, and more -- are leaders in Montana's economy as well as the nation's economy. I count their members as advisors and as friends.

Montana owes its unions a lot. And over the years, we've owed just as much to the work of the national unions. Like the ad says, the minimum wage; pensions; the eight hour day and the forty hour week: all brought to you by the unions of the AFL-CIO.

Last year, extended unemployment insurance during the worst months of the recession; defense of the Davis-Bacon Act; health benefits for retired coal miners; and a ban on experimenting with public money in private schools.

And this year, family and medical leave, with health care reform and the ban on striker replacement soon to come. I'm proud to have worked with you on these issues, and proud to congratulate you on the better life you've brought so many working Americans.

I also applaud your work overseas. The AFL-CIO's support for Solidarity during martial law in Poland helped bring freedom to Eastern Europe.

And Americans take justified pride in your work on behalf of democracy and labor rights today, from the former Soviet republics to South America to Southeast Asia.

NAFTA'S POTENTIAL BENEFITS

I know, though, that another international issue is at the top of your list this year, and that's the North American Free Trade Agreement.

President Clinton underlined the benefits this agreement can bring Americans in his first address to Congress, and then at American University a month ago.

His decision to hold a pre-inauguration summit with President Salinas shows how high a priority it is for him. And I entirely agree with him that the NAFTA, if buttressed by strong labor and environmental side agreements, holds out great promise for America.

Mexico is already our third largest export market. US exports to Mexico have grown from \$12.4 billion in 1987 to \$40.6 billion last year. And for every billion dollars in exports, we create 20,000 new American jobs -- each paying about \$3,500 a year more than the average American job. And many people forget that Mexico is one of the few places where we run a trade surplus. Last year's was \$5.4 billion.

The International Trade Commission reports that the NAFTA will mean even more exports and more good American jobs. It can create a net gain of up to 95,000 new American jobs -- high-skill, high-wage export jobs. Fifteen separate studies show that it will mean a net gain of tens of thousands of jobs here as well as new jobs for Mexicans and Canadians.

It can raise our GDP by \$25 billion a year. And it can open new markets for American auto parts, farm products, steel, wood products and many more industries. That means jobs for auto workers, grain millers, sheet metal and steel workers, carpenters and other Americans.

That's how I see the NAFTA. I think it's an opportunity -- a chance for us to open a new market, speed up economic growth and create jobs.

TODAY'S ONE-WAY FREE TRADE AGREEMENT

But I know many thoughtful people -- here today and at home in Montana -- think of the NAFTA more as a threat than an opportunity.

Don Judge, the President of the Montana AFL-CIO, wrote to me this week to raise concerns about job losses among blue-collar workers.

He also notes that the current agreement "contains no provisions for compensation, retraining, relocation or job creation programs for displaced workers," and questions whether Mexico's record on worker rights can be improved. Others have asked me about the NAFTA's potential to increase pollution and its effect on our standards of workplace health and safety.

These are real questions about real problems. But the way I see it, the problems exist today. Rejecting the NAFTA won't solve them.

In many ways, we've already got a free trade agreement with Mexico. And it's a one-way free trade agreement in Mexico's favor.

American tariffs on Mexican goods average four percent. Mexican tariffs are two and a half times higher. And fourteen percent of Mexico's goods already enter the US duty free.

This one-way agreement has no safeguards for labor standards, the environment or anything else. If a company wants to move south to take advantage of lower wages, or weak labor standards, or the chance to evade pollution controls, that company can move south today. Last Sunday, the New York Times estimated that 600,000 American jobs have moved to Mexico in the past decade -- without the NAFTA.

The maquiladora program is a perfect example. It has been there, growing fast, for nearly fifteen years -- a source of pollution and a vast pool of low-income, unorganized, often exploited workers -- without the NAFTA.

Here's another. Twenty miles outside Mexico City, Ford has a plant that makes 117,000 cars a year for the Mexican market. That plant's workers make nine percent of the American hourly wage. In 1987 they tried to form an independent union. The attempt ended in a broken strike, the firing of 2,000 workers and a 45% pay cut for the rest from \$2.64 to \$1.45 an hour. All without the NAFTA.

Investment rules are yet another problem. American banks, for example, can't open branches in Mexico. More to the point, Mexico's investment rules require US auto makers to make a certain number of cars in Mexico if they want to sell any cars there at all.

All this would change under NAFTA. NAFTA would make it easier, not harder, for U.S. automakers to export to Mexico. It would make it easier for our auto parts manufacturers to export to Mexico. And it would open a new market for American petrochemical equipment makers, because today, the Mexican national oil company PEMEX won't buy any foreign products at all. Without NAFTA, these disadvantages will be locked in forever.

By eliminating them, the NAFTA will give American exporters incentives to stay in America. We have tremendous advantages in infrastructure and the quality of the labor force. Some US firms say that a NAFTA would let them pull facilities back to the United States, since they would no longer have to manufacture in Mexico in order to sell in Mexico.

NEED FOR STRONG SIDE AGREEMENTS

The NAFTA is our only chance to raise Mexico's environmental and labor standards, balance the tariff scales, and make our one-way free trade agreement a two-way agreement. But if we're to get these benefits, the NAFTA has to be done right. That means strong side agreements in environment and labor.

It is simply unfair to make Americans compete with plants whose costs are lower because their owners tip barrels of hazardous waste into the Rio Grande, or fire and blacklist employees who try to organize an independent union, or won't spend the money to keep their employees safe and healthy on the job.

I'm pleased that the U.S. has begun side negotiations with Canada and Mexico in these areas. And I'm very happy that Mickey Kantor said just the other day that a NAFTA which doesn't address these issues would be unacceptable to the Administration. I know it is unacceptable to me.

But getting good side agreements may be easier than many people think. Mexico has good laws on environmental protection. Likewise, the Mexican Constitution, and Mexican laws in general, are very strong on labor issues. But in practice, they aren't enforced. And when Mexican failure to enforce these laws gives Mexican businesses an unfair advantage, I think we have the right to insist that they enforce those laws.

As Chairman of the Environment and Public Works Committee, I've done a lot of work on the environmental side agreement. I want to use this agreement to create a "North American Commission on the Environment," or NACE.

The NACE could investigate charges of violations of Mexican -- or US, or Canadian -- environmental laws when those violations affect trade; recommend action to enforce the law; and as a last resort impose trade sanctions if the offending plant or industry doesn't comply.

It's true that labor standards issues aren't always identical to environmental issues. Some labor questions may require different solutions. But in the broad sense, I would like to see the same approach in labor standards as in the environment.

Mexico laws on worker health and safety are good. Mexico prohibits child labor and has a minimum wage.

The Mexican constitution guarantees workers the right to organize, strike and bargain collectively. The problem is that the Mexican government doesn't always enforce these laws, and that Mexican unions -- many of which have close ties to the ruling party in any case -- aren't strong enough to make them enforce the laws.

If we link our economy to Mexico's in a free trade agreement, American workers have the right to expect that Mexico live up to its labor laws. We have the right to say that Mexico should allow workers to form independent unions, to strike and to expect safe working conditions.

A commission similar to the one I've proposed for the environment -- a panel to investigate charges of labor law violations, able to impose trade sanctions when the offending plant or industry does not comply -- may well be part of the solution.

WORKER ADJUSTMENT

It will not, however, be the whole solution. We must also have a plan, in place and funded, to help any workers who might be hurt through fair competition created by the NAFTA.

The ITC study I mentioned cites estimates of a net US gain of up to 93,000 new jobs. But that is a net gain. It means that while we'll create a total of about 200,000 new jobs, we may lose about 100,000 existing jobs. That's 100,000 people who may need help -- and should be entitled to help.

I think that we can get these men and women the retraining and income support they need to find good new jobs. To do this, we need to reorganize the Trade Adjustment Assistance program.

TAA was under the Republican gun for most of the past twelve years. But times have changed. We don't have to worry about saving TAA now -- we can work on making it better. I think that funded at least in part by a small, temporary border tax, TAA will prove the most effective way to help train and place workers hurt by the NAFTA.

NAFTA AS AN OPPORTUNITY

Once again, I view the NAFTA as an opportunity. I am convinced that a good NAFTA, with strong side agreements, will benefit workers in the United States, Mexico and Canada.

- It will open a rapidly growing market of 88 million consumers for American goods and services, and give us a critical tariff advantage over European and Japanese companies in that market.

- Fifteen separate studies show that it will create tens of thousands of new, high-wage, high skill jobs for Americans.

- It offers us an opportunity to help Mexican workers bring their country's labor standards up to the level enshrined in Mexico's international commitments and its own Constitution.

-- And back here at home, it will allow us to create a worker adjustment and retraining program that really works, not just for Americans affected by the NAFTA, but for all displaced workers.

Like I said, a good NAFTA package can achieve all of that. We don't yet have that package. But I am convinced that if we can negotiate strong side agreements, we will have a NAFTA package that is good for our country.

The export jobs this NAFTA will create will be among the most demanding in the economy. They will require high skills and they will pay high wages. Turning our backs on this opportunity will not stop plants from going south. What it would mean is turning down the chance to create those export-related jobs; failing to develop those skills, and giving up those high wages.

SUPER 301 AND JAPAN

I don't want to close today without saying that while the NAFTA is an important issue, it's only one of the trade issues on the agenda this year. We've also got the GATT, we've got issues like Airbus and the EC utilities directive, and we've got Japan.

We've run trade surpluses with Mexico and the EC for several years. But our trade deficit with Japan is rising again, nearing \$50 billion again last year. And my experience is that unless we turn the heat back on, that deficit won't go down again any time soon.

We need strong trade laws that give us a big stick -- because frankly, they've already eaten most of the carrots. We need negotiations, backed by the threat of retaliation, that work at the level of individual industries trying to sell their products. And if we review the past twenty years, we'll find that what works is Super 301.

In 1989, using Super 301, we cited Japan's wood product, satellite and supercomputer markets as unfairly closed to American imports. We made them a priority, and we got results.

American high-tech companies win Japanese government satellite and supercomputer contracts. And Japan is now the world's largest importer of US wood products. Ask a Montana LPIW worker if you want to know what that means for jobs.

We also got good news on the Semiconductor Agreement last week. In the last quarter of 1992, after seven years, the Japanese met the 20% market share floor the agreement requires.

Intel, the California company that invented semiconductor chips back in the 1960s, is one of the world's most innovative and successful firms in any field. But for decades they couldn't sell a thing in Japan. William Howe, the President of Intel Japan, describes his attempts to sell to Japanese businesses:

"They would basically stare at us with a big smile ... they had absolutely zero intention of ever buying a foreign semiconductor."

Well, they're not smiling now.

But they are buying. In 1990, we made semiconductors a priority. We put on the pressure. And we got a pledge that American semiconductor companies would have twenty percent of the Japanese market by this year. The Japanese didn't like it a bit. As President Clinton might say, they "moaned like a pig under a gate." They're still moaning today. But after years of pressure, they made that 20% floor.

The lesson is if the US government makes trade a priority and backs up its negotiators with the threat of retaliation, we can make progress. So I've put in a bill to do that by renewing Super 301. I expect Congress to pass it this year, and I expect the Administration to sign it.

CONCLUSION

Super 301, and a NAFTA with strong side agreements, will have one big thing in common -- they'll open markets. That means they'll raise our exports, and they'll create jobs.

That's where the future of the American economy lies. If we want good export jobs, we have to open markets -- whether it's through the NAFTA, through Super 301, the GATT or other means like the US-Europe free trade agreement President Kirkland has suggested. Closing our own market, like President Clinton says, is just another name for giving up.

Opening markets means selling more products and creating more good jobs. And if there's anything the unions of America have stood for since the days of the Silver Bow Trades and Labor Assembly, it's more good jobs for Americans. Since the day I entered politics, it's been my goal too. And it's one we'll always share.

Thank you.