Senator Sherrod Brown's Speech to the Washington International Trade Association and the George Washington University Elliot School for International Relations
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*****AS PREPARED FOR DELIVERY*****

Thank you to the Washington International Trade Association for inviting me to speak today, and thank you to the Elliot School for hosting this morning's breakfast. Thank you also Professor Suranovic for that kind introduction.

We're at an important moment in our nation's history with economic conditions threatening all segments of society.

For too long, and the last eight years in particular, our economy has been rudderless. Our economy has lacked a comprehensive strategy that connects wages with productivity, employment with housing, or trade deficits with foreign-owned debt.

But we can't change our failed economic strategy of the past unless we change our trade policy.

Let me start with a few stories about how trade is working – or not working – for workers and communities around the world.

About ten years ago, I traveled to the border of Texas and Mexico to see the effects of NAFTA. I crossed the border into Reynosa, Mexico, just five miles away from the Texas border. There, I met with a young married couple who worked together at the local factory. They lived in a small hut with a dirt floor, which would turn into mud when it rained.

There was a rickety plank over a canal ditch near the huts. Below, children played with factory debris floating along human refuse in the canal. Public health officials have cited canals within a five mile radius of our border as some of the most toxic in the Western Hemisphere.

I could tell where the couple worked, along with the similar workers inhabiting rows of neighboring huts, because the huts were made from packaging material from the factories where they worked.

These factories were within eye distance from the workers' huts. The factories looked like any other manufacturing factory in our country – in Akron, or anywhere in Pennsylvania, Illinois, and throughout our industrial base. In fact, the factories looked newer than the ones in our country.

The major difference between the Reynosa factory and the factory in Akron, however, is that there was no parking lot at the Reynosa plant. That's because the workers couldn't afford the cars they were making.

Travel to Costa Rica and you see factory workers not being able to afford the toys they make. Travel east to a Chinese bicycle factory where factory workers can't afford the bicycles they make.

You can travel around the world and see the same story of workers not sharing the wealth that they create for their employers.

These stories represent a current trade policy that has yielded decades of stagnant wages, rising income inequality, and stifled middle class growth around the world.

These stories represent a broken trade system.

That's why I will be asking the Government Accountability Office to conduct a comprehensive study on our current trade agreements. A GAO report on trade would provide non-ideological, non-partisan analysis of what is working and what is not working in our trade policy today.

This is an important step towards redirecting U.S. trade policy that will provide critical solutions for our nation's recovery strategy. The basic premise of redirecting U.S. trade policy is that we must see evidence that our trade model is working before we pass new trade agreements – whether with Panama, Colombia, or South Korea.

We must see evidence that our current trade policies level the playing field for U.S. and foreign companies and for U.S. and foreign workers.

We must see evidence that our current trade policies link productivity to wages, so that economic activity doesn't simply enrich top executives, but rather, it raises the standard of living for workers and enriches communities around the world.

Let me continue our travel around the world to a meat packing plant in Nebraska and explain how our trade policies have not enriched our communities or workers, nor provided adequate food safety standards for American consumers.

Meatpacking workers used to be heavily unionized, providing necessary worker and food safety standards. Unfortunately, over the last fifty years or so, meat packing unions have been marginalized, and our safety standards have diminished.

The line speeds at American meatpacking plants average more than 300 cattle per hour. In European factories, the lines average 100 cattle per hour.

American meatpackers work at such high speeds that they can't maintain worker or food safety. Meatpackers are easily injured, and knives dropped to the factory floor are merely wiped on a dirty apron, in haste, as cattle quickly move down the processing line.

Meatpackers in Nebraska have said they enjoy work on days when the meat is being shipped to the EU. The reason is because the lines are slowed, and the workers can work more safely and productively. The reason is that the European Union has stricter food safety standards than the U.S.

Those meatpacking workers in Nebraska, or in any one of the countries I just spoke about, are not sharing the wealth they are creating, nor are their communities safer. Their working conditions and wage disparity represent an unfortunate shift in our nation's history of trade policy.

From World War II to the advent of the current trade model, we had more balanced trade, and wages increased with productivity. Today, sovereign wealth funds and private capital without public accountability dominate our trade and financial systems.

Since 1987, manufacturing's share of GDP has declined more than 30 percent. That's almost exactly the percentage increase in the financial services industry over the same time. As a percentage of all corporate profits in our country, the profits of the finance industry have more than doubled over the past decade, to more than 40 percent.

To put in more stark terms, in 1980 the richest 1 percent of Americans took home 9 percent of total national income. By 2007, the richest 1 percent took home 22 percent. Now I'm not saying our trade policies are the only reason for this widening disparity. But combined with tax cuts for the rich, deregulation, and an economic system geared towards enriching the wealthiest of our nation instead of our middle class, our trade policies are a major factor in contributing to income inequality in America.

A decade ago, the Peterson Institute for International Economics found that nearly 40 percent of the increase in inequality was attributable to U.S. trade policy. That's when the trade deficit was $166 billion.

But it's not just developed nations that have experienced increase income inequality as a result of trade. Despite increased exports and foreign investment from the U.S. since NAFTA, Mexico has seen neither robust growth nor shared prosperity. Per capita economic growth has been just over 1.5 percent annually. Poverty and inequality remain high.

And since NAFTA, we've experienced expanding deficits – now 5 percent of GDP and real median wages are at early 1970s levels.

Rising income inequality also coincides with a trade direction that has kept us borrowing from our trading partners. Over the last eight years we've had a $3 trillion trade deficit, as our trading partners use those dollars to purchase US treasuries. And until last October, these conditions allowed our economy to look healthier than as it has been.

Our enormous trade deficit has resulted in our nation not only importing goods and services, but also importing the dangerous safety standards of our trading partners.

In Toledo, Ohio, patients died after taking contaminated Heparin to treat their heart conditions. The manufacturer of Heparin had outsourced the making of the drug, and as a result, did not know where the contamination occurred.

The patients in Toledo, or the factory workers in Reynosa, or the meatpackers in Nebraska illustrate that continuing our trade direction is not a ringing endorsement of our trade agenda. Their stories represent a continuation of a policy of broken promises.

To reverse this misdirection in trade, I offer three major recommendations to overhaul our status quo trade policy:

1. I am requesting President Obama to convene a blue ribbon commission on trade policy.
2. In the interim, we need stronger enforcement of our trade laws.
3. We need to reassert Congressional oversight over trade policy-making.

First, a blue ribbon commission acknowledges valuable recommendations from the public and Congress that can help create a new path on trade. Combined with a GAO report, a blue ribbon commission on trade policy would not delay trade agreements. Instead, it would guarantee evidence-based decision-making on future trade policy.

If in fact President Obama does not open up NAFTA for review, we must not continue the failed system for future trade agreements.

Second, while a blue ribbon commission would address trade policy making for future trade agreements, in the interim, we must use all of the tools available in current trade agreements – including stronger enforcement of our trade laws.

During the eight years of the Bush administration, it never accepted a 301 petition, including a petition for an investigation of Chinese currency practices and a petition of Chinese workers' rights. The Bush Administration also never acted on 421 cases, even when the ITC found injury. In most instances, the Bush Administration made its decision in single day without adequate review.

Non-enforcement has left struggling companies unable to compete against unfair trade practices. I am encouraged by the Obama Administration's emphasis on trade enforcement, and I will work with Congress to ensure trade enforcement is a government wide-practice.

In the short term, the Obama Administration can enforce trade laws by accepting review of AFL-CIO's Section 301 case alleging worker abuse by China, and other trading partners. The Obama Administration can also use the Section 421 safeguard mechanism that defends American businesses from import surges from China.

Stronger trade enforcement can also re-balance our trade relationship with China. We have not seen an increase in our exports that was promised during the China PNTR debate. In fact, our exports have increased more to non-FTA partners. Our 14 trade agreements illustrate 6 percent export growth with our FTA partners and 14.4 percent for non-FTA partners.

Strong trade enforcement also means addressing China's currency manipulation. I am disappointed that the Treasury Department did not cite China as a currency manipulator, but it's clear that China's estimated 30-40 percent undervaluation has an enormous impact on Ohio's manufacturers.

Third, Congressional oversight must be re-asserted in trade policy making. Congress should give President Obama the authority to negotiate better trade deals. But Congress needs a stronger role in the process. And that means Congress must review, renegotiate, and revitalize trade.

That's why Congress should enact the Trade Reform, Accountability, Development, and Employment (TRADE) Act that I introduced last Congress and plan to re-introduce in a few weeks. The TRADE Act is a forward-looking, pro-trade legislation that requires a review of existing trade agreements, and provides a process to renegotiate existing trade agreements. It also outlines principles on labor, environment, investment, and food safety to be included in future trade agreements.

With any delegation of its authority to negotiate better trade deals, Congress must ensure negotiating objectives are binding, and that there is a Congressional vote on trade agreement before it is signed by the president.

Reasserting Congressional authority must also ensure Congress' public policy prerogatives are respected by international trade organizations, like the WTO. We must not find our public policy subject to corporate rights of action at the WTO or NAFTA that outweigh a government's responsibility to preserve the public welfare.

A global system, like the WTO, that doesn't give countries policy space risks the very legitimacy of global institutions. The public demands and Congress will ensure that the WTO adapt to public policy realities and not vice versa.

I recognize the framework I've outlined is only one strategy. But I think we call all agree that our current trade model has not been working. When we change the process for writing trade deals, we can make trade deals work for more people.

I will leave you with a quote:

"They who feed, clothe and lodge the whole body of the people should have such a share of the produce of their own labour as to be themselves tolerably well fed, clothed, and lodged."

Can anyone guess who said this?

Karl Marx in 1848? Fidel Castro in 1959? Hugo Chavez in 2001? Bernie Sanders in 2009?

I'll give you a hint, John Kenneth Galbraith said of this thinker and his book,

"It is much celebrated by the ministry of the righteous right, few of whom have read it. Were they to do – disapproval of the corporate form, approval of a wealth tax – they would be greatly shocked."

The quote was from Adam Smith in 1776, in his <u>The Nature and Causes of the Wealth of Nations</u>.

His last job was as a Scottish tariff collector.