

**Statement of Representative George Miller
Senior Democratic Member
House Committee on Education & the Workforce**

**Do China's Abusive Labor Practices Encourage Outsourcing and Drive Down
American Wages?**

March 29, 2004

Senator Dorgan, thank you for calling this important hearing on the impact of outsourcing American jobs to China. This is a significant moment in our country's trade history. For years, businesses have recognized that markets only work when the rules are applied fairly to everyone. Corporations have pushed our government to enforce international trade law governing intellectual property, state subsidies, and pricing, because violations of these international rules hurt American businesses and American workers.

Now, for the first time, workers themselves have filed a petition, arguing that the systematic abuse of workers' rights in China have displaced hundreds of thousands of American jobs. This historic petition filed by the AFL-CIO describes how the Chinese labor system artificially lowers wages and brutally represses its workers, and therefore constitutes an unfair trade practice under Section 301(d) of the Trade Act because it "burdens or restricts U.S. commerce."

It is not protectionist to argue that free markets and a free economy cannot be based on human-rights abuses. In order to shave a few cents off the price of a product and add a few cents to the share price of the corporation, human rights are being abused abroad and jobs are being lost here in America.

For too long, American trade policy has failed to promote even minimum labor standards, but we all know that if trade is going to improve the quality of life for Americans without putting downward pressure on labor standards internationally, we must ensure that every country is playing by the same rules.

I look forward to the testimony of today's witnesses, and to continuing this very important discussion on outsourcing, trade policy, and workers' rights.

I would like to include with my testimony today two opinion pieces that discuss this issue and in particular the petition filed by the AFL-CIO. Thank you again for the chance to testify before your hearing this morning.

The Washington Post
March 17, 2004
China's Workers ---- and Ours
Harold Meyerson

Until 10 a.m. yesterday, U.S. trade law belonged to big business. Corporations routinely petitioned our government to threaten other countries with sanctions if their products were being knocked off or undersold by foreign manufacturers with state subsidies, and our government frequently complied. The solicitude the Bush White House and its predecessors showed for shareholders, however, was nowhere in evidence for workers. Profits depressed by unfair trade practices were an official object of concern; wages and employment levels depressed by unfair trade practices were none of the government's business.

This double standard was the heart of modern trade policy. Yesterday morning, that began to change. For the first time ever, the AFL--CIO filed the kind of unfair--trade petition that corporations commonly file, alleging that China's repression of workers' rights has displaced at minimum 727,000 U.S. jobs, and calling on the president to threaten China with tariffs until it stops artificially lowering its workers' wages.

The idea that our trade statutes protect American workers from competition with repressed workforces overseas will surprise just about everybody, but in fact, these laws were enacted by Congress in the 1980s and signed by Ronald Reagan. For the past 15 years, unions have taken no action under the laws, because the U.S. job losses were hard to quantify.

Over the past year, however, Mark Barenberg, a Columbia University law professor, and Mark Levinson, chief economist for UNITE (the clothing and textile union), concluded that changes in the global economy were so huge that such a calculation was now possible ---- and necessary. In particular, there was the loss of nearly 3 million U.S. manufacturing jobs over the past three years, the concurrent explosion of Chinese manufacturing, the ballooning of the U.S. trade deficit with China and the abundant if largely ignored documentation of China's semi--Stalinist labor system. All these things combined to make a trade--law appeal on behalf of U.S. workers eminently plausible.

The 103--page AFL--CIO petition runs through an array of statistical analyses to come up with its figure of 727,000 displaced American manufacturing jobs. But its foremost achievement may be to encapsulate the vast literature that describes the part--feudal, part--communist labor system in which Chinese peasants must labor when they go to work in China's export--sector factories. Under China's hukou system of household registration, citizens must live and work in the place where they are permanently registered, normally their place of birth. Every household is designated as rural or urban, a distinction on which a caste system has been erected.

Urban workers are free to apply for and leave jobs; they are entitled to state housing and pensions. Rural workers, however, need state permission to seek work in towns and factories. Once employed, they enter a bonded--labor arrangement in which they cannot quit unless they can pay their employer an amount plainly beyond their means. The hukou system forbids them to compete with urban workers for higher--paying jobs, and migrant workers without jobs are subject to arrest by the state's public security bureau.

By state design, then, these workers have no power to affect their conditions of work. Though productivity in China has skyrocketed, they are routinely paid rural--level subsistence wages ---- as little as 15 to 30 cents an hour ---- when they are paid at all. Employers tend to recruit childless, young, single women, whom they pack into cement--block dormitories Page 2 The Washington Post March 17, 2004 Wednesday to which the women are commonly restricted when they're not on the factory floor. They cannot leave. They organize at the peril of imprisonment or torture.

China has 160 million workers in manufacturing and mining, nearly 12 times the U.S. total. The Organization for Economic Cooperation and Development estimates that 20 million peasants will enter the urban workforce every year for the next 20 years. This is, make no mistake, the planet's proletariat ---- and it in no way resembles the kind of free labor force we take for granted in the United States. Those U.S.--based corporations that invest in Chinese factories ---- a long list headed by Wal--Mart ---- owe some nice chunk of their profits to a workforce toiling, to resurrect a line from Mao, under "the barrel of a gun."

Critics will doubtless call the AFL--CIO "protectionist" for filing this petition. And if it's protectionist to demand that millions of Chinese women have the right to leave their jobs and apply for better ones, or to unionize their workplace or be allowed at least one day off a year, if it's protectionist to demand that U.S. workers not lose their jobs because they cannot work as cheaply as these repressed Chinese workers, then the AFL--CIO should absolutely plead guilty. What I'd like to hear from the critics ---- and from George W. Bush ---- is why they're protecting the deal between U.S. corporations and China's neo--Stalinist state to extract profits for them both at the expense of tens of millions of desperate young women.

The Washington Post
March 22, 2004
Trade and Labor Rights
Editorial

THE ETHICAL basis of free markets is that they reflect free, individual choices. Workers may be paid little, but if they sign up for jobs voluntarily, then those jobs must be the best options available. Removing those jobs, for example, by closing factories on the grounds that they are "sweatshops," will make workers' lives worse. But what if the workers' choices are not free -- what if workers are locked up in factory dormitories and

brutalized when they protest? In that case capitalism has lost its ethical foundation. Capitalism may remain a wonderful engine of economic growth, and growth in the long term tends to bring freedom. But in the meantime it will not be just.

This is why the trade complaint against China, filed by the AFL-CIO last week, deserves qualified sympathy. China's police state abuses workers, who sometimes go unpaid and then get beaten up when they demand what is owed to them; it has punished labor leaders with harsh prison sentences handed down after fake trials. The AFL-CIO is right that such treatment violates the principle that free economics should be rooted in free politics. If the effect of the petition is to goad the U.S. government into protesting human-rights abuses in China, it will be constructive.

But the unions' ambitions go beyond that. Their petition demands that the Bush administration punish China with trade sanctions, arguing that Chinese abuses drive down wages and increase the competitive pressure on American workers. In fact, ending abuses in China would not save many American jobs. China has 800 million people living in the countryside, where underemployment afflicts one in three workers; for these people, wages of \$2 a day represent an attractive income. Market forces, not denial of workers' rights, are overwhelmingly the main reason for China's low wages.

Still, China's abusive labor practices are abhorrent, so one can agree with the unions' objective without accepting their supporting argument. The question is whether trade sanctions are the right way to help Chinese workers. Sanctions can sometimes work, especially if their aim is to extract specific concessions: that certain prisoners be released, for example, or that a particular labor practice be stopped. The unions' demand is that China set up an administrative system to enforce labor rights throughout its vast manufacturing sector. That might prove more than the communist regime can stomach, in which case the trade sanctions would disrupt trade without improving labor rights -- retarding the economic progress that may bring political freedom in the long run.

The Bush administration must decide whether to consider the petition and what sanctions if any to apply. If it accepted the idea of imposing trade penalties on China, the Chinese would likely appeal to the World Trade Organization's arbitration panel, and the appeal might well be successful, forcing the United States to lift its sanctions. If, on the other hand, the panel sided with the United States, the WTO would for the first time have imposed on its members a duty to protect labor standards.

Would this be a good thing? Yes, provided that these labor standards governed basic political freedoms rather than mandating minimum wages or even minimum standards of safety. Imposing economic regulation on poor countries would harm poor workers by destroying their jobs. But even if the new standards were reasonable, they might cause a backlash from developing countries, which regard external imposition of labor standards as protectionism in disguise. If developing countries withdrew from the WTO as a consequence, trade would be disrupted, and workers would suffer once again.

In short, if trade is used as a lever to promote a revolution in international labor rights, the lever will break. Still, the unions are pursuing a good cause, and the administration should agree to consider their petition. Here's a small proposal: To allay poor countries' fears of disguised protectionism, the United States should couple measured promotion of labor rights with bigger cuts in U.S. tariffs on products such as textiles and sugar. That would displease some U.S. unions and businesses, but it would further the interests of the world's poorest workers.