

*Glass, Molders, Pottery, Plastics & Allied Workers
International Union*

(AFL-CIO, CLC)

James E. Hatfield
International President
Frank W. Carter
International Secretary-Treasurer
Harry A. Tulley
President Emeritus

608 EAST BALTIMORE PIKE • P. O. BOX 607 • MEDIA, PA 19063
PHONE (215) 565-5051 FAX (215) 565-0983

International
Vice Presidents
Joseph C. Cordery
Wayne L. King, Sr.
Gilbert Shepherd
Ross L. Armstrong
James H. Rankin

November 9, 1993

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Lafayette Wilson
William Cubitt

The Honorable Robert Dole
141 Senate Hart Office Building
Constitution Ave. & 2nd St. NE
Washington, DC 20510

Dear Senator Dole:

I am writing on behalf of the Glass, Molders, Pottery, Plastics and Allied Workers International Union ALF-CIO (GMP) to express our strong opposition to the North American Free Trade Agreement (NAFTA) and to convey to you our grave concern over the substantial number of our members' jobs that will be lost if the treaty is implemented.¹ As discussed in detail below, our union faces a loss of 5500 to 11,000 members - up to 15% of our U.S. membership.

Our Union represents over 80,000 employees throughout the United States and Canada, primarily working in the glass, pottery, and plastics industries. This includes some 12,000 employees making a variety of casting products in foundries.

While other unions such as the United Auto Workers, the United Steel Workers, and the Amalgamated Clothing and Textile Workers tend to represent large numbers of employees in a single industry, our Union represents smaller numbers of employees in many different companies situated in many diverse industries.

I. JOB LOSS TO MEXICO

Contrary to Administration assurances, the evidence shows that ratification of NAFTA will cause a massive job relocation from the U.S. to Mexico. For example, a

¹ As a member of both the AFL-CIO and the Citizens Trade Council, the GMP endorses the positions taken and arguments made by those organizations against NAFTA. Although not discussed in this letter, GMP shares the concerns of others that NAFTA seriously weakens our current efforts to protect the environment.

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survey of business leaders in Southern California found that more than 1/3 of them planned to relocate facilities to Mexico or to expand their operations there as a result of NAFTA and cheaper labor costs in Mexico.²

In order to document our concern about job loss, the GMP commissioned Professor James O. Stanford to analyze the impact of NAFTA on employment in the industries where GMP's members are concentrated. Prof. Stanford's report - a copy of which is attached - demonstrates that the industrial sectors which employ the bulk of our membership stand to suffer a medium-term loss of between 10,600 and 46,000 jobs. He conservatively estimates that the GMP will lose between 5500 and 11,000 members as a result of NAFTA.

Prof. Stanford's report is as detailed and well-reasoned as it is disturbing. Its technical analysis confirms our own conclusions which had been based on anecdotal evidence and our knowledge of past industrial practices. I urge you to give Prof. Stanford's attached report your careful consideration.

It is incorrect to describe NAFTA as a mechanism to create free market conditions among the participating countries. NAFTA will create a free market for investment capital and finished products. However, the classic restrictions on the mobility of labor will remain. Mexican workers cannot emigrate to the U.S. to take advantage of high wage rates - indeed, one of the goals of NAFTA is to eliminate that. Further, Mexican workers cannot exercise their market power to increase wage rates in step with increased demand because of the authoritarian measures taken by the Mexican government and its ruling party, the Institutional Revolutionary Party (PRI) (see below). Under this scenario, Mexican wage rates are artificially depressed, thus encouraging further capital disinvestment in the U.S.³

As you know, there have been a bewildering number of econometric studies on the effects of NAFTA on the U.S. economy. By utilizing widely-different underlying assumptions, the studies range from concluding that the United States will gain 130,000 jobs as a result of NAFTA, to concluding that the U.S. will lose over 550,000 jobs. Often, these assumptions are undisclosed, highly technical - and even indecipherable.⁴ As economists Faux and Lee explain,

The use of simplifying assumptions is common, and legitimate, practice in the exercise of economic logic. When used carefully by people who understand their limitations, such models of the

² Los Angeles Times, Aug. 10, 1993, at 1-D, 16-D.

³ See Walter Russell Mead, "Bushism, Found: A Second-term Agenda Hidden in Trade Agreement," Harper's Magazine, Sept. 1992.

⁴ See the explanation of the studies in Jeff Faux and Thea Lee, "The Effect of George Bush's NAFTA on American Workers: Ladder Up or Ladder Down?" Briefing Paper, Economic Policy Institute (1993), at 5-18.

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real world are useful in gaining insights into the interactions of the various forces involved. But the simplifying assumptions do not reflect the real world, and to that extent will give a distorted and misleading result when they are used to forecast the effect of changes on real people It is like predicting clear weather for tomorrow with a statistical model whose program does not recognize the possibility of rain.⁵

Prof. Stanford's excellent study notwithstanding, our view of NAFTA is based not on econometric models and expert theories, but on common sense and past experience. We have already seen 500,000 American jobs lost as U.S.-based multinational companies divert production facilities from the United States to maquiladora plants in Mexico. Wages in the maquiladora plants average \$1.25 per hour, less than the \$2.17 average for the rest of Mexico. Thus, the one experiment in "free trade" between Mexico and the United States showed that increased investment in Mexico did not raise Mexican wages (and buying power), but depressed it. The major U.S. export to Mexico was not consumer goods but American jobs.

Supporters of NAFTA argue that while some initial job loss may occur in the United States, improved job retraining programs will ameliorate the problems of unemployment. Unfortunately, our members' recent experience demonstrates the opposite. Workers in blue collar industries who lose their jobs due to plant closings or disinvestment in the United States do not go on to obtain high paying jobs in other high-skill industries. To the contrary, they generally have tremendous difficulty in locating any new employment, and those who do tend to find jobs in low-skill industries paying substantially less than the jobs they lost.⁶

GMP members also know first-hand about the inadequacy of current retraining programs. As a result of glass plant closings in New Jersey, our members were "retrained" and referred out for the only available jobs - cocktail servers and craps dealers in the casino gaming industry in Atlantic City.⁷

II. THE VULNERABILITY OF THE U.S. GLASS INDUSTRY

This trend is particularly ominous for the GMP. Over 32,000 GMP members are employed in the glass container industry, which has been stagnant in the United States for a number of years. Indeed, the U.S. glass industry has already lost substantial jobs and

⁵ Id. at 10.

⁶ See Bureau of Labor Statistics, "Displaced Workers 1981-85," Bulletin No. 2289 (Sept. 1987); Michael Podgursky, "Estimated Losses Due to Job Displacement: Evidence From the Displaced Worker Surveys," Economic Policy Institute (April 1991).

⁷ See also "U.S. Study Says Job Retraining Is Not Effective," New York Times, Oct. 15, 1993, at 1.

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production to Mexico. The Mexican glass and pottery industries are identified as leading candidates to penetrate foreign markets.⁸ Vitro, S.A., a Mexican company, is now the largest glass bottle manufacturer in the world, and operates the Anchor Glass Company in the United States. According to a report in the Providence Journal Bulletin, "Since buying Anchor Glass, Vitro has closed four U.S. plants, and laid off about 1,000 workers."⁹ Vitro already controls 29% of the U.S. glass container market.¹⁰

Vitro Envases, the bottling and container division of Vitro, expects to invest \$360 million in advanced technology and plant modernization over two years, in part to increase exports to the U.S. and Latin America.¹¹ Vitro controls over half of the Mexican glass market.¹² It is known as "one of the most aggressive Mexican companies in conquering U.S. markets,"¹³ and is poised to exploit its advantages in the U.S. as a result of free trade agreements.¹⁴

Glass container production requires substantial numbers of skilled manufacturing employees; GMP members in the U.S. glass container industry command approximately \$15.25 per hour and further receive substantial medical, pension, and disability benefits. Stagnation in the industry in the United States has led to less job mobility, as our members attempt to hold on to high-paid, high-skilled jobs. It is precisely this population of workers - medium to high-skilled, well-paid, older - who are most likely to find only low-wage, low-skilled replacement jobs, assuming they can find any jobs at all.

American workers who don't lose their jobs will still be affected by NAFTA as Mexican competition causes a downward pressure on wage rates here. Businesses will threaten to move to Mexico unless their employees give up the hard-won gains in pay and

⁸ "Investment Postponed Due to Uncertainty on Free Trade Talks," Notimex Mexican News Service, May 20, 1992; "NAFTA: Winners and Losers," Business Latin America (March 15, 1993).

⁹ Providence Journal Bulletin, Sept. 30, 1992, page A-11.

¹⁰ "Vitro Sales Down by 1.5% In 1st Half 1992," Source Mex: Economic News & Analysis on Mexico, Sept. 23, 1992.

¹¹ U.S. Consulate-Monterrey, Memo re: Monterrey This Week Aug. 10-16, 1993, Aug. 25, 1993, available in 1993 National Trade Data Bank, Market Reports, Sept. 15, 1993.

¹² "Mexico: Sponsored Section - Glass - Strong Growth Ahead," Institutional Investor, June 29, 1992.

¹³ "Grupo Vitro Grows Into U.S. Markets," Notimex Mexican News Service, March 17, 1992.

¹⁴ See "Mexico: Sponsored Section - Vitro - Strength, Stability and a Growing International Presence," Institutional Investor, June 29, 1992.

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benefits they have achieved.¹⁵ One economist concluded in 1992 that NAFTA would cause an average wage loss of \$1,000 per worker for the lower 70% of the American workforce.¹⁶

III. THE FAILURE OF THE SIDE ACCORDS

The Side Accords on Labor Cooperation signed September 14, 1993 fail to correct any of the deficiencies of the initial treaty. Although any nation may request ministerial consultations as to a labor issue standard (Art. 22), neutral arbitrations may be invoked only where there is a "persistent pattern" of failure to enforce "occupational safety and health, child labor or minimum wage technical labor standards" (Art. 27(1), 29(1), 38, 39). Thus, the Side Accords fail to provide any enforcement mechanism if Mexico fails to recognize the rights of its workers to form and join unions of their choice, to bargain collectively or to strike.

Such substantive rights are enforceable under other U.S. laws and treaties, such as the Generalized System of Preferences, the laws governing the Overseas Private Investment Corporation, the Caribbean Basin Initiative, Section 301 of the 1988 Trade Act, and regulations on trade with South Africa. We fail to understand why NAFTA - which provides a greater threat to U.S. citizens - has a weaker enforcement mechanism.

While the Side Accords commit each party to effectively enforce its own labor laws (Art. 3(1)), it does not spell out any minimum standards for these laws but simply sets out "broad areas of concern" (Annex 1). No mention is made of internationally-recognized standards defined by the International Labor Organization Conventions¹⁷ and the UN Declaration on Human Rights.

Finally, the enforcement mechanism contemplated is weak and ineffective. It would take years to shepherd a complaint through the multiple levels of consultation, arbitration and review (Art. 21-41). The sanctions are so weak that they provide no deterrence to a nation bent on violating labor standards within its borders.

The new Side Accords do nothing to protect our members from job loss and unfair competition. Having looked at the terms of the treaty in detail, we can only conclude that many of the employers with whom GMP has collective bargaining agreements will move their production facilities to Mexico, causing substantial and permanent unemployment

¹⁵ Indeed, this process had already begun. See "Nestle Strike Has NAFTA Tint," *Globe and Mail*, Apr. 16, 1993, at 1A.

¹⁶ Edward E. Leamer, Wage Effects of a U.S.-Mexico Free Trade Agreement, Working Paper No. 3991 (Feb. 1992).

¹⁷ E.g., ILO Conventions Nos. 29, 87, 95, 98, 100, 105, 111, 131, 138, 155, 170.

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among our members.

IV. THE LACK OF HEALTH AND SAFETY PROTECTION

NAFTA will not only erode wages in the U.S., but will also serve to undermine occupational health and safety standards in the United States. For many years, the GMP and other labor organizations worked to secure effective protection under the Occupational Safety and Health Act (OSHA) and the standards promulgated under that law. Because of our concern about lax standards in Mexico, the GMP sent a team to make an onsite inspection of certain industrial plants in Mexico.

The GMP found that Mexican workers enjoy few, if any, of the occupational safety and health protections that our members have in the United States. Mexico's laws are not only inadequate, but they are not enforced. Mexico lacks the kind of health and safety infrastructure that American employees rely upon. A copy of our report on worker health and safety in Mexico, Warning: Working In Mexico May Be Dangerous To Your Health, was sent to your office earlier this year. I hope you had a chance to review it to see exactly how bad the health and safety problem in Mexico really is. (If you did not receive a copy or have misplaced it, please call my office and I will be happy to provide another copy to you.)

V. LACK OF HUMAN RIGHTS IN MEXICO

It is critical to understand that wages in Mexican industry are not low simply because the country is poor, but because trade union activity is closely controlled and circumscribed by the government and the Institutional Revolutionary Party (PRI) which has controlled Mexico since 1929. The principal labor confederation, the Confederation of Mexican Workers (CTM), is essentially an arm of the PRI - although the recent trend to shift power from state-controlled enterprises to private corporations has weakened labor still further. Mexico's interlocking social and political institutions make it - in the words of conservative writer Mario Vargas Llosa, a "perfect dictatorship."¹⁸

In recent years, workers who have attempted to engage in free trade union activity have been subject to harassment, beatings, retaliation on the job, and even torture and death.¹⁹ Indeed, independent human rights organizations have regularly reported that the use

¹⁸ Pharis J. Harvey, Executive Director of International Labor Rights Education and Research Fund, prepared statement to House Committee on Government Operations, July 15, 1993, at 3.

¹⁹ See Dan La Botz, Mask of Democracy: Labor Suppression in Mexico Today (1992); ILRERF, Petition/Request for Review of the GSP Status of Mexico Under GSP Worker Rights Provisions (June 1, 1993).

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of torture is "endemic in Mexico."²⁰ As increasing numbers of Mexican workers express their dissatisfaction with the party-affiliated unions, there will be increased attempts to intimidate Mexican workers to keep the price of labor low.

Thus, the GMP particularly and American workers generally are facing unfair competition from Mexico. In the same way that we cannot compete with the wage rates of prison labor, we cannot compete with poverty-level wages enforced through government-controlled terror. The economic results obtained under such a system might be attractive to global corporations, but they are a disaster for employees in many industries such as ours. Our members, most of whom have worked for years in basic industry, are not likely to ever again obtain comparable employment.

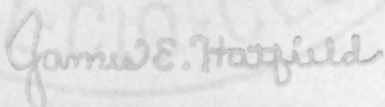
CONCLUSION

Our Union is not against international cooperation. We recognize that there is a global marketplace. However, we believe that fair trade is the key to raising the living standards of all workers, both in the United States and in other countries as well.

As a Member of the United States Congress, you will not be voting on the ideal of "free trade." You will be voting on this treaty - with all of its flaws and negative effects. This version of NAFTA was not designed to benefit the majority of Americans, but to benefit the large enterprises which can best profit from such an international arrangement. We urge you to recognize that the real interests of the American people will not be served by this particular treaty.

We know that this is an important issue for Congress, and that you will give this matter very careful consideration. We urge you to vote against NAFTA.

Respectfully,



JAMES E. HATFIELD
International President

JEH:ps
Enclosure

²⁰ Amnesty International, Mexico: Torture with Impunity at 1 (1991); Amnesty International, Mexico: The Persistence of Torture and Impunity, AMR 41/01/93 (June 1993); Americas Watch, Human Rights in Mexico: A Policy of Impunity at 9 (1990); Americas Watch, Unceasing Abuses: Human Rights in Mexico One Year After the Introduction of Reform (Sept. 1991).