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## NEW MULTILATERAL TRADE AGREEMENTS

On January 1, a new era of international trade relations began as long-negotiated new multilateral trade agreements were implemented by the 84 member nations of the international body, GATT (General Agreement on Tariffs and Trade). For U.S. firms, the effects will vary according to whether they are hurt by increased competition over domestic sales or are helped by increased sales abroad. For U.S. workers, the effects are mixed--imminent job loss or forced job changes for some, new jobs for others, and increased incentives for international alliance for most.

### 1. Why Firms Want the New Agreement

Recently international trade has been hampered by ever-rising energy costs and fluctuating money markets. But more basically, since World War II the U.S. economy has been losing its influence over the world economy. U.S. production hasn't grown as fast as the world average. Neither has the U.S. share of world trade, which fell from 18% of the total in 1960 to 12% in 1979.

A principal reason for increased international competition for markets to sell goods is the growing importance of huge multinational corporations in the world economy. Aided by tax loopholes, these corporations have sent parts abroad for assembly by low-paid, non-union workers. In this way, imports of foreign-assembled clothing rose 450% between 1970 and 1977, much faster than U.S. clothing sales. Also, multinational firms choose among their various domestic and foreign operations, investing in the most profitable and pulling out of the others. So plants, firms, and sometimes entire major industries, such as steel in the U.S., are left years behind other industrialized nations with out-of-date plants and equipment--unable to compete internationally.

The result has been a shift in U.S. production toward services and away from manufacturing, with the latter now accounting for only 29% of annual hours worked in private firms. And the remaining manufacturing companies increasingly look for profits through foreign sales. For them, the new markets offered by GATT may be their only hope for survival.

### 2. The New GATT: Mostly Winners Here?

After five years of negotiations GATT produced a 30% cut in tariffs, which will be fully implemented by 1988. But the main accomplishment of GATT is 10 new non-tariff codes of agreement which legislate more "open" and competitive international trade. Some obvious improvements are codes for uniform customs valuation and manufacturing standards. Also included are necessary international monitoring and appeals mechanisms for enforcement of the rules.

Some U.S. firms are hopeful about gains from codes covering their industries. Electronics, high-technology instruments, and aerospace firms stand to gain from civil aircraft and government procurement codes, which are designed to open up these areas to international sales. Paper, chemicals, and most agricultural producers also expect rising foreign sales.

Left behind may be U.S. steel, textile, and telecommunications producers. For these industries, the key issue is how sharp the "teeth" enforcing the GATT

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agreements really are. Upcoming legal battles will fight out the practical meaning of the all-important subsidies code, which permits firms to seek imposition of a countervailing duty (special tariff) if imports produced using government subsidies abroad have caused "material injury" to them. If effective, this code along with another code prohibiting dumping (selling products abroad at below cost or below home sales price) and a pending "safeguard clause" permitting temporary import limits will protect sales by firms in competitive sectors.

### 3. For Workers: Not So Clear

The effect of these new "trade wars" on workers will be on jobs--keeping or losing them. Special international agreements covering textile and garment makers and continuing U.S. government purchasing preferences for small and minority businesses may keep some firms afloat. But in general, American job patterns will depend more on world demand for goods and on competition between countries seeking to meet the demand.

The uncertain effects are shown by contrasting predictions. Former U.S. Special Trade Representative Robert S. Strauss optimistically predicts the addition of 80-130,000 jobs spread among two-thirds of American industries. He expects job losses to be concentrated in a few industries.

AFL-CIO leaders, while recognizing the need for GATT because of increased world-wide economic interdependence, support it more cautiously. The Executive Council warns that U.S. trade policies under GATT should be guided by the dual goals of protecting American workers and industries against unfair trade competition, and maintaining a healthy, diversified economy.

In particular, the Executive Council has called for vigorous use of GATT's fair trade policies and countervailing duties provisions. It also called for expansion of existing trade adjustment assistance, which gives temporary benefits to workers and firms injured by increased international competition.

The Carter Administration committed itself to these goals in its National Accord with labor, signed by the AFL-CIO's Lane Kirkland last October. The Accord promises labor a greater voice in setting trade policy. And practical help should be forthcoming if pending legislation expanding trade adjustments assistance becomes law.

International trade unions and labor organizations, including the International Labour Office and the International Chemical, Energy and General Workers Union (an AFL-CIO affiliate), are working at the same time for world-wide wage equalization in the 1980s. There are hopes to organize internationally, to win the power to implement employment policies for global job protection.

### 4. Looking to the Future

As firms and funds leave the U.S. in an ever more interdependent world, American workers and unions have called for many legal limitations. One such response is simple protectionism--use of tariffs, quotas, and other policies to limit entry of low-priced goods which compete away jobs.

But the new GATT is one step towards the "more aggressive" export promotion called for by new U.S. Trade Representative Reubin Askew along with many American companies. The freer-trade policy offers the hope of capturing more funds through expanded sales. It is seen by supporters as essential for world economic growth. If successfully implemented, the policy of increased international trade will join with freer international money flows to build up ever larger firms. Unless nations create policies limiting this process, such firms can be expected to continue to move their capital where they can profit most, while less competitive firms die off.

As the economic movement continues from the national to the global market place, workers must consider both their immediate and their long term interests (just as they have struggled to do in the transition from the local to the national market place). Right now, workers and unions can seek reasonable trade policies and adjustment assistance in injured industries. In the long run, the trend toward a more open and a more global economy will demand increased emphasis on international unionism. Such a global economy can be an expanded arena for workers' rights--if workers can unite and respond together to the similar kind of economic conditions which even now begin to confront them everywhere in the world.

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