



**Testimony of**

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**Before the**

**Senate Committee on Commerce, Science  
And Transportation**

**“Making It In America: Innovate Locally, Export Globally”**

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Thank you, Chairman Rockefeller. I welcome the opportunity to be here today to testify on behalf of my union, the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union—the United Steelworkers (USW).

The focus of today's hearing is to explore the issues related to the state of manufacturing in West Virginia and the opportunities and challenges presented by exporting.

In the past twelve years, I have had the painful displeasure of watching over 5,000 USW represented family-supporting manufacturing jobs disappear in West Virginia. Keep in mind, these employees did not lose the means to support their families because of outdated facilities or inefficient brick producers, chemical plants and steel processors. These employment opportunities have left my state primarily because of unfettered free trade and ineffective policies to address what should be the top priority of everyone in this room today, a forward-thinking approach to supporting those jobs that remain, and policies that will create new jobs in the future.

These stories of so many plant closings, so many jobs, so many families have been told so many times that I sometimes wonder if Americans are turning a deaf ear when they hear these devastating stories. Sadly, many are forgetting that these aren't just today's statistical realities in a global economy. There is a human element to these events. We are talking about real people, often entire communities that are tragically affected. Many of my members who have lost their jobs can't reconcile their employment past with their new reality – going to a food bank, a minimum wage job or worse, relying upon government programs for their existence.

Our trade, tax, and investment policies, the globalization of production, and the failure to have a national manufacturing strategy helped create this situation. It doesn't have to be this way. However, consistently, when a discussion is presented, and legislation proposed on a national level to address this slow moving disaster, the legislative approaches are reframed by many of those free trade at any costs policy makers who helped facilitate this mess. Those groups manipulate the public's view of these proposals by categorizing them as nothing more than government intervention that will lead to bigger government and cause a disruption of free market forces. In my view, to disregard the pain these people are living through, slogging through years of doing next to nothing towards long-term commitments, employment policies, investments and incentives to revitalize our manufacturing base in job creation is irresponsible and insensitive. Our nation is being victimized by free trade ideologues and policymakers who want to discuss theory, rather than recognize reality.

New Department of Commerce data shows that nationwide, companies cut their work forces in the U.S. by 2.9 million during the 2000s while increasing employment overseas by 2.4 million. The technical and industrial capacity offshored quickly became imported goods and a major contributor to our crushing trade deficits. Between 1998 and 2010 we lost approximately six million manufacturing jobs with over two million of

these occurring from 2007-2009. At the same time some 57,000 manufacturing facilities closed. What is often forgotten, those manufacturing jobs that were lost led the reduced need for jobs in engineering, designers, scientists and more that has eroded the nation's working middle class and dangerously undermined our technical, industrial and innovative capacity. This nation will not be able to double net exports, reduce our trade deficits substantially nor meet our economic and security needs unless we produce more of what we consume. Our nation's future success, the reclamation of the American Dream, in fact, depends on revitalizing our manufacturing sector.

Far too many of our companies have off shored their production using China simply as an export platform replacing U.S. jobs and production. This is the result of concerted strategic interventions, starting with currency intervention, by the Chinese government over many years – and inaction by our own. With an explicit export strategy targeting key industries, sectors, and technologies, China has captured a growing share of U.S. and world markets. It has used a wide array of unfair trade practices, including currency manipulation, export subsidies, widespread suppression of worker rights and wages, and tariff and non-tariff barriers to exports, to support this strategy.

The financial crisis has proved to be another opportunity for the Chinese Government. By controlling access to its market in crucial sectors with indigenous innovation, the Chinese government buys time to build dominant industries and technology powerhouses that will have a clear competitive advantage over their lagging counterparts in other countries. This is already underway in the clean energy sector, where these trade-distorting policies work in concert to ensure market control. The 301 clean energy manufacturing trade case filed by the United Steelworkers Union and the currency legislation passed by the House last fall are aimed at stemming these practices.

It always baffles me why we don't believe the Chinese when they say they want to dominate certain industries, why we don't believe what they publicly announce as part of their "five-year plans". They outline to the world what their intentions are, but too many of our policymakers simply don't want to believe them.

## **Strategy Matters**

The U.S. needs to recognize that all our major global competitors have national manufacturing strategies. Advanced developing nations like China, India and Brazil all have one. The leading developed nations like Germany, Japan and the Scandinavian nations all have them. We do not and it is killing us. The differences in approach are dramatic. Our competitors consciously seek manufacturing as a critical jobs and prosperity strategy for their nations. Our blind free market approach theorizes seeking cheaper prices for consumers is better than good jobs and income. They target industries and technologies seeking to generate competencies and opportunities. We do not. Economic success is not measured simply by the price of a flat-screen TV, but how well one can feed, clothe and house their families, how they can have access to health care and education, how they can look forward to a secure and dignified

retirement. On that basis, we are falling further and further behind. Other nations align their tax policies and government investments to achieve their goals and objectives. Our tax policies encourage offshoring and we quibble over Buy American policies that are less broad than our competitors own domestic procurement laws. They invest in training and education linked to their employment and economic strategies. We invest in training and education without clear employment strategies or goals.

Recently, one news organization highlighted the potential for Congressional consideration of corporate tax reform legislation. In the article, it identified that the Administration was looking to reduce tax rates, and would make up the revenue lost from rate reductions by “closing loopholes and slicing exemptions.” It only identified two examples: the tax deduction for domestic manufacturing and accelerated depreciation for capital equipment. Those are mechanisms vital to revitalizing our declining manufacturing base. Why on earth would we want to attack those key economic engines? Not one of our competitors would take such a short-sighted and self-destructive approach. If those changes take effect, our competitors will be laughing themselves silly as they skip to the bank.

Some, like the Chinese government, engage in illegal activities in support of their manufacturing strategy such as currency manipulation, illegal subsidies, repression of workers’ rights, weak environmental and wage and hour laws, intellectual property theft and more. These actions should be fought aggressively but for too many years we have been lax in the enforcement of our own trade laws. And, we find the same U.S. corporations and financial institutions that take advantage of the situation in countries like China to produce goods for export to the U.S. are the same ones fighting trade enforcement and changes to the tax laws. There is another way. Other nations clearly recognize their national interest. It is time to recognize ours. America has an economic and national security interest in a vibrant manufacturing base. It is time to do something about it.

## **Innovation Strategy is Key for our Future**

The USW recognizes the critical steps government has taken to stabilize the economy by helping ensure the survival of a domestic auto industry, investing in needed infrastructure and a diverse efficient clean energy economy, securing jobs from those investments with Buy America requirements, and putting critical financial reforms in place.

This work is far from finished. But, today we see Congress mired in a debate that we can somehow downsize our way to success. The economy doesn’t work that way. Congress needs to complete efforts begun last year when the House passed a series of bipartisan bills that included a National Manufacturing Strategy, currency, rare earth and other manufacturing legislation. This year the Administration has proposed needed new

investments in small business, research and development, clean energy manufacturing, and infrastructure.

Democrats in the House of Representatives recently announced their Make It in America Agenda that identifies steps that should be taken to revitalize manufacturing and job creation here at home. It's an important foundation both parties embraced last year. It should not be a partisan issue in this Congress and we hope that Republicans will embrace the effort and join in promoting policies that will enhance national and economic security.

All of these provide a start but much more needs to be done at scale. The policies, investments and incentives we enact must be strategic and employment linked, essential to a comprehensive program to restore domestic manufacturing. The USW calls on our government to aggressively address the Chinese government's trade violations, as well as to establish our own strategic priorities and policies. We believe a healthy and robust manufacturing sector is central to a sustained economic recovery and to our national security.

The following elements are essential to a comprehensive program, and a national manufacturing strategy, to restore domestic manufacturing:

- **Get our trade house in order and enforce our laws:**

Aggressively enforce our trade laws. We need to address China's trade violations and establish our own strategic priorities and policies. We should view success not as the number of trade agreements that are signed, but by the results they achieve. Our trade agreements should be designed to empower workers to share in the fruits of their labor and enable them to enter the middle class with respect and just compensation for their efforts.

- **A re-commitment to investment in infrastructure:**

America's infrastructure needs—energy, roads, transit, bridges, rail, water, etc., the demands are huge. We have a \$2.2 trillion infrastructure deficit, according to the American Society of Civil Engineers. Not only will spending here employ people right away, it will lay the foundation for economic growth in the future. Funding for infrastructure must be built on a foundation that aggressively promotes, "Buy American Policies". Americans want to know that their tax dollars are being used to create American jobs. An improved America is the legacy we should leave to our children and grandchildren.

- **A tax structure that encourages manufacturing investment:**

Eliminate tax incentives and loopholes that encourage financial speculation rather than investment, outsourcing and offshoring production, and enact tax incentives for companies that produce domestically.

- **Investment in a 21<sup>st</sup> Century Energy Infrastructure:**

We must invest in 21<sup>st</sup> century infrastructure technologies on a similar scale to our investment in replacing the failing infrastructure of the last century. And, again, investments in this area must support and promote domestic job creation and supply chains.

- **Innovation for American Manufacturing:**

The United States continues to be the world's engine of innovation, but that lead is declining. There is a direct correlation between R&D and production and we must protect our nation's innovative leadership. Doing so requires that we maintain strong intellectual property protections to ensure that companies have the incentive to make investments in plant and equipment here at home. Increased support for research and development in the United States, coupled with support for testing and deployment of those new technologies in our factories, will ensure that our manufacturing capabilities expand. R&D investments financed with public dollars (grants, tax credits, etc.) must be accompanied by employment accountability requirements.

- **Workforce development policies:**

America continues to have the best and most innovative workers. To stay ahead of the competition, however, we must constantly upgrade our skills and training. Revitalizing our manufacturing sector requires that we make investments in our people to ensure they are equipped to meet the needs of industry. Now is the time to renew and expand investments in our people. Congress must increase access to training funds for people who are out of work as well as those seeking to enhance their skills.

- Ultimately, a high skills workforce must be one whose rights on the job and ability to speak up are protected and thus made real through strong labor laws and strong unions.

While the economic crisis that began in 2007 has done massive damage to our country, the truth is our problems run far deeper and none is more fundamental than the catastrophic decline of U.S. manufacturing which has occurred over a long period.

The health of the economy, the success of our people and our national security are inextricably tied to a vibrant and innovative manufacturing sector. We must revive U.S. manufacturing as a clear centerpiece of our nation's economic and security strategy. This Congress and the Administration have the opportunity to take steps to restore our nation's manufacturing capabilities. The USW is committed to working with you to do so.

