46 Maintaining a Strong Manufacturing Industry

A vibrant and robust manufacturing and industrial base is central to our nation's economic strength and financial independence. But manufacturing has been under a long and sustained assault. The architects of United States monetary and trade policies, through the calculated promotion of deregulated global trade and excessive capital mobility, have crippled American manufacturing, increased inequality both within and between countries, and subordinated both our national sovereignty and the future prosperity of our economy to the interests of multinational conglomerates and Wall Street financiers.

Symptomatic of the crisis we are in, the nation has lost more than 1.3 million manufacturing jobs since July 2000. October marked the 15th consecutive month of manufacturing job loss, with 142,000 jobs on the chopping block. Every sector has its story: For example, 25 of the nation's steel manufacturers are in bankruptcy, with two-thirds of those having been declared in the 11 months between mid-November 2000 and mid-October 2001.

That the nation's manufacturing sector should ever be in such a critical state is profoundly worrisome. But that our government's tax and trade policies should continue to hammer our manufacturing and industrial base now, when we are engaged in a protracted and dangerous war, is perilous and foolhardy in the extreme. Almost daily, the president and other leaders warn that we are in a war on terrorism for the long haul, with conflicts that are likely to intensify and to spread. To go down this path with a deteriorating industrial base poses a grave threat to national security: we can neither engage the enemy successfully nor provide effective defenses at home unless we end the war on manufacturing and commit to rebuilding the nation's industrial base. In short, it is time—past time—for a manufacturing renaissance.

A Parade of Failed Policies

More than two decades ago, policymakers in Washington embarked on a crusade to deregulate the world economy. Declaring the United States a "post-industrial" economy, advocates of global economic integration predicted that "everyone will win" in their new world order. "Free trade" would eliminate poverty and inequality in the developing world and simultaneously spark massive job creation in the United States and other developed economies.

Today, after 20 years of global economic deregulation—after NAFTA and GATT and the WTO; after World Bank "assistance strategies" and International Monetary Fund "structural adjustment" programs—these prophecies have proved false. Around the world, scant progress has been made in reducing poverty, the rich have simply gotten richer and the rate of economic growth in the 20 years of globalization since 1980 has been substantially lower than in the previous 20 years of regulated trade.

Our government's policies have actively undermined manufacturing by encouraging imports and the transfer of manufacturing jobs offshore. The nation's steadily growing trade deficit mushroomed to unprecedented levels following the implementation of the North American Free Trade Agreement (NAFTA) in 1994 and the establishment of the World Trade Organization (WTO) the next year. The toll on U.S. employment has been massive. From 1994 to 2000, successively larger waves of uncontrolled imports have wiped out 5 million American jobs, including 2 million in manufacturing, another 400,000 in mining, forestry, agriculture and transportation, and many in services, government, trade and construction. NAFTA alone has cost the U.S. economy 766,000 jobs, nearly three-quarters of them in manufacturing, and reverberations from the deepening deficit—which reached $439 billion last year—and the chronic decline of manufacturing are apparent in stagnating wages, increased inequality and the closure of a once-vital avenue to prosperity for millions of working Americans.

Nor has NAFTA delivered on its promises for our neighbors to the south. Increasing capital mobility has transformed the developing world into a cut-rate assembly platform for globe-spanning conglomerates, accelerating the race to the bottom on wages and working conditions as workers everywhere are forced to compete with each other. Mexican workers have experienced wage cuts of 25 percent or more, and infamous maquiladora plants have spread along the border, shamelessly trampling workers' rights and despoiling the environment.

In 1995, the World Trade Organization was established to govern the global economy and enforce its "laws"—the trade agreements that have shredded nearly all restrictions on capital mobility and corporate power, curtailed the ability of governments at every level to regulate in the public interest and subordinated the sovereignty of nations and the rights of individuals to the profits and patents of investors and corporations.

The WTO has created a global system of enforceable rules wherein corporations have all the rights, governments have all the obligations and democracy is left in the dust—where it is easier to take action against a country that violates corporate patent laws than against a corporation that illegally employs child labor. Under this system, unelected tribunals secretly judge every country's laws and regulations for their "WTO-compliance." "Offenses" against the WTO have included a Clean Air Act that prevents the importation of high-pollutant fuels, the refusal to import goods produced with child or slave labor and resistance to importing genetically engineered foods. There is no due process and no appeal—"offending" nations must change their laws to accept WTO judgments or face harsh economic sanctions.

The Bush administration's trade policies will only exacerbate the present manufacturing crisis. Just as the International Trade Commission has finally recognized the severe damage that imports and unfair foreign trade practices have wrought on our steel industry and is preparing to recommend remedies under our domestic trade laws, the administration has put these very same domestic trade laws up for sale at the WTO. At the Fourth WTO Ministerial in Doha, Qatar, our trade representative refused to press for any progress on workers' rights, but he agreed to open up negotiations to weaken our domestic trade laws. These laws prevent and redress unfair trade practices such as dumping products below market price and unfairly subsidizing exports to our market, and they provide the only solid, unilateral protection against unfair trade practices for workers and industries in this country. The WTO already has ruled a number of times against our domestic trade remedy laws, and the stated purpose of almost every other WTO member in securing new negotiations on these issues is to further weaken our laws. Once these negotiations are launched, the United States will be on the defensive, and our trade laws will be up on the auction block.

At the same time, the administration is pushing to expand NAFTA to the rest of the Western Hemisphere through the Free Trade Area of the Americas (FTAA). Just like in the WTO, protections for workers' rights and the environment are off the table in the FTAA negotiations, and weakening our trade laws is a central part of the agenda.

After betraying workers in every trade forum imaginable, the administration now wants Congress to grant it Fast Track authority. Fast Track allows the administration to negotiate trade agreements without meaningful congressional oversight, and then ram the agreements through the legislative process with no amendments and only limited debate. Denying the administration Fast Track is the most important thing Congress can do to preserve our domestic trade laws and regain control over our international trade policies.

The problems confronting our nation's manufacturing sector and developing countries are compounded by the failed policies of the International Monetary

Fund (IMF) and the World Bank. These bodies have consistently imposed "structural adjustment policies" (SAPs)—mandates to reduce wages and pensions, dismantle public services and prevent national governments from adopting measures to protect their economies from international instability. The result—from Latin America to Asia to Eastern Europe and the former Soviet Union—has been to cripple domestic consumption and encourage exports, in effect using the tax dollars of America's workers to further undermine U.S. manufacturing.

Finally, persistent neglect by the Federal Reserve and the U.S. Treasury Department has allowed the dollar to appreciate massively against the currencies of all our trading partners. American manufacturing is the most efficient in the world, but even it cannot compete when hobbled by an over-valued dollar that puts it at a 30 percent cost disadvantage. Manufacturing companies also have been given an added incentive to shift production offshore to take advantage of depreciated currencies.

The Price We Have Paid

Neither industry revitalization efforts nor enhanced worker productivity has served to avert the assault on American manufacturing or to stem massive job loss. No sector has been unscathed in this onslaught.

In the 1980s, the American steel industry revitalized itself through the efforts of the Steelworkers, coupled with a record $60 billion in capital spending. As a result of that transformation, the American steel industry became one of the most efficient and cost-effective producers of high-quality steel in the world. This revolution was not without cost to workers: The ensuing shut down of more than one-third of the industry's productive capacity resulted in lay-offs or retirements of 287,000 American steelworkers, 56 percent of the industry's workforce. But despite these improvements and investments, the United States again has become a global dumping ground for foreign steel, and the federal government's tardy response has greatly exacerbated the situation. In the two years after the Commerce Department issued a groundbreaking 1999 report identifying root causes of the American steel crisis, 18 domestic steel companies were forced into bankruptcy, 20,000 steelworkers lost their jobs and a dozen steel mills were shut down. At the end of 2000, steel was at its lowest capacity use level in more than two decades. More than 40 percent of the nation's steel-making capacity is in bankruptcy, putting at risk the health and retirement benefits of 600,000 retirees. If these companies fail, 1 million individuals will lose out. This unabated hemorrhaging of steel-making capacity and jobs puts at risk the futures of hundreds of thousands of workers and retirees and their families and their communities.

In apparel and textiles, hundreds of thousands of workers in the United States have lost their jobs over the last decade. Today, approximately 80 percent of all apparel sold here is produced outside the country. Flawed trade agreements have inspired a handful of larger retailers to move these jobs into offshore sweatshops where workers are denied their most fundamental rights, are often paid only pennies per hour and are forced to endure abusive and dangerous conditions. Most often, the victims are young women and children.

Last year, more than a quarter of the U.S. trade deficit was in automotive products, and automobile employment fell by nearly 50,000 despite a record year for vehicle sales. Since 1993, the U.S. deficit in automotive trade with Mexico has soared from $3.6 billion to $20 billion. During the five years of the auto agreement with Japan that expired last year, the trade deficit grew from $33 billion to $40 billion. A similar auto agreement with Korea has had similar outcomes, resulting in a deficit of about $5 billion last year.

For the last decade, the transfer of production and technology offshore increasingly has injured our aerospace industry. Boeing recently transferred assets of the world's largest aircraft machinery center in St. Louis to the GKN Corporation of Great Britain. Thousands of U.S. defense jobs will now be moved to Asia, Europe and former Soviet bloc countries. Boeing also has transferred critical components, such as wings, rudders and fuselage panels, to Mainland China as "offsets" for future aircraft purchases by China. This new Chinese production uses technology supplied by the former North American Rockwell Corporation. Other major aerospace suppliers, such General Electric, Lockheed Martin and United Technology Corporation, are all sending high-skill high-wage jobs offshore to take advantage of weak trade laws and quality compliance loopholes. Boeing proudly proclaims itself a "global" production company in its sales promotions, while also pressing the U.S. government for tax and tariff relief for these sales. American workers are therefore asked to finance destruction of their jobs.

There has been chronic dumping of paper in U.S. markets by East Asian producers following the financial crisis of 1997. This has caused as many as 40 pulp and paper facilities to close, resulting in the loss of 30,000 jobs. The paper converting sector has lost jobs as these have shifted to Mexico and East Asia owing to favorable tariff treatment granted by NAFTA and the WTO agreement.

How We Must Respond

The American union movement calls on Congress and the Bush administration to act promptly and effectively to maintain American manufacturing jobs and restore our industrial base. Among the actions Congress and the president must take are the following:

■ Our huge trade deficit is entirely in manufactured goods. Our trade policy must address the concerns and interests of manufacturing workers rather than the interests of U.S.-based and foreign-based multinational corporations.

■ Congress must deny Fast Track authority to the administration until our trade policy is dramatically reoriented to protect workers' rights and preserve our manufacturing sector. And our leaders must not allow the WTO and FTAA to undermine the strength of our domestic trade laws.

■ The administration must renegotiate NAFTA in many areas, including cross-border trucking, auto trade, apparel import surges and investment rules, and we must strengthen the labor and environmental side agreements. If we cannot renegotiate NAFTA to work for American workers, it should be repealed.

■ The U.S. government must devote more resources to enforcing trade agreements.

■ The government must vigorously enforce all U.S. trade laws and, where necessary, amend them to ensure fair trade.

■ There must be aggressive and consistent enforcement of worker rights provisions in current trade law, particularly under the Generalized System of Preferences (GSP) and other trade preference programs.

■ The U.S. government can and should self-initiate trade cases where appropriate under the law. For example, it should bring Section 201 safeguard cases as it did in steel when import surges injure domestic industries. And it should bring 301 cases where workers' rights violations cause injurious competition.

■ The government should provide financial support to steel manufacturers to help offset the costs of providing benefits to employees and retirees, which American manufacturers must absorb while companies elsewhere either do not provide these benefits, or they are paid for by their governments.

■ Congress should increase to $5 billion the loan guarantees available under the Emergency Steel Loan Guarantee program.

■ The negotiation of auto trade agreements must focus on the trade balance as the measure of success, setting firm targets to reduce the deficit.

■ The U.S. must take forceful action to stop the unfair trading practice of offsets, which are especially prevalent in aircraft trade.

■ Congress must repeal provisions of the tax code, such as the foreign tax credit and the deferral of taxes on foreign profits, that provide corporations with incentives to shift jobs and grow manufacturing offshore.

■ The Federal Reserve and the Treasury must bring down the value of the dollar to remove the price handicap that this imposes on American manufacturers. And the governments of the G-7 must work together to create a climate of global growth and rising demand.

■ International rules and institutions must regulate speculative capital flows and allow the orderly work-out of debt burdens to reduce the incidence and severity of global financial crises.

Only by acting quickly, effectively and decisively can we restore the nation's industrial base, in the process protecting our national interests and promoting strong and solid job growth. We call on our elected leaders to make restoration of American manufacturing a top national priority—for the good of working families and for the country overall.