TESTIMONY OF THOMAS CONWAY
INTERNATIONAL VICE PRESIDENT (ADMINISTRATION)
UNITED STEELWORKERS

BEFORE THE

U.S. HOUSE STEEL CAUCUS HEARING

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Good morning Chairman Visclosky, Co-Chairman Murphy and Steel Caucus members. I am Tom Conway, International Vice President of the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union (USW). The United Steelworkers union is the largest industrial union in North America, and I am very proud to speak today on behalf of the hundreds of thousands of members who are working hard every day for their families and communities across the country. We produce industrial products, like steel, tires, glass and paper. We refine oil, mine copper and produce uranium. We build ships and make pipe like Oil Country Tubular Goods (OCTG). In short, USW members are the backbone of the nation’s industrial base. They have always answered the call to make the best products in the world – our products can beat the competition anywhere so long as the competition is fair and others play by the rules.

I am here today to tell you that the resolve of these hard-working men and women is being tested as never before in their lifetimes. Thousands upon thousands have been let go during the most severe economic contraction since the Great Depression. According to the Bureau of Labor Statistics, since the great recession began in December 2007, 2.2 million jobs in manufacturing have been wiped out. But if that weren’t bad enough, we have been bleeding manufacturing jobs for far longer. From October 2000 to October 2009, 5.5 million manufacturing jobs have been lost. Think of it this way, in October 2009, more people were officially unemployed (15.7 million) than were working in manufacturing (11.1 million).

Many of these manufacturing jobs with good wages and benefits have been off-shored by companies who decided to chase cheap labor and lax labor and environmental rules overseas or who have fallen victim to cut-throat import competition at home. Indeed, the Economic Policy Institute just released a report showing that since China entered the WTO in 2001, 2.4 million jobs have been lost or displaced in the United States because of the massive trade deficit between our countries. Worse still, the country will continue to hemorrhage manufacturing jobs unless we change course dramatically and adopt an aggressive manufacturing policy and get tough on trade.

Show me a country that no longer produces goods, and I’ll show you a country in decline; and that’s where America is headed. Somewhere along the way, decision-makers lost
their way and bought into the notion that we can outsource our manufacturing and thrive instead on financial machinations. Wall Street created this catastrophe, but Main Street and everyday working people are the ones paying the price for Wall Street’s greed. American workers have to keep living this nightmare -- with an unemployment rate at 10 percent and forecasts of a “jobless” recovery for years to come.

The steel industry has neither been immune from the economic crisis nor dumped and subsidized imports. Since the fall of 2008, thousands of USW members were placed on layoffs, short weeks and rotating shutdowns. And all of this comes hard on the heels of the prosperity achieved in the steel sector after years of struggle -- and much sacrifice by our members -- to consolidate and restructure. So even though we believe that the steel sector is the most competitive and productive in the world -- it is not invincible.

While we believe that the American Reinvestment and Recovery Act of 2009 (Recovery Act) was absolutely necessary and has been helpful, it has not been -- in and of itself -- enough to dig us out of the huge economic devastation created by Wall Street. The American people and USW members are angry and frustrated with business as usual in Washington, and they want political leaders to start solving our long-term problems and to create jobs and opportunity for their future. I would like to offer some actions Congress can take to create jobs and demand in our economy now and well into the future by investing to revitalize the steel sector and manufacturing generally. If Congress would act, it will create a virtuous cycle where taxpayer dollars get recycled into the domestic economy so we can have a real jobs recovery – not a jobless recovery.

INVESTING IN LONG-TERM INFRASTRUCTURE NEEDS

There’s been lots of talk about the growing national debt. And while the budget deficit is important to address in the longer term, we also face an incredible deficit in our critical infrastructure – a deficit every bit as dangerous to the nation’s long-term economic health and to its national security. We need much more than just short-term fixes that paint bridges and fill potholes. We need the foresight of an Eisenhower who created the interstate highway system - a system essential to our development into a global powerhouse.
For far too long we have been relying on infrastructure that is too old and outdated while the world has caught up and is eating our lunch. When Shanghai and Paris have truly state-of-the-art high-speed rail but we can’t even fix old rails, that’s a serious problem. We cannot hope to compete successfully in the global economy and maintain and expand our standard of living as a nation unless we make a serious commitment to repairing and expanding roads, bridges, ports, the electrical grid, public transit, high-speed rail, schools and water infrastructure. It will make business more cost-efficient and our goods more competitive; it will put people to work here and will create the biggest bang for taxpayer dollars in terms of stimulating demand for goods and services produced here. Without it, we will fall behind faster and faster. With it, we can create a virtuous cycle that recycles taxpayer dollars into the domestic economy to create jobs, capacity and demand here.

Chairman Oberstar sees the dangers that lay ahead if we don’t act now, and we applaud and fully support his comprehensive, multi-year $500 billion transportation package. We urge you to make this a top priority. The House also took a good step forward in making a down payment to reduce the nation’s infrastructure deficit and to create jobs and demand here by passing HR 2487 in December, which included $48.3 billion to address our many infrastructure needs. We thank you for that and will fight with you to keep or increase that amount in any final legislation. So, let’s get serious right now; the American people deserve and demand it.

USING AMERICAN-MADE GOODS AND MATERIALS WHEN INVESTING TAXPAYER DOLLARS FOR INFRASTRUCTURE – BUY AMERICA

In a recent Today-Gallop poll, when Americans were asked what should be done to create more jobs in the United States, the number one response was to “keep manufacturing jobs in the United States.” One of the best ways to keep and expand manufacturing jobs is to ensure that when we invest in infrastructure we require that the iron, steel and manufactured goods used in constructing and repairing that infrastructure is made in America. This is good, old fashioned common sense; it creates the biggest bang for taxpayer dollars by keeping and creating many more manufacturing jobs here in the United States and reduces the amount of taxpayer dollars that could otherwise be spent on foreign-made materials to the maximum extent possible (consistent with our international obligations). In fact, employment in manufacturing can
increase by as much a 33 percent when sourcing of domestic materials is maximized through
domestic sourcing rules, as shown in a report by the Alliance for American Manufacturing
(AAM) How Infrastructure Investments Support the U.S. Economy: Employment, Productivity
and Growth.

It is also clear that Americans want taxpayer dollars to be used to purchase domestic-
made iron, steel and manufactured goods when funding these infrastructure projects. Indeed,
support for so-called Buy America is nationwide. A poll conducted by Harris Interactive found
that 84 percent of Americans favored Buy America requirements in the Recovery Act. The
USW worked with more than 500 local, state, and municipal governments to pass Buy America
resolutions pledging to ensure that U.S.-made materials are used to the fullest extent possible
when state or local government receive federal funding for infrastructure projects under the
Recovery Act.

There is a good reason why Buy America is so popular: it works. A 2010 report by the
AAM, Buy America Works, describes success stories from around the country showing that the
Buy America provision in the Recovery Act has lead to maintaining or expanding domestic
manufacturing capacity and jobs.

We are pleased that the House jobs bill (H.R. 2487) includes a domestic-sourcing
provision identical to that found in the Recovery Act, which will cover all the various
infrastructure projects funded under the bill. We will work hard to ensure that the Senate follows
suit, and would ask you to insist that any final jobs legislation regarding federal procurement
include it. We also are supportive of amendments in that bill that provide more transparency
under existing Buy America statutes for federal highway and transit spending and that close
some loopholes. Indeed, we would welcome greater transparency in any final domestic sourcing
provisions.

Finally, no one is advocating that we close our borders to trade. However, most nations –
like China, Russia and Brazil – have not become signatories to the WTO Government
Procurement Agreement and not opened access to their government procurement, so we should
not be providing them with unilateral access to our procurement market until they sign onto the
that WTO agreement and grant us full reciprocal treatment. American taxpayers would be
outraged if it turns out that their taxpayer dollars –dollars meant to create jobs and demand in the
domestic economy -- wind up being spent overseas on goods from countries that are not providing our goods full and legally binding reciprocal treatment. That’s not smart trade, only dumb trade and only continues the vicious cycle of job losses and plant closures. We need to establish a virtuous cycle of taxpayer dollars growing U.S. manufacturing jobs and capacity and recycling into communities and states.

INVESTING IN GREEN MANUFACTURING JOBS AND TECHNOLOGY

Another long-term deficit that the nation faces is trying to meet our energy needs in a responsible manner. Investing to create green technology, capacity and jobs here in the United is smart both for our future economic growth and for the world’s climate. In 2010 it’s now obvious that the country that harnesses that know-how and capacity will lead the world in the 21st century. Not surprisingly, right now we have a trade deficit in green technologies of approximately $6 billion. That cannot stand. To reverse this deficit we must make sure that we provide smart incentives so that taxpayer dollars are spent on green goods and technology made in the United States -- like wind turbines or nuclear containment vessels for commercial nuclear power plants -- and not merely spent buying these goods and components produced overseas. In other words, we need more than jobs installing or maintaining alternative energy projects – the United States needs to be a leader in making the green supply chain for those projects. Wind turbines use tons of steel, and we want that steel and those wind turbines (and components) to be made in America.

A good step forward in creating a green manufacturing supply chain in the U.S. to build our alternative energy infrastructure is the manufacturing tax credit (48c of the IRS Code) enacted under the Recovery Act. It gives a tax credit of 30 percent to companies manufacturing a broad range of goods for producing alternative energy like wind, solar or nuclear energy. As the $2.3 billion in credit authority was not sufficient, we call on Congress to provide an additional $5 billion in credit authority (which the President has requested) or through outright grants to continue this program.

But to reverse this green goods trade deficit, we also must stop and recalibrate tax policies that wind up giving away taxpayer dollars for companies to build our green energy
infrastructure with goods and main components made overseas. The now infamous example is the 30 percent tax credit under the production tax credit (section 1603 of the Recovery Act) that was reportedly given to a U.S. company that formed a joint venture with a Chinese company to build a 36,000 acre wind farm in Texas. A government-owned Chinese bank provided funding, and all the wind turbines are to be built in China. If that happens, China will get the manufacturing jobs (over 2,000) the production capacity and the technology, while we get 30 permanent jobs in TX maintaining the wind farm. We cannot continue to make the same mistakes over and over again and yet expect a different outcome.

STRENGTHEN TRADE LAWS TO COUNTER BEGGAR THY NEIGHBOR POLICIES

As described here today, we have to enforce and strengthen our trade laws and policies. The single most important thing Congress can do is pass legislation – like that sponsored by Co-Chairman Murphy -- that makes clear that manipulation by a foreign government of its currency for a trade advantage is actionable under U.S. trade law. We can no longer afford to ignore the devastation such beggar-thy-neighbor policies have caused to our members and to manufacturing, including the steel industry. Indeed, China’s currency manipulation is the main reason why we have a tremendous trade deficit with China which, according the recent report by the Economic Policy Institute, has resulted in 2.4 million lost or displaced jobs in this country, including in the steel industry.

This is more important than ever, as during economic recessions, it is common for foreign entities to rely on dumping and subsidizing to relieve their own economic distress – essentially, exporting their unemployment here. Instead of shutting down their plants when demand declines, they continue to produce and export by whatever means necessary – like we see in the OCTG case against China. Such pernicious trade policies cause companies here to reduce payrolls, cut jobs and – worst of all – stop investing in the United States. Something our USW members know all too well. We can no longer be the dumping ground of last resort. Those days must be history or our days will be numbered.

Also, I want to thank all those in Congress who stood with the USW in the 421 safeguard case we brought against Chinese tires. This case was another glaring example of how China
cheats on trade and floods our market with its excess capacity. In fact, it came out in the case that the Chinese government required a U.S. company that wanted to off-shore production there to export all of that production for five years. So, again, by violating the agreed upon trade rules, China gets the jobs, know-how and capacity, and we lose.

The tire industry had lost 8,000 jobs due to China’s trade-distorting practices and thousands were USW members. The President took the right action – letting China know that it cannot take trade-distorting actions with impunity – and we won a real victory. Now we are seeing jobs and capacity being created in the U.S. and our fragile industry recovering.

MEANINGFUL CLIMATE POLICY

The USW strongly believes that the most effective way to develop meaningful climate policy that achieves our environmental and economic goals is through the legislative process. For the past three years we have worked closely with members of Congress to help shape such legislation. We worked with Chairmen Waxman and Markey, and Congressman Doyle and other members of the Steel Caucus on the “American Clean Energy and Security Act of 2009” (H.R. 2454) to include elements that are critical for our members. These include provisions that provide transition assistance to our member industries, a backstop – or border measure – to ensure a level playing field for American industries and workers, a mechanism to provide access to capital for industries that will allow them to make technology upgrades and improvements, and strong worker training and transition provisions. As a result, the USW was able to support H.R. 2454, which passed the House.

We are committed to working through the Senate process to ensure that the provisions we achieved in the House are secured and strengthened. We are also working to ensure that a Senate bill will include a strong title to encourage growth and investment in domestic manufacturing, as American manufacturers and manufacturing workers can, and must, play an important role in the clean energy economy.
CONCLUSION

Our members deserve serious solutions from there political leaders now. Unless and until we change course dramatically to adopt an aggressive manufacturing policy with strong domestic content rules as the norm for all infrastructure projects, the decimation of manufacturing will continue and we will not capture the green manufacturing necessary for our nation to compete successfully in the 21st century or to provide the good green jobs of the future for working Americans. We must also get tough on trade to ensure that we do not continue to hemorrhage jobs and capacity due to unfair trade practices like currency manipulation. Thank you.

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