Testimony

of

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of the

Committee on Ways and Means

hearing on

"Trade and Labor: Creating and Enforcing Rules to Benefit American Workers"

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Chairman Blumenauer, Ranking Member Buchanan, members of this subcommittee, my name is Holly Hart and I serve as Assistant to the International President of the United Steelworkers (USW), Leo Gerard, and also served as Legislative Director of the union for 12 years. Thank you for the opportunity to testify today on creating and enforcing rules to benefit American workers.

The United Steelworkers (USW) is the largest industrial union in North America, representing workers not just in steel but in many industries including aluminum, glass, paper, rubber, oil, manufacturing, public service, education and healthcare. This diversity in membership means our union's members work or produce products for some of the most globally recognized brands, whether it is the tire maker at Goodyear, the paper worker producing Amazon boxes, Starbucks cups or Mead notebooks, the oil worker at Exxon or Shell, the glass worker at Corning or Libby, the aluminum worker at Alcoa or the steelworker employed at ArcelorMittal, the world's largest steel producer; USW-represented workers make items that touch every continent. Yet in almost all of those industrial sectors, unfair trade has impacted the jobs of our members and the fate of their families and communities.

For some, globalization and trade has created immense wealth and opportunity but at the same time, it has also contributed to stagnant incomes and rising income inequality. That wealth and opportunity has not been fairly distributed among Americans, leading to significant inequities and dramatic changes in the manufacturing industry in the United States; contributing to the hollowing out of this country's once great and thriving middle class. While we have seen recent manufacturing job growth, including 230,000 new manufacturing jobs added since steel and aluminum 232 relief was put in place in March of 2018, our union's members know that, since 2000 in total, U.S. manufacturing employment has fallen by nearly 5 million good-family supportive jobs, or by over 28 percent.[1]

Not only was the sharp decline in manufacturing employment historically unprecedented in the United States, the magnitude of the decline was unique among the world's leading manufacturing economies. China and South Korea have seen significant growth in manufacturing employment in the last twenty years for example. In one sector vital to the American economy and a major USW employer, auto-parts and auto-assembly employment in Mexico increased 6.7 percent in 2017 alone while U.S. industrial production fell 0.6 percent in January, stemming in large part from an 8.8 percent plunge in the making of motor vehicles and auto parts.[2].

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[1] https://research.upjohn.org/cgi/viewcontent.cgi?article=1305&context=up_workingpapers

[2] https://www.washingtonpost.com/business/economy/us-industrial-production-declined-in-january-as-manufacturing-fell/2019/02/15/c36f1f94-312a-11e9-813a-0ab2f17e305b_story.html?noredirect=on&utm_term=.be428a44e976

This growth in global supply chains and foreign manufacturing at the expense of domestic producers has forced the union, along with our manufacturers, to defend ourselves from a raft of illegal trade practices that have become an all too common theme in globalization and subsidized global overproduction. Our union has participated in or filed over 90 anti-dumping and countervailing trade cases since 2000. These enforcement cases are each an example of a lost job, a lost standard of living and a devastated community resulting from illegal subsidies or dumped products impacting domestic manufacturers' market share, their profitability, and most importantly workers' jobs.

Strong enforcement works to help stem the loss and allows the industry to recapture market share. But, by the time relief can be obtained, significant injury will have already have been inflicted. Our laws operate prospectively so our competitors repeatedly target our market, resulting in the continuous ratcheting down of production and employment and undermining our nation's interests and economic diversity. Even when anti-dumping and countervailing duty orders are granted, the industry rarely is able to recover their market share and bring employment back to the level it was when the unfair trade began.

All-too-often we also get saddled with the costs – not only in terms of lost jobs - but also in terms of actually bringing the cases. Despite the fact that Congress and the Administration have significant authority to seek the enforcement of our trade laws, as I previously noted, the USW has had to participate in over 90 antidumping and countervailing duty cases brought privately. We brought the only successful Section 421 case on passenger and light truck tires. We've filed 301 requests on green technology and auto parts with China. We have also had to work to ensure that our Buy America laws are enforced.

Mr. Chairman, you know how vital enforcement of our trade laws is to our country, our communities and our citizens. Your leadership on renewable energy issues has been strengthened by your support for trade relief for the solar industry. As I mentioned our union also brought a 301 trade case on alternative energy products because China was subsidizing and dumping their products here, decimating domestic production and employment. Some of our companies have been told that, despite being competitive, if they want to sell in China, they have to produce there. It's unacceptable and contributes to our massive trade imbalance with China and the loss of our industries' intellectual property.

Despite the authority to act, and the claims that there would be a new approach, this Administration has self-initiated only one AD/CVD case. That's not because dumping and subsidies have stopped. It appears to be a conscious enforcement decision.

On currency manipulation, which has contributed to the loss of untold jobs and the massive outsourcing of production, there has literally been no enforcement of our laws.

The House passed legislation authored by former Congressman Sandy Levin that would have ensured that there were new tools to address this pernicious practice – tools the Administration could initiate administratively yet has chosen not to act.

Enforcement is a critical issue that seems to only be getting paid lip service. What is disturbing to the USW and should be for those committed to strong enforcement are the budget requests of the President, which shortchange the agencies that do this critical work. Congress appropriated $95 million for the International Trade Commission (ITC) for fiscal 2019, while the Trump Administration is only requesting $91 million for fiscal 2020 yet unfair trade continues. While the President's budget pluses up by $6 million its funding request for the office of the US Trade Representative (USTR), it CUTS the Trade Enforcement Trust Fund from $15 million to $10 million.

Enforcement of our trade laws should not be left up to the private sector. It's government that defines our trade policies so there's good reason why the public has lost so much confidence in our nation's trade policies.

Let's also understand that agreeing to enforce or strengthen our trade laws cannot be some political quid-pro-quo for someone's vote for a trade agreement. Enforcement should be a right, not a bargaining chip.

Enforcing our trade laws has significant positive effects. The steel and aluminum 232's are a prime example of how domestic, privately owned companies are competing on a level playing field against foreign competitors. The U.S. industry has recaptured significant market share since April of 2018 as the share of the market captured by finished steel imports decreased 23% for full year 2018.[3] This represents U.S. manufacturers, selling U.S. made goods to U.S. companies. Primary aluminum production last year increased by 66 percent as well.[4]

The 232 tariffs are working for the domestic industry even if improvements in the implementation of them are appropriate. In steel, domestic producers have already announced $18 billion in capital investments across 26 states to reopen, expand, and construct new facilities. The addition of more than 18 million tons of capacity has prompted the creation of nearly 12,000 jobs – and many more among downstream users.

Since the USW successfully brought forward an antidumping and countervailing duty case on Passenger Vehicle and Light Truck (PVLT) tires against China in 2015 and off the road tires from India in 2017, close to $3 billion dollars have been invested into U.S.

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[3] https://www.steel.org/news/2019/03/steel-imports-down-12-percent-in-2018

[4] https://www.epi.org/publication/aluminum-tariffs-have-led-to-a-strong-recovery-in-employment-production-and-investment-in-primary-aluminum-and-downstream-industries/

tire plant expansions and factories.[5] 7,200 union tire workers at Goodyear reached a new 5 year agreement with wage improvements and an extension of plant protection guarantees where no USW plants will close during the term of the agreement.

However these examples are just part of a larger discussion of how U.S. trade policy impacts workers. We have to ask ourselves if it's appropriate for workers in Mexico to make less than two dollars an hour and compete against U.S. workers making $24? As 200 plus workers in Gadsden Alabama face layoffs from a company who just built a $500 million dollar brand new facility in Mexico, how could you not become a bit disillusioned at the free trade economist, and frankly some on this committee who might consider the idea that a $22 dollar an hour wage difference is a "comparative advantage"?

The tariff fight is a symptom of a sickness growing in our increasingly globalized economy, and our union will continue to oppose any effort to weaken enforcement actions. Meanwhile it's time for policy makers to wake up to the realities that our members face every day.

Modern Free Trade Agreements are not working as intended. In the twenty five years since the passage of NAFTA, a U.S. worker's employment outlook is much less secure.

Many of you are familiar with the stories about wealth inequality in America. Income inequality has risen in every state since the 1970s and, in most states; it has grown in the post–Great Recession era. From 2009 to 2015, the incomes of the top 1 percent grew faster than the incomes of the bottom 99 percent in 43 states and the District of Columbia.[6] Perhaps less familiar to this committee is Mexico's 2014 poverty rate of 55.1 percent which was higher than their poverty rate in 1994. As a result, there were about 20.5 million more Mexicans living below the poverty line as of 2014 (the latest data available) than in 1994.[7] Mexico's growth rate when compared to other developing economies has, over the NAFTA period of time, remained a low 2.5 percent, less than half that of other developing countries.[8] As our economies have become more linked, this committee must take a more holistic view of how inequality in one country will impact the other if you want trade to benefit both countries.

Ongoing efforts to change Mexico's labor laws to improve workers' rights and small improvements in the minimum wage could have some impact, but until the U.S. has

[5] http://www.rubbernews.com/article/20160913/NEWS/309059996/tire-makers-invest-10-billion-in-expansions-improvements & http://www.rubbernews.com/article/20170911/NEWS/170919998/tire-makers-spend-big-on-new-plants-expansions
[6] https://www.epi.org/publication/the-new-gilded-age-income-inequality-in-the-u-s-by-state-metropolitan-area-and-county/
[7] http://cepr.net/images/stories/reports/nafta-mexico-update-2017-03.pdf?v=2
[8] https://www.bloomberg.com/news/articles/2017-11-28/nafta-s-ugly-reality-u-s-mexico-wage-gap-is-actually-widening

enforceable standards on labor practices in binding trade agreements we will continue down this path of outsourcing and growing inequality.

For us, while labor rights are a moral issue, they are also a trade and economic issue and deserve the same treatment in a trade agreement as any other commercial issue. Enforcement should not be discretionary, but mandatory. Just as an importer must certify that a product it is importing, or conversely, an exporter is exporting, complies with provisions such as rules of origin, it is appropriate to condition trade benefits on compliance and observance of workers' rights. It is not at all clear why goods should receive absolute tariff reductions regardless of the labor conditions under which they are made—unless the truth is that the labor provisions of trade deals are mere window dressing. Perhaps no issue goes deeper to the question of whether markets are operating justly than whether workers are afforded the internationally recognized rights they deserve. Their wages affect the price of goods they produce. But, they also determine whether they are able to support consumption. We reject the notion that workers' rights can be subject to discretionary enforcement.

And once again, the President's budget is a direct clue as to the minimal priority the Trump Administration is putting on the enforcement of its newly renegotiated NAFTA labor chapter. The Trump Administration's new budget plans cuts of more than 80% for the very entity that has a significant role in handling labor rights violations, the Department of Labor's Bureau of International Labor Affairs (ILAB).

While I've been asked to concentrate on the importance of enforcement, there are other items in this committee's jurisdiction that play a role in ensuring a more inclusive economy and a better life for working Americans. A few examples are below.

Labor Force Training: We as a country do not invest in our labor force. According to the Organization for Economic Co-operation and Development (OECD), in terms of spending on active labor market programs and training measures, the United States is among the lowest of all OECD countries measured as a percentage of a country's growth domestic product. Active labor market program spending in the U.S. is just above 0.1 percent of GDP. This is less than half of the spending level in Australia, Canada, and the United Kingdom.[9] How can we compete globally if we are not investing in our labor force?

Infrastructure Investment: You only have to commute into Washington DC every day to see the failure of our Federal government to properly invest in its transportation infrastructure. As the American Society of Civil Engineers highlights, poor infrastructure affects business productivity as well as every sector and region of the U.S. because when one part of the infrastructure system fails, the impact can spread throughout the system and economy. The most recent infrastructure report card highlights that from 2016 to

[9] https://read.oecd-ilibrary.org/employment/back-to-work-united-states_9789264266513-en#page1

2025, each household will lose $3,400 each year in disposable income due to infrastructure deficiencies. The federal gas tax has not been raised since before the passage of NAFTA.

Tax Policy: While some are wringing their hands over a 1.4 percent increase in revenue generated from tariffs by the United States since 2015,[10] it's hard to ignore the massive drop in federal tax revenue from the lowering of corporate tax rates and tax cuts for the wealthy. Working people understand that a $1.9 trillion dollar tax cut for the wealthy and major corporations is a continued redistribution of wealth to the top 20 percent of households at the expense of working families.[11]

Health Care: Ways and Means policy on healthcare must also account for how trade policy will impact healthcare costs. The number one issue that arises in contract bargaining between major employers and our union are healthcare costs including prescription drugs. Unfortunately, as currently drafted the text of the USMCA would lock in 10 years of marketing exclusivity for brand biologics, expand the scope of brand biologics eligible for protection, and make it easier for brand-name drug companies to extend their monopolies through additional patents, patent extension and other forms of patent "ever greening".

The cost of health care in the United States is much higher than costs in other industrialized nations. Our system puts a growing financial burden on employers and working families to afford the high and rising costs of insurance, treatment, and access to medicines. This committee has jurisdiction over health care issues and will likely be working on proposals to rein in costs for employers and workers, like repealing the Affordable Care Act's Cadillac Tax. We urge you to consider system-wide approaches that will have a broad impact, rather than pieces that put a higher out-of-pocket burden on workers and their families.

Pensions: The ability of workers to retire with dignity is also a primary focus of the Ways and Means Committee. Whether it is Social Security or individual retirement savings, the efforts of this committee will impact how secure millions of Americans will be in their elder years. Unfortunately, small subsets of plans battered by federal deregulation, changing industries and unfair trade have fallen into decline.

Your committee faces the question of how to improve pension funding for roughly 1.5 million Americans in the multi-employer system and we urge you to support legislation like HR 397, the Rehabilitation for Multiemployer Pensions Act. Pensions are one of the

[10] https://www.economist.com/briefing/2019/01/24/globalisation-has-faltered
[11] https://itep.org/race-wealth-and-taxes-how-the-tax-cuts-and-jobs-act-supercharges-the-racial-wealth-divide/

most secure forms of long term retirement if government, industry and workers operate in a cooperative manner to ensure long term sustainability.

The interplay of Congressional action over the last twenty-five years has also dramatically impacted the health of many of these plans. As an example unfair trade battered one segment of the paper industry; uncoated freesheet paper. Over 2,500 workers lost their jobs, many of whom are participants in a now declining pension plan, before the union and industry could file an anti-dumping and countervailing duty trade case that stemmed the flow of the job losses.

These are just a few of the items that are not directly trade related but impact our global competitiveness. Workers need to see a change in Congress's priorities and the United Steelworkers will gladly be an ally in improving our countries trade policy. We have no other choice if we want an economy that works for all.

Thank you.

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