



Testimony

Of

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for the

Subcommittee on Trade

of the

Committee on Ways and Means

hearing on

**“Trade, Manufacturing, and Critical Supply Chains: Lessons
from COVID-19”**

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Chairman Blumenauer, Ranking Member Buchanan, members of the subcommittee, my name is Roxanne Brown, and I am honored to serve as International Vice President At Large for the United Steelworkers union. I appreciate the opportunity to join you all again today and our union's International President, Tom Conway, sends his regards.

Introduction

The United Steelworkers is the largest industrial union in North America. We represent workers in a vast array of industries and sectors, and we are uniquely positioned to discuss the themes of Trade, Manufacturing, and Critical Supply Chains. From mining to metals, from auto parts to transportation, from paper to education, from health care to pharmaceuticals, our members are employed across the entire economy. They know first-hand the impact of trade and supply chains, not only as the producers of thousands of products, but as users as well.

COVID-19 may be a catalyst for today's conversation, but our union has long known that without a strong, globally competitive manufacturing base, our members and communities are less secure, less resilient, and are at an increased threat to future health and economic crisis.

I will focus my comments on a number of issues, but at the heart of the testimony is recognition that there is rising demand for an industrial or manufacturing plan for this country and that the time for such a plan is well overdue. This subcommittee is uniquely positioned to be a guiding star in this effort.

The Department of Commerce estimates that exports of manufactured goods directly support more than 6 million U.S. manufacturing jobs currently, and millions more indirectly. Increasing manufacturing exports in a strategic manner requires policies that will encourage reshoring and trade policies, which cannot just be about the WTO rules on prohibited subsidies and dumping, but also international conventions on workers' rights, public health, human rights, environmental protections, intellectual property rights, and consumer safety. A holistic trade policy that recognizes the humanity of workers, no matter the country border, should be the mantra of this subcommittee, Congress, and the Executive Branch.

While there is much to debate and improve upon, it is helpful to share a few stories about how the American labor movement has stood up to protect Americans during this pandemic. Union members have made, and continue to make, difficult choices to provide the necessary supplies to help keep our medical professionals, other front-line workers, and our communities safe during this unprecedented time. Below are just a few examples of workers and manufacturers coming together to produce goods that are part of a supply chain saving lives today because of this interconnectivity:

- More than 40 members of USW Local 721 at Braskem America participated in a "live-in" at their production facility in Neal, West Virginia, beginning in March of this year, rotating

in 12-hour shifts to create homopolymers for nonwovens, which are used to make N95 face masks and medical gowns.^{1 2}

- Local union members at Qure Medical in Rock Hill, South Carolina produce critical products such as rubber stoppers for syringes; seals for medicine bottles; and valves, tubes and other components for intravenous drug-delivery systems and catheters. The demand for these products doubled as the COVID-19 crisis increased and our members of Local 1811-01 stepped in, working safely to produce these small, but vital components.

- At the beginning of the COVID-19 crisis one USW employer, American Roots, which traditionally produced blankets and clothing items faced 75 percent layoffs. The company retooled to produce face masks and face shields, and it was USW-represented workers at the nearby Twin Rivers paper mill who helped produce the medical wrap paper needed for the PPE face masks built by American Roots.³ This effort led to a recall of all their laid-off workers and the company hiring 75 more employees.⁴

These examples represent a small fraction of what an interconnected and localized manufacturing economy can do when facing an international crisis. The question for lawmakers is how we foster and build upon existing manufacturing networks to increase our resilience during times of challenge, while increasing broad economic prosperity.

The COVID-19 crisis and the effective collapse of Personal Protective Equipment (PPE) availability is a failure that should not have happened, and as a country we all share blame in letting this deferred maintenance in manufacturing undermine our supply chain resilience, and weaken our stock piles to the point where healthcare professionals are forced to reuse equipment increasing the likelihood of transmission or higher rates of sickness. While this crisis is a visceral life and death reality of what a collapsed supply chain can mean, our country faces a larger deficit in manufacturing that could undermine our national security, lead to additional shortages of vital goods, and leave our nation exposed to a global marketplace with a strengthened Chinese economy.

We also have to recognize the value of manufacturing as a bread and butter issue for American workers. Manufacturing workers earn 13 percent more in hourly compensation (wages and benefits) than comparable workers in the rest of the private sector.⁵ Manufacturing firms are far more likely than non-manufacturing firms to introduce new products and new production or business processes. A 2008 Business R&D and Innovation Survey by the National Science Foundation found that 22 percent of manufacturing companies, but only 8 percent of non-manufacturing companies, introduced a new or significantly improved good or service between

¹ <https://www.usw.org/news/media-center/articles/2020/usw-members-kick-up-production-of-ppe-in-u-s-and-canada>

² https://www.herald-dispatch.com/coronavirus/braskem-employees-live-at-plant-to-ramp-up-production-of-medical-supplies/article_e5415da2-6cc1-57e6-b2d7-f37f02dac1c6.html

³ https://m.usw.org/publications/usw-at-work/pdfs/Spring2020_WEB.pdf

⁴ <https://www.pressherald.com/2020/04/23/westbrook-company-to-triple-workforce-to-produce-ppe/>

⁵ <https://www.epi.org/publication/manufacturing-still-provides-a-pay-advantage-but-outsourcing-is-eroding-it/#:~:text=Manufacturing%20workers%20earn%2013.0%20percent,rest%20of%20the%20private%20sector.>

2006 and 2008.⁶ Finally, improving our manufacturing footprint in a coordinated fashion will reduce our trade deficit. Since 1975, the United States has accumulated a total trade debt of \$8 trillion, and the cumulative trade debt could grow to \$18 trillion in the next 10 years.⁷ The trade deficit matters, as it reduces national income and employment in both the short and long-term.

Research and Development

Congress needs to uplift the collective R&D, engineering, and manufacturing capabilities that sustain innovation. The American Association for the Advancement of Science highlights the historical trends on federal R&D spending, showing a consistent drop from 1.23 percent of our Gross Domestic Product (GDP) going to R&D in 1976 to less than 0.71 percent today.⁸ This difference amounts to hundreds of billions less in annual federal R&D spending. But we cannot let the drive for increased R&D lead to outsourced manufacturing. Congress needs to ensure that the gains from R&D are maximized. By increasing the tie between federal R&D investment to domestic manufacturing, we can scale up and catapult into the future of manufacturing. By encouraging domestic manufacturing from federal R&D, we will increase demand for scientists and engineers. They make up 7.8 percent of manufacturing workers, nearly 2.4 times the average science and engineering share in the rest of the economy.⁹

Strengthen Suppliers

It will be of strategic importance that we also foster a supplier ecosystem. Companies with flexible supply chains expand output capacity from 15 percent to 25 percent by optimizing operations.¹⁰ Adopting a strategic view of supply relationships between manufacturer and supplier will require what some have described as “co-innovation” — a cooperative, tight partnership that entails a much higher level of information sharing and collaboration in order to solve design and production problems.¹¹

Improve Our Domestic Pharmaceutical Supply Chain

Of growing importance is where our medicines are produced, and for good reason. The United States pays the highest prices in the world for its medicines (many of which derive from NIH-funded research) while U.S. pharmaceutical companies are often taxed at quite low, effective rates.¹² Meanwhile, we’ve been losing our pharmaceutical supply chain. Last year, the United States imported \$128 billion in pharmaceuticals.

Our union has first-hand knowledge of this shift through job loss. USW local 10-729, which represents workers at Avantor Materials, saw the company purchase plants in India and Poland.

⁶ https://www.brookings.edu/wp-content/uploads/2016/06/0222_manufacturing_helper_krueger_wial.pdf

⁷ <https://www.industryweek.com/the-economy/trade/article/21960646/why-the-trade-deficit-in-manufactured-goods-matters>

⁸ <https://www.aaas.org/programs/r-d-budget-and-policy/historical-trends-federal-rd>

⁹ <https://www.epi.org/publication/trading-manufacturing-advantage-china-trade/>

¹⁰ <https://www.bain.com/contentassets/d6b7a373b2b242d2be114cb46345fce2/bain-brief-supply-chain-lessons-from-covid-19.pdf>

¹¹ <https://sloanreview.mit.edu/article/what-it-takes-to-reshore-manufacturing-successfully/>

¹² <https://www.cfr.org/blog/irish-shock-us-manufacturing>

The Company slowly and incrementally moved products manufactured and or packaged at the Phillipsburg, New Jersey site overseas. The company then notified the union of its intent to use the U.S. manufacturing sites for domestic sales and the plants overseas for international customers. This business realignment directly impacted the workers at the plant as the two overseas plants conducted the production done domestically such as excipient salts production, solvents production, and acids production. The union successfully filed a Trade Adjustment Assistance petition, but it is just one small supply chain story of many where manufacturing links become so paper thin that one disruption could undermine many other manufacturers.

USW members who manufacture pharmaceuticals know too well their jobs' dependence on foreign supply chains. According to the FDA, only 28 percent of active pharmaceutical ingredient (API) manufacturing facilities are located in the U.S. Meanwhile, Chinese pharmaceutical companies supply more than 90 percent of U.S. antibiotics. Increasing our pharmaceutical manufacturing will also lead to high road jobs as the 294,250 American workers employed in pharmaceutical and medicine manufacturing currently have a median income of \$74,890.

Deploy Trade Policy Tools and Properly Fund Agencies to Create New Markets for U.S.-made Critical Products

The USW encourages this committee to carefully review and update our export facilitation programs. We need to look at the budgets for federal agencies if we want to support trade. It will take federal resources in order to increase exports. Unfortunately, the current Administration continues to budget as if our country is in decline, and not in preparation for the future. For example, in the Department of Commerce's Fiscal Year (FY) 2021 budget, the International Trade Administration (ITA) proposed a budget of \$474,407,000 in discretionary appropriations, a decrease of \$35,843,000 from the FY 2020 appropriation.¹³ This is the agency that investigates our country's trade enforcement cases, and without adequate resources manufacturing workers will continue to face dumped and subsidized goods. ITA is also the agency that has programs like the Market Development Cooperator Program (MDCP), which, on average, generates \$357 in exports for every \$1 invested. ITA's legacy export.gov website highlights that they can "help you navigate the maze of government offices" that are 19 federal agencies that provide some sort of export program support. ITA is an agency that needs uplifting and prioritization.

Address Industrial Overcapacity

A looming threat that will face our country and the globe as we emerge from this pandemic is existing foreign industrial overcapacity in many base commodities. Other countries led by China have recognized the power of manufacturing, and in an effort to capture market share and dominate industries, such as steel, aluminum, tires, and paper, have created international market distortions, which have required trade enforcement actions to ensure private domestic industry is not swamped by a flood of imports.

¹³ https://www.commerce.gov/sites/default/files/2020-02/fy2021_ita_congressional_budget_justification.pdf

We will need to be smarter in how we address this global overcapacity. For example, the domestic steel industry has fought an economic war against China's state-controlled steel industry for decades. A significant number of the 201 anti-dumping and countervailing duties against Chinese producers are on steel products. We are now seeing recognition by these state-owned firms that they are currently locked out of the U.S. market. The new method of China's steel firms to capture foreign market share is to expand facilities into neighboring countries.

The South East Asian Iron and Steel institute in a presentation before the OECD steel forum in March of this year highlighted an emerging threat of "mega-mills". These large integrated steel mills are starting up in Malaysia, Indonesia, Philippines and Vietnam with most of the investors being China-based steel companies.¹⁴ These new investments will upset local markets and increase exports from third party countries— and if we are not careful— force American employers to spend countless resources fighting unfairly traded goods, again. Already our union has seen this increased third-party market impact melting capacity in the United States. ATI shuttered stainless steel melt capacity in Pennsylvania, and shortly thereafter purchased foreign stainless slab from a Chinese-funded Indonesian facility. The company then fought for 232 tariff exclusions for these imports.

Tariffs can be a levy to hold back waters that would wash away jobs in manufacturing, but these levies would not need to be so high with better plans and policies. If we better manage trade flows, require labor and environmental standards that meet our country's goals, and work with our allies to create multi-lateral solutions we can diffuse the rising waters of overcapacity, contain bad actors, and develop a flourishing domestic industry.

However, I can't stress enough that if we tear down duties too soon, we will continue to lose countless manufacturing jobs and prolong a recession. This will allow other countries to export their unemployment and leave our country less secure in a future crisis. That is why our union continues to support 232 tariff relief and strong trade enforcement mechanisms. Until there is real global cooperation to contain industrial overcapacity, the U.S. should not be the first to let our citizens be sacrificed on the altar of "free trade" demagoguery.

Invest in Our Manufacturing Workforce

Our country's manufacturers need an empowered labor force that has a voice in the workplace. This requires an investment in our workforce, and an ability to negotiate safer processes and conditions at the worksite. Empowerment means updating our labor laws to ensure that worker rights are protected, and increase negotiated contracts between workers and owners that will create mutual buy-in for domestic supply chains.

The Economic Policy Institute has highlighted that unions increase productivity through a variety of channels. They reduce turnover and, hence, firm-specific skills are retained. Moreover, the lower turnover makes it economically rational for employers to provide more training to union-represented employees, increasing employee skills and productivity further.¹⁵

¹⁴ http://www.oecd.org/industry/ind/Item_5_SEAISI_March_2020.pdf

¹⁵ https://www.epi.org/publication/how_unions_can_help_restore_the_middle_class/

Unions provide a significant role in training in the manufacturing workforce. United States Steel and USW have contract language which incorporates training coordinators. These training coordinators work with management to ensure workers “receive sufficient training to allow for all reasonable opportunities to progress within the workforce and maximize their skills to the greatest extent possible”.¹⁶ For manufacturing employers who often have specialized equipment that require hands-on experience, the federal government should provide resources to foster hands-on training coordinators, which would provide new hires with the tools and experience necessary for specialized training at manufacturing facilities.

Unions also foster partnerships with community colleges and businesses to drive regionally-specific training that can help workers gain skills they need to successfully and safely build careers in manufacturing.

This requires investment and as we have testified to this committee in the past, the U.S. is sorely lacking in allocating adult worker training resources. When compared to other countries in the Organization for Economic Co-operation and Development (OECD) the U.S. is among the worst of all 37 countries in job training programs in comparison to the size of our economy. Public spending is less than half the spending levels of Australia, Canada, and the U.K., and one sixth the level of spending compared to Germany.

Conclusion

Congress should approach our nation’s manufacturers in the same way it approaches our country’s farmers— with strategically placed investment and policy discussions in regular intervals with dedicated staff and attention. Every five years, more or less, Congress debates, amends, and adjusts programs for our nation’s farmers, who represent roughly 5.4 percent of the country’s economic output.¹⁷ Manufacturing is double that output, but Congress has not strategically allocated its time and resources to focus on the needs of American manufacturing, and the national and economic security of our nation.

Containing overcapacity, increasing our commitment to American workers, improving effective trade enforcement, and increasing our R&D commitments when tied together with purpose and intention can increase our manufacturing footprint, lower our manufactured goods trade deficit, and create millions of family and community-sustaining union jobs. The United Steelworkers stands ready to lead the way as a willing partner, and we will do everything in our power to encourage Congress to do the same.

Thank you again for the opportunity to testify today.

¹⁶ https://uswlocals.org/system/files/2018_uss-usw_pm_bla_printer.pdf

¹⁷ <https://www.ers.usda.gov/data-products/ag-and-food-statistics-charting-the-essentials/ag-and-food-sectors-and-the-economy/#:~:text=Agriculture%2C%20food%2C%20and%20related%20industries,about%201%20percent%20of%20GDP.>