Testimony

of

Roy Houseman
Legislative Director
The United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union (USW)

for the

Subcommittee on Economic Policy

of the

Senate Committee on Banking, Housing and Urban Development

hearing on

"Winning the Economic Competition, Part II"

December 16, 2020

Chairman Cotton, Ranking Member Cortez-Masto members of the subcommittee, thank you for the opportunity to testify on the topic of economic competition between the U.S. and China. I commend the committee for uplifting the voice of organized workers in this discussion and our International President Tom Conway gives his regards.

The United Steelworkers is the largest industrial union in North America, representing workers throughout the manufacturing sector. We also represent a growing segment of healthcare, public sector and even tech workers. This diversity in profession creates a strength in understanding the impacts that China's economic competition will play on workers in America.

With two and a half weeks left in one of the most consequential years in modern history, it is hard to see past the seven day average of 2,400 plus Americans dying daily from the COVID-19 pandemic. Our first effort must be to invest in the basic infrastructure necessary to make Americans feel safe. That starts with passing an immediate COVID-19 relief bill for the 10.7 million American's currently laid off, aid for the long term unemployed (3.9 million) and those that are not in the labor force and need a job (7.1 million).[1] We also need to immediately invest in a regulatory framework that ensures workers feel safe returning to work. OSHA and MSHA standards for workers dealing with a pandemic are sensible to anyone who has stood shoulder to shoulder in a processing plant or who have had to go through a lock out, tag out procedure.

The Senators on this Subcommittee have the power to help guide a 22 trillion-dollar economy to either success or ruin. The union urges you to use your individual power to influence the lives of every American and act to stop the economic bleeding from this pandemic. The country needs direct aid to where it is needed most, and from the union's perspective that starts with the real mothers and fathers of this country - the American worker.

With an all hands-on-deck approach to a vaccinated country ongoing, the existing challenges we faced pre-pandemic related to the nation's infrastructure, labor force and international competitiveness, will only become clearer.

In preparing the testimony it stuck me as interesting a simple comparison of market share and how as a society we have reacted to it. Last week 48 states and the U.S. government filed an anti-trust suit against Facebook for anti-competitive behavior. Using the legal tools available to them, Federal and State resources will coordinate to address monopoly against a firm with 60.52 percent of all social media site visits in the United States.[2] What if the press, government and society had the same concern about the monopoly over the metals, materials and manufacturing concentration controlled by the Chinese Communist Party? What examples would they find? Below are a few examples.

- **Steel** - China now accounts for 51.3 percent of global steel production—a figure that also doesn't capture production by Chinese-owned or affiliated companies in other countries.[3]
- **Aluminum** –China's share of global output of the most widely used metal touched 57% in May.[4]

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[1] https://www.bls.gov/news.release/pdf/empsit.pdf

[2] https://www.statista.com/statistics/265773/market-share-of-the-most-popular-social-media-websites-in-the-us/#:~:text=Market%20leader%20Facebook%20accounted%20for,U.S.%20social%20media%20site%20visits.

[3] https://foreignpolicy.com/2020/05/19/dont-let-china-steal-your-steel-industry/

[4] https://www.reuters.com/article/us-metals-aluminium-ahome/column-covid-19-will-tilt-aluminium-axis-further-towards-china-andy-home-idUSKBN23V2SN

- **Rare Earths** - China not only holds 35 percent of the world's entire rare earth supply, but accounts for 70 percent of global production.[5]
- **Rail** - China Railway Rolling Stock Corporation (CRRC), which by their calculation, controls roughly 83 percent of the global rail market.
- **Fiber Optic Cable** – China's production reached 61.6% share of the global total in 2019.[6]

This is the threat of monopoly power by a country and the U.S. government should respond in kind through a mix of policies and investments that recognizes state-controlled economic power must be met with reciprocal state responses.

Infrastructure.

We need to respect the vision of previous Congresses and Presidents and renew that sense of American ambition for the ideal. That requires addressing our crumbling infrastructure in a way the ensures maximum domestic job creation. In 2019, the U.S. spent just 2.5 percent of our GDP on infrastructure, down from 4.2 percent in the 1930s.[7] That decline in spending takes on an outsized role as we try to interconnect with the global economy. China has recognized the value of infrastructure interconnectedness in its domestic renewal. China has spent roughly eight percent of its GDP on infrastructure since 2010, which is significantly higher than the four percent average of the next ten biggest spenders and clearly that of the U.S.[8]

While some may debate about China "catching-up" to other industrial countries, it's hard for union workers that make the manufactured goods and basic materials for infrastructure to feel like more could be done to maintain a U.S. "lead".

Take for example rail infrastructure: China has laid over 15,000 miles of high-speed rail.[9] Enough rail to travel from Washington, DC to Las Vegas, Nevada nearly six and half times. All the while China has successfully made high speed rail competitive with road and air transport for distances up to around 745 miles, which is just shy of a one-way trip from Washington DC to West Memphis, Arkansas.[10]

As mentioned earlier on rail manufacturing CRRC is a state-owned enterprise (SOE) in rail with roughly 83 percent of the global rail market. The SOE has made a concerted effort to penetrate the U.S. market. Congress recognized the threat that state-owned enterprises in rail can cause for domestic national security and domestic manufacturing by putting up barriers to transit procurement with the passage of the Transit Infrastructure Vehicle Security Act. However, barriers can only be one aspect to a strategy to compete against China. We will need to make

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[5] https://thehill.com/opinion/energy-environment/529229-us-dependence-on-china-for-rare-earth-minerals-is-a-disaster

[6] https://www.globenewswire.com/news-release/2020/09/25/2099120/0/en/Global-and-China-Optical-Fiber-Preform-Industry-Report-2020-2026.html#:~:text=China%20has%20been%20the%20largest,optical%20fiber%20preform%20edge%20down

[7] https://www.infrastructurereportcard.org/covid-status-report/

[8] https://www.cfr.org/blog/boost-flagging-growth-china-doubles-down-its-least-productive-sector#:~:text=Since%202010%2C%20China%20has%20spent,growth%20capacity%20than%20other%20sectors.

[9] https://openknowledge.worldbank.org/handle/10986/31801

[10] https://www.railway-technology.com/features/high-speed-rail-in-china/

strategic investments in our rail infrastructure and manufacturing facilities and commit long term resources to push back against this sort of monopoly power.

Another example is our water infrastructure. Getting our goods across the globe will require investment in our ports and our ship building capability.

After the Reagan administration ended construction subsidies for U.S. shipyards, Asian shipyards, which did not see their governments end shipyard subsidies, overwhelmed the global market. In twelve years, the U.S. went from the biggest commercial shipbuilder in the world to no longer producing vessels for international trade.[11] In turn the number of U.S. flagged vessels sailing in the international trade has crashed from 183 ships in 1992 to 82 as of December 2017.[12] This impacts U.S. manufacturers up and down the supply chain who would have produced the steel, parts and materials for merchant marine ships.

This lack of federal manufacturing focus has put us behind the game for future shipping needs. Congress must engage on tomorrows heavy manufacturing needs to capitalize on the growth of new industries like offshore wind. Recognizing previous leader's sensible policy decisions to maintain domestic ship building capacity for security purposes the Jones Act is a guide stone for Congressional intervention in shipbuilding to combat the economic power of China's shipbuilding.[13] In 2018, 43.2 percent of the new ships in the world were built in China. For example, a shortage of ships that can install wind turbines the size of the Chrysler Building (1,046 feet) could come as early as 2022.[14] The signals are there, all it takes is the will of the most powerful democratically elected leaders in the world to act.

Manufacturing for the Future

What actions can we take to uplift our manufacturers and put us on a path of renewal in our country? It is our union's belief that when we work collectively we can build a better society. This takes transformational investments not just in the physical infrastructure to move people and goods but the domestic manufacturers who want to not just maintain but capture domestic and international market share.

Our union takes an all of the above approach to building the next generation of manufacturers. For example, USW is a founding member of the BlueGreen Alliance, a partnership between the country's leading environmental and labor organizations. This year the Alliance put forward a manufacturing agenda that creates a north star of policy, that if broadly enacted would set the country down a path of renewal and improved competition with our economic competitors like China. Focusing on five pillars that is an aggressive strategy to address the climate emergency head on, while reinvesting in our manufacturers all the while achieving net zero emissions economy-wide by 2050.[15]

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[11] https://www.forbes.com/sites/lorenthompson/2019/06/05/philly-shipyards-struggle-signals-jones-act-isnt-enough-to-secure-u-s-sealift/#33060ea64b30

[12] https://www.transportation.gov/testimony/state-us-flag-maritime-industry

[13] http://global.chinadaily.com.cn/a/201904/28/WS5cc507a2a3104842260b8d78.html

[14] https://www.bloomberg.com/news/features/2019-05-13/offshore-wind-will-need-bigger-boats-much-bigger-boats?sref=HEwoTbCT

[15] https://www.bluegreenalliance.org/resources/manufacturing-agenda-a-national-blueprint-for-clean-technology-manufacturing-leadership-and-industrial-transformation/

The USW is also a founding partner in the labor-management partnership the Alliance for American Manufacturing, which has been a vital partner in setting the agenda for American manufacturing and ensuring the policies that Congress debates maximize domestic job creation.

These partnerships have created a broad front and plethora of policies that can create a virtuous comparative advantage, that recognizes the dignity of the American manufacturing worker and will allow the country to succeed in the future.

The union and our partners strongly support the advancement and improvement of domestic procurement provisions like Buy America. But our members alone don't just support these policies. American voters overwhelmingly support Buy America policies. In fact, 80 percent support "requiring that all taxpayer-funded infrastructure projects use American-made goods and materials."[16]

Using taxpayer dollars to buy American made goods is a vital commitment to our manufacturers. We need to tighten our procurement rules to ensure American content is put into the goods our government buys. We've seen dramatic successes in our foundries for example with the expansion of Buy America into our Drinking and Clean Water State Revolving loan fund programs. It's time to expand on these successes into other major federal infrastructure programs and close loopholes in the application of existing Buy America laws.

But more can be done. Expanding our Manufacturing USA network is another one of those investments. The 14 Manufacturing USA Institutes, for example, conducted nearly 500 major applied research and development projects of high priority to broad industry. These efforts, two thirds of which aided manufacturing firms should be expanded. Legislation like the LEADS act by Senator Schumer and Menendez contains these sorts of expanded investments.

We should also expand the Manufacturing Extension Partnership (MEP) program. A network made up of the 51 MEP Centers has led to American firms creating or retaining 114,650 manufacturing jobs, generating $15.7 billion in new and retained sales and realizing $1.5 billion in cost savings in fiscal year 2019.[17] We should build on this success with not just continued investment but expansions in federal spending.

We will also need to invest in the critical minerals and materials that our country and allies need to press against market monopoly and ensure equal competition. The dramatic rise in China's industrial capacity in steel, aluminum and other metals has had a dramatic impact on American workers. American aluminum smelting capacity has decreased from 23 smelters in 1998 to six today. While China's rise in aluminum production is a factor so is the lack of domestic investment in these plants. We have to create the right incentives to upgrade these facilities. For example, a 2017 Department of Energy Study found that there could be 34 percent energy savings opportunity in the U.S. Aluminum manufacturing sector using current technologies.[18]

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[16] *National Survey of 1,200 Likely 2020 Voters General Election,* The Mellman Group & Public Opinion Strategies. Conducted Mar. 20-28 2019 for AAM.

[17] https://www.nist.gov/system/files/documents/2020/08/23/MEP_Annual%20Report_FY19_v8_19_FINAL_WEBv2.pdf

[18] https://www.energy.gov/sites/prod/files/2019/05/f62/Aluminum_bandwidth_study_2017.pdf

Titanium is another prime example; titanium sponge is an unwrought form of titanium and the U.S. saw the last plant capable of titanium sponge production close this year. The plant based in Henderson, Nevada needs at least a $150 million investment to update processes and ensure long term competitiveness. While there are continued efforts to study approaches to increase titanium sponge investments right now the country faces the prospect that they are completely beholden to overseas production for a product that is vital to our military.

Finally, workers and their employers benefit from a mutual respect that collective bargaining can provide. This means updating our labor laws to reflect the value that an organized labor force can bring to the table. 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.[19]

Unlocking this potential requires an update to our labor laws to ensure workers do not face unnecessary hurdles to collective bargaining with their employer. That is why the USW supports comprehensive labor law reform.

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".[20] 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.

Finally, 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.

Trade

Winning the economic competition with China requires a thoughtful and meaningful approach to trade policy as well. The union has long raised the alarm regarding China's rise since our opposition to the U.S. permanently normalizing trade relations with the country in 2000. Since that time the growth of the U.S. trade deficit with China between 2001 and 2018 was responsible for the loss of 3.7 million U.S. jobs, including 2.8 million manufacturing jobs lost due to the growth in the trade deficit with China.[21]

As a union which has supported a large number of the 205 anti-dumping and countervailing duty remedies slapped against firms in China for illegal trade practices we have to

[19] https://www.epi.org/publication/how_unions_can_help_restore_the_middle_class/
[20] https://uswlocals.org/system/files/2018_uss-usw_pm_bla_printer.pdf
[21] https://www.epi.org/publication/growing-china-trade-deficits-costs-us-jobs/

find additional ways to contain these illegal trade practices.[22] Each of those orders represent not just a recognition that China is committing illegal trading practices but also a recognition that over a three year period of time a domestic industry lost jobs, had to cut benefits and lost market share in an uncompetitive way. Ensuring our trade laws are responsive to domestic industry and catch illegal efforts sooner will ensure workers and their employers do not face three years of decline before the government will act.

This also means addressing issues like global industrial overcapacity and participating in a trading regime that empowers workers and does not inadvertently allow China to set the rules.

The union sees a growing creep by academics and policy experts to encourage the incoming administration to join the Trans-Pacific Partnership (TPP). Often "experts" try to highlight the agreement as containing China but our union has taken a close look at this effort to contain China and the TPP was an abject failure. Setting aside the fact that six of the countries in the TPP already have trade agreements with China, the rules of origin that the TPP contained were a barn door sized access for China's manufactured goods. The Ways and Means committee minority report on the TPP in 2014 highlighted that depending on the rules, 35 percent of a vehicle would had to originate in the TPP zone, meaning up to 65 percent of a vehicle's components could come from outside the party countries like China.[23] When compared to the USMCA rules which are set for 75 percent, American manufacturing workers stand a fighting chance at competing for market share in auto-parts.

We also need to engage in an honest conversation about labor and environmental rules in our trade agreements. The final USMCA agreement recognized the need for rapid response to plant level labor violations with our trading partners but more must be done. Wages, hours and working conditions are the most important day to day for workers in the US and they need to be respected internationally. We need to see our trade agreements not be a downward spiral on working people here in the U.S. or wherever a multi-national corporation starts production.

The same goes for environmental standards. Future trade agreements need to contain China's pollution with the recognition that those improved environmental standards isolate leakage of pollution like carbon. We also cannot continue down a path that permits foreign countries to poison their land, air and people for economic gain.

Conclusion

The economic competition between the U.S and China will be a generational rivalry. The United Steelworkers believes our country with the proper investments, planning, and commitment to our most powerful asset - the American worker - will be how we succeed in that rivalry.

Thank you and I look forward to answering any questions.

[22] https://usitc.gov/sites/default/files/trade_remedy/documents/orders.xls (excel sheet)

[23] https://waysandmeans.house.gov/sites/democrats.waysandmeans.house.gov/files/documents/TPP%20Issue%20Analysis%20-%20Autos.pdf