Why Oregon Needs a Trade Policy Embracing Social Standards

by David Foster, Director, District #11, United Steelworkers of America

On October 16, 2000, the President of the United Steelworkers of America, George Becker, and the CEO's of 68 U.S. steel companies, including Joe Corvin, of Oregon Steel, wrote to President Clinton and urged him to immediately invoke the procedures (referred to as section 201-ed) available to him under America's trade laws on behalf of the steel industry. This letter warned that without tough and swift intervention the effects of two years of illegally "dumped" steel in U.S. markets would have disastrous consequences for the American steel industry, its communities, and its workers. At the time, six U.S. steel companies had already filed for bankruptcy and 10,000 workers had lost their jobs.

Becker wrote, "We also made clear [in early 1998] that the longer action was delayed, the more damage would be done. And we pointed out that much of the damage, once done, could never be repaired."

The predictions, of course, came true. President Clinton deferred action on the request to the new administration. President Bush, under pressure from the Senate Commerce Committee, eventually acted. But not until March, 2002 were the investigative procedures concluded, resulting in tariffs and quotas for the beleaguered industry that were too small, too late, too short, and too easily undermined. Although economic data proved conclusively that the otherwise highly competitive U.S. steel industry was the victim of illegal subsidies and predatory pricing by foreign producers, the Commerce Department granted over 700 exceptions to its own relatively ineffective steps.

While the administration dawdled and dissembled, the number of steel companies in bankruptcy rose from six to 38 and the number of steelworkers unemployed increased to more than 40,000. The country's second, third, and fifth largest integrated producers—LTV, Bethlehem, and National—all filed for bankruptcy. LTV eventually liquidated, causing 80,000 retirees, located in virtually every state of the country, to lose their health insurance and experience significant cutbacks in their pension benefits. In total, LTV retirees lost over $2.5 billion in retirement benefits, dwarfing the losses experienced by Enron employees in the highly publicized collapse of that company.

Fortunately for Oregon workers and for the Oregon economy, the state's two steel producers, Oregon Steel and Cascade Steel, have managed to avoid bankruptcy. However, like many other steel companies, they have suffered significant downturns in both income and employment during the past several years.

Free trade advocates argue that the economic benefits of cheaply priced foreign steel outweigh the losses felt by domestic steel producers. They argue that cheap steel consumed by American manufacturers allows them to successfully compete with foreign manufacturers and keep consumer prices low, thus spurring consumption and economic growth. Steelworkers respond that free trade is a misnomer, that there are only two kinds of trade—fair and unfair—and that unfair trade distorts the market, resulting in devastating effects on workers, communities, and general social standards.

A 2000 study of the steel industry and global steel marketing practices by the U.S. Department of Commerce documented a 30-year history of illegal pricing, subsidies, and dumping by foreign producers. U.S. trade laws define dumping as either 1) selling in U.S. markets at below the cost of production or 2) selling in U.S. markets at below the prices charged in home markets. As a result of decades of such practices both in the United States and Canada, these are the only two countries in the world that no longer have the domestic capacity to fully supply their domestic markets. In 1997, the last year of full utilization of existing capacity in the United States, our country had to import 25 percent of its steel consumption from foreign producers.

However, even that baseline has not been protected from

A Response to Dave Foster:

Steel Tariffs are Reportedly Causing Job Losses

On February 4, 2003 the Consuming Industries Trade Action Coalition (CITAC) released a report by Dr. Joseph Francis and Laura M. Baughman finding that the safeguards imposed in March 2002 caused higher steel prices and job losses within the United States. The group says that the three-year schedule of increased import duties, combined with other challenges present in the marketplace at the time and in the months that followed, boosted steel costs to the detriment of American companies that use steel to produce goods in the United States.

According to the report, 200,000 U.S. workers, mostly in steel-consuming manufacturing, lost their jobs as a result of higher steel prices in 2002, with job losses escalating steadily throughout the year. Indeed, CITAC noted, more workers lost their jobs in 2002 to higher steel prices and shortages caused by the tariffs than the total number employed by the U.S. steel industry itself. Shortages put many U.S. companies at a disadvantage with foreign competitors. Some companies moved sourcing operations off shore to avoid shortages and high prices as producers

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illegal trade practices. The collapse of Asian and then Russian and Eastern European financial markets in 1997, caused those countries to attempt to export their way out of economic crisis by dumping steel in the United States, increasing imports in 1998 to 40 percent of domestic consumption. Steel prices, which were already languishing at 1980 levels, soon collapsed and within a year the bankruptcy filings began.

Unfortunately, the situation faced by the steel industry is not unique. Unfair trade practices—combined with strong dollar fiscal policies, globalized labor markets, and the dilution of effective environmental, consumer protection, and other safety regulatory activities as a component of trade policy—have worked to undermine industry after industry in the United States.

Thus, in the Pacific Northwest we have seen the aluminum, aerospace parts, and titanium industries, all represented by the United Steelworkers of America, suffer sharp downturns similar to that in the steel industry.

The primary aluminum industry, which operates 40 percent of U.S. domestic capacity in the Northwest, has been virtually shut down for the last two years. The initial cause of this shutdown was the rapid spike in power prices in 2000 exacerbated by the long-term embedded costs of the power crisis; however, the global trading system has been a significant contributing factor. While Northwest aluminum producers are and should be required to observe significant environmental and wildlife standards, the growing participants in the global commodity aluminum market—particularly Russia and China—have expanded aluminum production in the world's most energy-inefficient and polluting facilities.

Electricity is the single most important input cost in the production of aluminum, accounting for approximately 20 percent of the cost of production. Labor, by comparison, averages about 7 percent. In China, in particular, the primary source of electricity for aluminum production is coal-fired generation. Coal, in turn, is mined using highly labor-intensive methods in both Russia and China, under conditions as dangerous as those prevalent in this country in the 19th century. In a very real sense the import of primary aluminum stocks to the United States from these countries includes the cost of the coal-fired pollution and resultant global warming that have been targeted for reform within our own boundaries.

The United Steelworkers believes in a trading system that protects domestic environmental regulation. Such a system would and should absorb the social costs of responsible aluminum production which has proven to be one of modern society's most adaptable, recyclable, and widely used metals in the transportation and construction industries. Its increasing use in automotive manufacturing is one of the prime reasons for fuel efficiency improvement in recent years. How ironic that the increased use of aluminum in cars in the U.S. in order to reduce emissions here comes at the expense of increased emissions in other parts of the world!

Similarly, the titanium and specialty metals industries in Oregon—represented by such companies as Allegheny Technologies and Timet in Albany —are affected by global trade. Titanium users such as The Boeing Company recently pushed to repeal the Berry Amendment, which required domestic production of titanium used in defense related aviation production. On a recent tour of a Goodrich aviation landing gear plant, I watched as thousands of pounds of Russian titanium forgings were unloaded for milling into fighter jet landing gear. It was an ironic example of how quickly the Evil Empire of Ronald Reagan's 1980's has been transformed into a part of the Defense Department's global Home Depot of the 21st century.

Luckily, for U.S. titanium producers and for its workers, defense production remains the one area of sensitivity to those Washington, DC, politicians who are quick to embrace an unregulated global economy. The current waiver on the use of foreign titanium producers in defense production will not be re-authorized. The real irony is, of course, for American workers and communities whose economic security does not warrant the same level of protection as defense-related procurement policies. The question remains, "Shouldn't family-supporting manufacturing jobs, performed at the highest environmental and safety standards, be protected and rewarded by our trade policies as an expression of American social values?"

The United Steelworkers of America argues forcefully that a manufacturing policy is necessary for both our country and each of its states. In Oregon such a policy would bolster the continued production of steel at Cascade Steel in McMinnville, of aluminum at Golden Northwest Aluminum in The Dalles, and of titanium at Allegheny Technologies in Albany. Each of these USWA-represented facilities provides hundreds of family-wage jobs in their communities. Each generates thousands of spin-off jobs among suppliers and consumers.

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of steel-using products became more unreliable in the domestic market. Others refused to absorb the increase in costs, forcing steel-using manufacturers to foot the bill.

In the absence of the tariffs, the report says, the damage to steel-consuming employment would have been significantly less than it was in 2002.

By Karen Wilde Goddin

(Brazil, China, Japan, Korea, New Zealand, Norway, and Switzerland have all joined the European Union in protesting the steel tariffs through formal dispute proceedings at the World Trade Organization. The Democratic Leadership Council's Web site, www.ndol.org, contains an article by Ed Gresser entitled "Bad Policies Make Bad Politics". It is an interesting critique of President Bush's policy on steel tariffs. Tom Potiowsky touches briefly on the subject of steel tariffs and Oregon in his article "International Trade: Yin and Yang of Dynamic Economies?" —Ed.)

Each supports local units of government with the taxes paid by our members.

However, each of these companies is vulnerable to the effects of unregulated trade. Like the steel industry nationally, literally our country's industrial canary in the coal mine, each of these companies could face decline and elimination if we, Americans, allow global corporations to write the rules under which our economy and thus our society is organized. In the final analysis, trade is not an impersonal market activity, it is a human activity. And the rules of trade, as old as the first barter system, have been written by human beings.

Rather than allow them to be written by the Global Fortune 500 for a global elite, these rules should reflect the social values of the great majority of Oregonians and Americans who live in, work in, and pay taxes to our communities.