



UNITED STATES BUSINESS AND INDUSTRY COUNCIL

FIGHTING FOR AMERICAN COMPANIES AND AMERICAN JOBS SINCE 1933

TO SAVE AMERICAN MANUFACTURING: HIGHLIGHTS OF USBIC'S PLAN FOR AMERICAN INDUSTRIAL RENEWAL

The United States faces a manufacturing emergency. Unless serious measures are taken soon, America will become a second-class manufacturing power, greatly diminishing its own future economic prospects. National security and flexibility in foreign affairs will be severely compromised. The international imbalances created by the manufacturing crisis will push the world into a major dollar crisis and could cause a major depression.

The Federal government has failed to combat predatory foreign trade practices aimed at undermining U.S. producers in their home market. Perversely, Washington has responded to these failures by encouraging U.S. manufacturers to supply our market from low-cost third world production platforms like Mexico and China.

USBIC's action plan for saving and reviving U.S. industry incorporates recent policy lessons that Americans simply can no longer afford to ignore. First, while our regulatory and tax systems have unnecessarily raised domestic business costs, the fundamental cause of the manufacturing crisis is the cumulative and continuing impact of two decades of misguided, ill-advised, and weak-willed US trade and globalization policies.

Second, the United States will always have more control over its own actions than over those of other countries. Therefore, the key to reversing manufacturing's decline lie in America managing its own behavior and controlling access to its own market, unilaterally conditioning that access on a strategic analysis of its own national needs and on acceptable practices by its trade partners. Finally, we must recognize that promoting open markets and economic growth abroad will not alone cure U.S. manufacturing and rebalance America's trade accounts.

USBIC's manufacturing restoration plan emphasizes short-term emergency measures for reversing domestic manufacturing's decline and laying the foundation for its revival. But it also includes longer-term proposals to insure that U.S. trade and globalization policies do not revert to the practices that produced today's crisis.

EMERGENCY MEASURES

- 1. To energize the national will**, issue a *presidential declaration of an American manufacturing and outsourcing emergency* stemming from foreign protectionism and the offshoring emphasis of U.S. trade policy.
- 2. To mobilize the U.S. government**, launch an *Apollo-type national effort to restore American domestic manufacturing to world leadership* and boost manufacturing employment and wages.
- 3. To slash the trade deficit**, impose a *Trade Equalization Tariff targeted on countries running large, chronic trade surpluses* with the United States. Grant exceptions only for energy products and non-native commodities with no acceptable domestic substitutes.
- 4. To refocus U.S. trade policy**, declare a *moratorium on all current and future trade talks* pending development of new trade strategy by a national commission fully representative of the domestic economy and society.
- 5. To preserve U.S. sovereignty**, declare a *moratorium on U.S. compliance with WTO dispute panel decisions* pending fundamental reform of WTO by Jan. 2006. Withdraw from the WTO if deadline is not met.
- 6. To fix NAFTA**, declare a *moratorium on U.S. compliance with NAFTA panel decisions* pending fundamental reforms, and *increase NAFTA's rules of origin and external tariffs* to provide genuine preferences for goods with high levels of North American content.
- 7. To empower U.S. trade laws**, *make anti-dumping and countervailing duty cases easier to win; extend protections up and downstream* from immediately affected industries.
- 8. To stabilize world currency markets**, impose *stiff tariffs on countries that manipulate currencies* for trade advantage; broaden Treasury Department's unrealistic, narrowly technical, definition of manipulation.

- 9. To strengthen national security**, impose a *65 percent domestic American content requirement on all military procurement*, rising to 80 percent in five years and 95 percent in ten years.
- 10. To keep more U.S. tax dollars in the U.S. economy**, require *50 percent domestic American content for all civilian federal procurement*, rising to 80 percent in five years and 95 percent in ten years.
- 11. To buttress the U.S. defense-industrial base**, impose *stiff tariffs on countries that use commercial or defense offset arrangements* to steal defense-related production and jobs from U.S. workers.
- 12. To ensure food safety**, require strict *Country of Origin labeling for all food and agricultural imports*.
- 13. To raise wages for the working poor and recent immigrants**, *limit legal immigration to 500,000 a year*.
- 14. To stimulate new domestic high tech industries**, *triple federal research and development spending and offer matching grants* to industry.

LONGER-TERM MEASURES

- 1. To keep trade policy on the right course**, *insist that all future trade agreements be strictly reciprocal, fully enforceable by the U.S. government, and immune to currency manipulation*.
- 2. To ensure sustainable trade balances**, *focus future trade agreements on high-income countries* capable of consuming U.S. exports, not low-income, third-world countries that can only serve as re-export platforms.
- 3. To prevent a major policy conflict of interest**, *transfer responsibility for monitoring and enforcing trade agreements from the U.S. Trade Representative's office to the Commerce Department*.
- 4. To preserve the integrity of U.S. trade policymaking**, *enact strict foreign lobbying reform*, including a lifetime ban on working for foreign interests for all former senior Executive and Legislative Branch officials.
- 5. To better inform policymakers and the public**, *publish more timely and comprehensive foreign trade and investment data*, with a special focus on outsourcing activities by multinational companies.

No one should assume that implementing USBIC's manufacturing revival plan will be pain-free. Some temporary slowdown in U.S. and global growth rates seems unavoidable. Thanks to 30+ years of recklessly expanded international trade and investment, pushed by economic ideologues and multinational companies, saving U.S. manufacturing will require serious restrictions on trade and investment flows.

Yet the alternatives now being proposed are policies that are already proven failures or simply wishful thinking. Permitting the manufacturing crisis to fester will only increase the economic dangers facing America and the world. The solution cannot be left to Washington policymakers and elected officials. They have demonstrated that they do not grasp the magnitude of the problems, and they are bereft of comprehensive solutions. They prefer only cosmetic changes, designed to relieve political pressure and ensure reelection.

Impetus for new policies must come from domestic manufacturers, their employees and communities, which are experiencing first-hand the economic disruptions caused in large part by globalization. Grass roots efforts must force Washington to change two generations of misguided trade policies. The time for action to save American manufacturing has long since passed. Very soon there will be little left to save.

FOR THE COMPLETE USBIC MANUFACTURING PLAN, VISIT OUR WWW.AMERICANECONOMICALERT.ORG WEBSITE.

The United States Business and Industry Council (USBIC) is a non-profit, business advocacy organization of more than 500 firms from across the nation. From its founding in 1933, USBIC has championed America's domestic family-owned or closely-held companies—our nation's "main street" businesses—who create new products, jobs and growth here in the United States. The Council's mission is *to expand our domestic economy, with particular emphasis on our manufacturing, processing, and fabricating industries, and through the resulting growth to extend a high standard of living to all Americans*. In addition, the Council has always stood for a strong national defense and a realistic foreign policy, to protect the United States and to advance its political and economic interests throughout the world. USBIC positions on tax, business regulation, trade, and security issues always receive significant attention, as Congress, the Administration, and the media know they can count on the Council for objective, principled viewpoints. USBIC plays a critical national policy role through its lobbying efforts, op-ed pieces, press conferences, bipartisan staff briefings, and through the research, education campaigns, and publishing activities of the USBIC Educational Foundation.