

MR. MONTGOMERY: Thank you, Mr. Chairman, and members of the Commission, for the opportunity to present the Department of Labor's views on the trade deficit and manufacturing. Before I do that, I know that the Secretary of Labor would want me to recognize the enormous contributions that Mr. Becker has made to this debate, as well as his leadership in helping working people every day improve their lives.

The U.S. economy is experiencing a period of nearly unprecedented growth and prosperity. Unemployment is the lowest it has been in 29 years. Poverty, the lowest in 20 years. We have had the longest peacetime expansion in our nation's history. After 20 years of nearly continuous decline, real wages for the average worker have been increasing each of the last three years. In addition, after losing 2 million manufacturing jobs between 1981 and 1992, the American economy has gained more than 250,000 new manufacturing jobs since 1993.

The good health of our manufacturing base is critical to our nation's ability to compete in the global marketplace and provide good jobs for American workers and their families. Manufacturing employs 18 million Americans, and on average, wages in durable manufacturing are 14 percent higher than those in the service sector.

In some sectors in manufacturing, the premiums are even larger. In the auto industry, it's

45 percent more than in the service sector, and in steel, it's about 50 percent more. Union membership rates are higher in manufacturing. This is translated into higher pay, more extensive healthcare coverage, better pension coverage, and more job security.

In our global economy, the health of our factories and manufacturing is increasingly tied to international trade. While manufacturing production has increased by a little bit more than a third since 1992, its exports have increased by more than 60 percent. Today, roughly one in five factory jobs is due to exports. Clearly, international trade has brought many important benefits to the U.S. economy. Trade has helped generate lower prices, better quality products for American consumers, resulting in higher economic growth and a higher living standard for Americans.

With estimates that export-related jobs pay 15 percent more on average than non-export related jobs, workers, too, share in the benefits of trade. With 96 percent of the world's consumers living abroad, trade represents a vital mechanism for Americans to tap the potential of the global marketplace.

But there are also costs to international trade. These are sometimes borne disproportionately by workers dislocated from their jobs when their

industries are hurt when exports fall or imports surge.

One only has to look at the recent financial crisis in East Asia to see that events half a world away can translate into layoffs and plant closings here at home.

Since March of 1998, we have lost nearly half a million manufacturing jobs, with 13,000 of those jobs lost in the steel industry.

Other export-sensitive sectors, such as industrial machinery, electrical equipment, instruments and transportation equipment, have experienced significant decline. As someone who grew up in the Pittsburgh area, I witnessed firsthand the decline in steel employment by almost two-thirds in the last 30 years, from over 600,000 jobs to about 200,000 today. I know how devastating for workers and families and their communities these dislocations can be.

The challenge for us as policymakers is to ensure that we remain open to the benefits of trade, while helping workers, businesses and their communities meet the challenges of the global marketplace. As the President has said, we must put a human face on the global economy. Trade is a means to an end, and that end is improving people's lives both here and abroad.

Some of the most recent developments in international trade have been a little bit more positive. We are hopeful that the worst of the

financial crisis is behind us. We have had some improvement in the last month in our exports. We have seen some signs of recovery in East Asian countries, indicating that they may be in a position to buy more U.S. goods and services going into next year.

Steel imports are down 26 percent relative to last year, indicating that our steel plan is starting to bear fruit. Nonetheless, manufacturing employment continues to decline, and as has been pointed out by President Sweeney, the trade deficit is at a near record high. While we recognize that there are many causes of the decline, in manufacturing employment, including technological change and high productivity growth, trade is part of that equation and we must make sure that we are vigilant to mitigate negative consequences.

We believe that we can and should do more to guard the jobs of manufacturing workers from negative effects of international trade. We must make sure that trade is both free and fair, that our industries are not unduly harmed by dumping or excessive surges in imports that would permanently hurt our capital-intensive manufacturing sector. We need to ensure that core labor standards, which include the right to unionize and bargain collectively, and a ban

on abusive child labor, are respected by our trading partners around the world.

The President has elevated the importance of international labor standards on the global agenda to ensure that global competition leads to global improvements in living standards, not a race to the bottom. With 3 billion people on earth living on \$2 a day or less and 1.3 billion living on \$1 a day or less, we must make sure that global trade is a mechanism to lift people up. The President has proposed that the WTO create a working group on trade and labor, and that we have closer cooperation between the WTO, the ILO, and other international financial institutions to further this agenda.

We must also enhance our efforts to strengthen our manufacturing industries. The President and the Vice President recently established a White House Task Force on Manufacturing, which will generate additional recommendations to do just this. With participation from the cabinet and other high level officials, we will be looking at strategies on a variety of fronts, not only tax and technical assistance and export promotion strategies, but also looking at how we can help workers receive the training and the extra skills they need so that we can avoid layoffs. By making sure that our workers have the

skills to compete and stay up with the current technology, we can minimize layoffs and other potential adverse effects.

Of course, we also need system to help those who are adversely affected. We need to strengthen and streamline and expand our trade adjustment assistance programs so that we can help those adversely affected by trade.

In sum, we recognize and value the important benefits of international trade for our economy in the form of higher economic growth and living standards. But while opening the doors of opportunity, we must make sure that trade is fair, that workers and firms in our manufacturing sector receive the assistance they need to remain competitive and grow in our global economy. Thank you.

COMMISSIONER BECKER: Barbara Somson, who is the Deputy Legislative Director of the UAW, your turn.