

# **Bush Decision In Favor Of Chinese Imports Leads To Loss Of 500 Very Good American Jobs**

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Thank you, President Bush, for killing 500 good-paying American jobs -- the ones that earn between \$50,000 and \$60,000 a year -- and allowing the United States to become dependent on China for many of the components used to transport fresh water into people's homes and businesses. That's the message from McWane Inc., of Birmingham, Ala., the country's largest provider of ductile waterworks fittings with 7,000 employees.

The company has recently closed its U.S. factories that made water equipment fittings and has shifted its production to a 400,000-square-foot plant on a 50-acre site in China to produce the same products. Why? Because President Bush on March 3, 2004, overruled a six-to-zero vote by the International Trade Commission that determined Chinese producers were dumping waterworks fittings into the U.S. market. McWane brought the case before the ITC under Section 421 of the Trade Act and spent \$1.5 million pursuing it. The ITC determined the industry was worthy of import relief consisting of duties of up to 50 percent on ductile iron waterworks fittings from China. But President Bush didn't agree with the decision, claiming that U.S. consumers were more important than U.S. producers.

"I find that the import relief would have an adverse impact on the United States economy clearly greater than the benefits of such action," Bush wrote in his memorandum denying relief. "I find that import relief would have an adverse impact on the United States economy clearly greater than the benefit of such action." Bush has vetoed every affirmative 421 case that has reached his desk on similar grounds.

The result of his decision with regards to McWane: "We have been forced to build facilities in China and import that product back into the United States because of governmental inaction here and the lack of any kind of protection for the investments we have made here to comply with U.S. environmental and safety laws and regulations," says David Green, executive vice president of McWane. "There has been an absolute surge of imports and it's gotten worse."

After the Bush decision, the company started reducing production at its ductile iron water works fittings plants in Alabama, Texas and Ohio. But it's not clear that consumers benefited from Bush's decision, as he said they would.

"You have one of our products per house in a subdivision -- one fitting -- and the consumer pays the same price because the only thing that happens is the contractor puts the savings in his back pocket," says Green. In fact, foreign imports might cost

consumers money, given problems with quality, regulatory compliance and products being made overseas without there being any environmental controls.

There is a congressional effort to remove the president from being involved in 421 cases. A provision in the "Strengthening America's Trade Laws Act" (S-364), sponsored by Sen. Jay Rockefeller (D-W.V.), would place a "limitation on presidential discretion in addressing market disruption."

There is nothing wrong with the 421 provision of the 1974 Trade Act, say Washington lawyers involved in cases brought before the ITC. "The problem is the administration has been unwilling to save or protect domestic industries that are being hurt by unfair Chinese imports," says Paul Rosenthal of Kelley Drye Collier Shannon. "The rationale they have used to deny relief, even after the ITC has recommended relief, has been inexplicable."

Bush has stated that if Chinese imports were restricted, then imports would surge from other nations. The IPC has not agreed with that. Imports from other countries would not be as harmful as those coming from China because none of them are priced as low as Chinese imports, say those involved with the cases.

"All the arguments the administration uses are make-weights and don't justify their position," says Rosenthal. "I think they have just not had the political will to apply the statute."

In the case of ductile iron waterworks fittings, the ITC stated that imports from China "are a significant cause of market disruption to the domestic industry," and that despite an increase in domestic consumption U.S. production was in steady decline. Chinese prices were declining and there was clear evidence that the Chinese were engaged in "significant underselling of domestic products," said the ITC. "We find a direct and significant connection between the rapidly increasing imports of DIWF from China since 2000 and the recent and sharp decline in industry indicators."

A week after Bush decided against the ITC's recommendation, Green and his boss left for a tour of plants in India and China. They found the conditions to be "atrocious," says Green. "It's common knowledge but nobody wants to pay attention to it: environmentally, it's putrid."

In India, foundry workers don't wear shoes, socks, headgear, ear plugs or eye protection. They wear nothing other than flimsy boxer shorts, squatting on the floor next to burning-hot furnaces.

The next stop was China. "There are no U.S. environmental regulations in China," Green says. If there are any regulations, there is no enforcement whatsoever. If you took a U.S.-regulated, compliant facility and put it in China, "there is no way you could be competitive with all the other Chinese manufacturers," he says. If McWane has to invest hundreds of millions dollars in technology to meet the new EPA guidelines for new

foundries in the United States "then there ought to be some support" for having to do so, says Green.

McWane's plant in China has emissions control devices that are six times more stringent than Chinese standards. "We laugh internally that the air leaving our emission control devices is cleaner than the air coming into our facility" three hours south of Beijing.

There are many thousands of foundries in China that use 40-foot-tall cupolas to light industrial grade coke, none of which have collection devices at the top of the stack. Black smoke belches out, creating a plume that stretches across the Pacific Ocean.

The Chinese aren't as efficient, either. At McWane's U.S. plants, it takes 15 man-hours-per-ton to produce ductile fittings, whereas in China, it takes 150-man-hours-per-ton. Moreover, there are no standards regulating arsenic in the coking coal used to make piping and components that carry fresh water, nor do the Chinese have certifiable radiation testing systems. The Chinese have also been found to be using asbestos to coat pipes and fittings in an attempt to minimize leakage.

The U.S. courts are also working against the interests of U.S. producers. In what is being described as a "stunning defeat" for the American foundry industry, the U.S. District Court in San Francisco recently ruled that Qiaoshan Casting Co. Ltd. and Hua Du City Pin An Foundry Ltd., both exporters of ductile fittings into the American market, "cannot be sued in American courts for quality lapses because those courts have no jurisdiction over them," according to the AB&I foundry in Oakland, Calif., a division of McWane.

AB&I sued the Chinese foundries for unfair business practices in the United States, but the court sided with the Chinese companies. "Contractors and others should consider the possible ramifications," states AB&I. "What, for example, would be the result of a case in which the claim was for injuries and damages, perhaps as a result of arsenic or asbestos, both proven to exist in some Chinese [products]? What if the product failed, resulting in losses to your customer? With the Chinese foundries' ability to claim lack of jurisdiction by American courts, who would be left to meet the claims of those damaged? Certainly the engineer, architect, owner and contractor would be involved and perhaps the importer (if they were still in business), but with the manufacturer out of the legal picture, the hit on the other parties to the transaction could be devastating."

Green believes the U.S. government's unwillingness to enforce its trade laws is leading to a potentially catastrophic loss of U.S. industrial capability and wealth. He says that BLS data show that only 400,000 new jobs over the last 10 years were created for men that paid more than the median wage. "There is such a thing as cutting your arm," says Green. "You can cut into the skin. You can cut into the fat. You can cut into the muscle and then you can cut through the bone. At this time, you're cutting into the bone. It's not that we're inefficient. That has nothing to do with it. It's because you're competing against a currency that is 40 percent undervalued, an unlimited amount of labor and lax regulatory control. I guess water is not important to this country."