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**Hearing concerning the Impact of U.S. – China Trade and Investment
on Pacific Northwest Industries**

Good afternoon. My name is Dale Lovett. I want to thank the Commission for giving me the opportunity to testify today, and for carrying out this series of hearings. It is my hope your work will lead to better trade policies for the United State and a better approach to trade with China.

I work in a paper mill owned by the MeadWestvaco Corporation in Wickliffe, Kentucky. I have lived there all my life and worked at the mill for the last 20 years.

In addition I am a long-term member, and former union officer of Local 5-680 of the Paper, Allied-Industrial, Chemical and Energy Workers International Union, or PACE. For many years I have been an advocate for my fellow workers, both on the shop floor and in the world at large by serving as a Special Projects Coordinator for the Pulp & Paperworkers Resource Council. I'm an advocate for the jobs of our members, and have been active in particular on issues concerning the regulations under which our pulp and paper mills operate in the United States, and on issues of international trade that affect our members.

Even though I have been active on the issues, I don't consider myself to be any kind of technical expert on these subjects. Instead I am a worker who tries to preserve my community and the jobs of my fellow workers. I can tell you a lot about how to maintain and operate a paper machine, and I can tell you a lot about the human cost of trade policies that in my opinion steal the market share of American manufacturers and the living wage jobs American workers need to support their families.

As you know my primary mission today is to tell you what I know about the effects of unfair trade with China on the paper industry in the Northwest and throughout the country.

Trade with China is a complex issue. But what makes it so difficult for those of us in the forest product industry, is China's emerging economy and market should represent a shining place for the U.S. to decrease our trade deficit with China but it doesn't.

You see, China doesn't have the forests to support their domestic demand for fiber based products. Their manufacturing facilities were small and inefficient and not able to meet environmental standards. Paper and wood products manufacturing are capital intensive -- not labor intensive -- so China shouldn't possess a natural advantage in the paper and wood sectors. But believe it or not, China is backing a domestic expansion of its' forest products industry like never witnessed in history.

According to a report commissioned by the American Forest & Paper Association, China is subsidizing a massive expansion of its pulp, paper and wood processing manufacturing capacity. Government monies were granted to the tune of \$1.67 billion (USD) for renovation of 21 state owned paper mills across China from 1998-2002.

China is also using its trade policy to bolster its forest product industry. In 1999, the government eliminated tariffs on raw materials to supplement their manufacturers need due to the insufficient domestic fiber supply. Evidence even exists that logs and chips are being smuggled into the mainland. So, we are now exporting 28 percent of our supply of recycled paper with over half of those exports going to China and other nations in the Far East. China is the largest importer of logs in the world and the second largest producer of plywood. Maintaining tariffs on the importation of finished goods and eliminating them on raw materials is a simple way to import the jobs that manufacturing supports.

U.S. exports to China of paper and paperboard reached \$414 million in 2003, up from \$311 million in 2001, in contrast, U.S. paper and paperboard imports from China jumped from \$636.4 million in 2001 to over \$1 billion last year.

The Chinese government also provided tariff exemptions on the import of high-grade paper machinery to support its industry. Meanwhile, China has maintained the tariffs on imported value added wood and paper products. I'll say this much, China seems to have this game figured out. If they can continue to play the trade game their way long enough, they'll put all other global producers out of business and have the entire market to themselves.

The equipment is going to China, the raw material is going to China and the living wage jobs that support our communities, our families and our nation are vanishing into thin air. Since the year 2000 over 40,000 of my union's jobs in the paper industry have been lost. I have brothers and sisters from all over the United States who are out of a job, and whose families have been badly hurt by the loss of their livelihood. Multiply 40,000 by the 3.2 average family members supported by these jobs and you can begin to get an idea of the devastation, not only to individual families, but to entire communities.

The State of Washington alone has lost over 20 percent of its manufacturing jobs between 2001 and 2004 and half of those were due to unfair trade, according to statistics compiled by the AFL-CIO. At least 3,000 of those job losses in this state were in the sectors with which I am most familiar, namely wood and paper.

Even though trade is not the only reason the paper industry in the Northwest has declined since the late 1980's it is one of the largest. From the sawmills that were shut down so companies could export raw logs to Asia, to the aging paper mills that can no longer keep pace with state-of-the-art equipment being installed in Asia, where workers are paid less than 50 cents per hour, where companies are massively subsidized by their respective governments, and where much of the raw material for the mills is secured by illegal and environmentally unsound logging practices. Even if our employers here at home could be persuaded to modernize our mills and plants, it is not clear how we could compete successfully against such unfair conditions.

We know that China has a systematic plan in place to radically expand its forest product industry with government funding and policy intervention. Manipulation of currency valuations, protectionism and failure to honor commitments made for membership into the World Trade Organization all make for an uneven playing field in the global economy. This isn't free trade or fair trade, and if adjustments aren't made to offset or adjust for the unfair practices implemented by the Chinese government our employers cannot hope to compete in the global economy for the log haul.

Now, I have not been to China, so I cannot testify personally to the abuses that go on there. But, what I do know is this year my union and several PACE employers working together won an anti-dumping order against China for selling tissue and crepe paper in the United States below the cost of manufacture and shipping. And I also know that in the last 5-6 years China has used antidumping investigations to protect its producers. The most current investigation concerns unbleached Kraft linerboard. That's the paper that boxes are made of. Because if it's one thing a manufacturing nation needs it's boxes. Boxes to package its products in, to ship them abroad.

As an advocate for my industry, I can testify to the constant story of job loss here in the United States. (See attached map)

The following list represents most of the job losses in the Pulp & Paper industry in just a 6 month period from July through December 2003. A period referred to as Black 2003 when my industry announced some 8,150 jobs would be eliminated.

MeadWestvaco / Corporation Wide / 1,000 jobs (3.3% of it's workforce)

Abitibi-Consolidated / Lufkin & Sheldon, TX / 1,220 jobs

Carustar / Austell, GA / 50 jobs

Weyerhaeuser / Lonview, WA / 119 jobs

SAPPI / Westbrook, ME / 170 jobs

Georgia Pacific / Camas, WA / 60 jobs

Sonoco / Atlanta, GA / 83 jobs

Smurfit-Stone / Jacksonville, FL & Thunder Bay, ONT / 1,400 jobs
International Paper / Corporation Wide / 3,000 jobs
Glatfelter / Neenah, WI / 200 jobs
Stora Enso / North American Workforce / 700 jobs
And the list goes on.....

Now let me make it clear, these job losses were not due to a single cause such as trade with China. But let me also make it clear that it is extremely hard to attract investment capital for our domestic pulp & paper facilities when it is common knowledge throughout our industry and Wall Street that China is coming online with a forest product manufacturing base that will be hard to deal with in the very near future. Especially when we have to account for the added pressures placed on Americas manufacturers with the annual double digit inflation for healthcare costs, unstable & rising energy prices as we pay more for Natural Gas than any other nation in the world. Fiber costs are escalating as 80% of the fiber once secured from public lands have been made unavailable and an unfavorable tax system discourages investment into long term business ventures such as timber production. And last but not least the non competitive cost of meeting compliance to the array of federal and state guidelines concerning the water and air permitting process.

It is important that we understand, America makes its products under the highest environmental standards in the entire world. No nation commits the resources to overseeing and enforcing the environmental standards our producers meet as a part of doing business. But, high environmental standards come at a price and this is not the case in China or any other developing nation that enters the forest product business. Now let me say, As a working stiff, I want, No I demand clean air, clean water and healthy forests but unless we as a nation begin to work together at the national, state and local levels to achieve maximum benefit in these areas without driving up the cost regardless of the benefit, then we are only playing into competing nations hands. While we can only do so much in changing how China conducts itself, we can change how we conduct ourselves and without meeting the challenge that exists concerning trade with China head on, we face the clear and present danger of going out of business

Now I would like to offer some common-sense ideas that are just the ideas of a working person from heartland America. We need aggressive enforcement of our trade laws. We need to work to curb illegal logging and other environmentally unsound practices that create an unfair trade advantage and severely damage the countries where they take place. We need enlightened and targeted tax policies giving credit for investment in domestic manufacturing, and taking away tax advantages for employers that locate or relocate overseas. We need a systematic review of all existing trade agreements in order to ensure they be enforced in a way that raises standards for all instead of promoting a race to the bottom. We need for future trade agreements to treat labor, social and environmental issues as fundamental to the terms of trade, and not as afterthoughts.

I am afraid if we do not do at least these things, the United States will be in danger of losing a great deal more of our manufacturing base, and as families lose their livelihoods,

their homes and their purchasing power our employers are in danger of losing their customer base. I don't believe we can afford to let this happen.

Let me close by sharing with you a story about friend of mine in the mill where I work. I think it should summarize everything I've mentioned here today.

Back in the summer, my friend and co-worker, Max Webb went to Germany to receive maintenance training from a supplier who was fabricating a new calendar stack for the paper machine at our mill. While he was there, he noticed several other state-of-the-art machines being prepared for shipment. When Max asked the supplier where the new equipment would be installed, he was told every one being prepared at the facility, with the exception of ours, was headed to China.

Thank you.