



Questions for Candidates

Introduction

The quality of our electoral process depends on the thoughtful participation of millions of voters. Every vote counts today, because every vote cast is an endorsement of how we shape public policy.

The quality of debate among the candidates for national office is of critical importance to the manufacturing community. The debate must reflect the nation's need for good jobs, a highly skilled workforce and renewed prosperity—each of which relate to the need for economic growth and manufacturing renewal.

You, your company and your employees are key to shaping that debate.

The 2004 election cycle is well underway and manufacturing has been thrust into the center of the national debate over jobs and the economy. In the process, many elected and aspiring officials are busy professing their support for manufacturing. We welcome this attention, but not everyone's voting record reflects a real grasp of the needs of manufacturing. In too many cases, their rhetoric far outpaces their votes.

Questions for Candidates is designed to help you increase the quality of debate among candidates. The questions are grouped into major policy areas and reflect the primary concerns of manufacturers. These topics speak to the economic future of our country.

Get your company involved in the 2004 elections. Invite your legislator to tour your plant or engage candidates in an educational forum. The manufacturing community must actively participate in this election. For more information, please contact the NAM Public Affairs Department at (202) 637-3118 or visit www.nam.org/p2.

Reduce the Costs of Production in the United States

At the heart of the challenge facing U.S. manufacturers is the need to reconcile increased international competition and a lack of pricing power with rising manufacturing costs. Increasing innovation and productivity growth alone will not be adequate to address the challenge unless efforts are also made to control the rising costs of manufacturing in the United States. In light of the increasing concern about costs, the NAM has commissioned a study by economists from the Manufacturers' Alliance to analyze the high costs of manufacturing in the United States and identify the key reasons for escalating costs in recent years. That study clearly illustrates that the following issues require priority attention. Listed are questions that highlight these priority concerns.

Question One:

Rising health costs are the largest cost increase for manufacturers. What are the proposed strategies to help reduce and manage these costs?

Answer: Several immediate strategies will help provide relief. Tax credits will help workers and individuals cope with the costs of health coverage. Medical liability reform will increase the availability of care and reduce defensive medical costs. And comprehensive Medicare reform will reduce future payroll tax increases and also reduce employers' retiree health care costs.

Question Two:

The asbestos litigation system is extremely costly and dysfunctional. This system is bankrupting companies and is threatening the jobs and retirement savings of hundreds and thousands of manufacturing workers. What can be done to reform this flawed system?

Answer: Asbestos litigation continues to plague U.S. manufacturers. It compensates people who are not sick at the expense of those who have legitimate illnesses as a result of asbestos exposure. Legal settlement costs to manufacturers under current legislation could exceed \$275 billion. To reform the system, a trust fund, with medical criteria, like that advanced by the NAM's Asbestos Alliance, is urgently needed.

Question Three:

Why is legal reform needed?

Answer: Non-asbestos litigation costs are an increasing burden. According to the actuarial firm Tillinghast-TowersPerrin, the cost of the U.S. tort system in 2002 (the last year for which figures are available) was \$233 billion. This represents 2.23 percent of GDP and \$809 per U.S. citizen. Tort system costs have increased a hundred-fold from 50 years ago, while GDP has grown by a factor of 35 and the U.S. population has only doubled. We need legal reform to address the rising cost of litigation, particularly on class action, product liability and medical liability.

Question Four:

Rising energy costs and a tightening energy supply, particularly regarding natural gas, are a real threat to the economy, especially the manufacturing sector. How can this situation be remedied?

Answer: Though energy efficiency has increased by 30 percent since the 1970s, U.S. energy use has increased at twice the rate (30 percent) as U.S. energy production (14 percent), increasing America's dependence on foreign energy sources. To promote long-term economic growth and ensure our quality of life, Congress should focus on policies such as increasing access to natural gas in the outer continental shelf and Alaska and by siting new liquefied natural gas terminals.

Level the International Playing Field

U.S. manufacturers are at a disadvantage in the global marketplace. Foreign trade barriers, unfair trade practices, currency manipulation and violations of intellectual property rights are some of the more challenging obstacles faced by U.S. manufacturers. In addition, our current international tax regime is both anti-competitive and anti-growth. The U.S. manufacturing base will continue to erode unless the U.S. government is more effective at leveling the international playing field. The Administration deserves great credit for its ambitious program to reduce foreign barriers to U.S. exports through new trade agreements and for ensuring that everyone knows that America's foreign exchange policy is to allow markets to set currency values. More progress is needed, however, and success will depend on addressing the rapid conclusion of new trade agreements and lessening the tax burden on trade and international commerce.

Question One:

The United States is, and has been, a very open market—for example, two-thirds of our imports are already duty free. But we face high tariffs and other trade barriers that tilt the playing field against us and limit access to U.S. manufactured goods, particularly in developing and newly industrializing countries. What actions do you support to reduce foreign barriers?

Answer: We should pursue an aggressive program of multilateral, regional and bilateral trade negotiations to reduce foreign barriers. We must accelerate our efforts to get other countries' barriers down to our level and aim for a successful WTO Doha Round that includes sharp reductions in foreign tariffs on manufactured goods. In addition, we should move quickly to build upon the recently-approved Chile, Singapore, Australia and Morocco free trade agreements (FTA) and work for passage of the Central American agreement (CAFTA) as well as conclude new bilateral and regional free trade agreements with more countries. And we should continue efforts to ensure other countries live up to the agreements they make with us.

Question Two:

Our current international tax regime is both anti-competitive and anti-growth. In the interests of promoting U.S. global competitiveness, it is important for policymakers to simplify and reform our current tax rules affecting trade and international business. How would you encourage more balanced tax rules to promote competitiveness and growth?

Answer: First, the United States must resolve the Foreign Sales Corporation/Extraterritorial Income WTO case in a way that avoids further E.U. trade retaliation and keeps manufacturers competitive both domestically and internationally. Second, we should continue to strive for more sensible international tax policy and work toward eliminating "double taxation" by allowing companies to better utilize foreign tax credits and restoring deferral of U.S. tax on foreign subsidiaries' income until the U.S. parent company receives the money. Lastly, the U.S. tax code should not penalize foreign companies operating in the United States.

