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Trump's trade plan sets up global clash over 'America First' strategy

Trump's trade plan sets up global clash over 'America First' strategy
Politico
By: Andrew Restuccia and Nancy Cook
6/30/17

The Trump administration is quietly preparing sweeping new trade policies to defend the U.S. steel industry, a move that could reverberate across global economies and incite other countries to retaliate.

In a bid to keep his campaign promise to crack down on unfair trade practices, President Donald Trump is weighing trade restrictions on steel imports from countries like China, according to two administration officials.

The prospect of new trade restrictions has already added to the souring of the United States' relationship with international allies ahead of a gathering of the G-20 leading economies next month, heightening mounting frustration with Trump's nationalist impulses.

For months, the Trump administration had been unable to settle on a coherent trade policy on everything from NAFTA to steel imports. It's a result of the continuing tug of war between the administration's "America First" advisers and advocates of a more global approach that pays heed to U.S. allies. The administration has been debating the issue behind closed doors for months, including in a high-level meeting this week with the president.

The tension among Trump's aides appears to be easing, however. The president's advisers are coalescing around a tailored approach that would target the steel imports of individual countries, rather than across-the-board measures against every nation that sends steel to the U.S., according to two sources familiar with the discussions.

The administration's more narrow approach is meant to allay the concerns of U.S. allies like Canada and the European Union, which together make up a large share of the steel imported in the U.S. Leaders from such trading partners have sharply criticized invoking national security as a means to erect trade barriers, which is one approach the administration is considering.

Yet even a tailored tariff or trade restriction could nonetheless prompt a targeted nation to attack a vital U.S. export and eventually lead to a trade war.

Whatever the final decision, the debate is giving foreign leaders and U.S. companies a greater window into the administration's approach to trade — a cornerstone of the president's campaign platform.

"If they go off in a sharply protectionist direction, it will upset the global apple cart and could backfire and hurt U.S. economic interests," said C. Fred Bergsten, director emeritus of the Peterson Institute for International Economics and member of the president's Advisory Committee for Trade Policy and Negotiations.

A White House spokeswoman, Natalie Strom, said the administration did not "comment on these types of internal deliberations."

For months, Trump's senior advisers have been deeply divided over trade policy priorities. The fight has pitted National Economic Council Director Gary Cohn, U.S. Trade Representative Robert Lighthizer and Agriculture Secretary Sonny Perdue against the more protectionist wing of the administration, which includes White House trade adviser Peter Navarro, chief strategist Steve Bannon and, oftentimes, Commerce Secretary Wilbur Ross.

In a bid to reach a consensus, senior administration officials have for the last three months been meeting every Tuesday morning at the White House to hash out their differences. And this week, top White House aides organized two days of high-stakes huddles aimed at drafting a final policy on steel imports, administration officials said.

The White House has long been weighing four major options when it comes to action to help domestic steel producers: across-the-board tariffs, a combination of tariffs and quotas, tariffs or quotas targeting specific countries, and enforcement measures for unfair trade practices.

This week, Trump officials discussed a pending Commerce Department report into whether to restrict steel imports to protect national security. The report, which was ordered by the president in an April memo, will likely not be released publicly this week, two administration officials said, despite Ross' earlier goal of delivering it by the end of June.

On Monday, Trump and Vice President Mike Pence met with more than a dozen administration officials. They included many of the heavy hitters in the administration whom Trump has come to rely on for policy advice, including Ross, Perdue, Lighthizer, Navarro, Cohn, Treasury Secretary Steven Mnuchin, OMB Director Mick Mulvaney, national security adviser H.R. McMaster and chief of staff Reince Priebus. The meeting was organized by White House Staff Secretary Rob Porter, who has been involved in coordinating policy across the administration.

During the meeting, Trump gave his various advisers about two minutes to argue their case, according to people who were present at the two-hour-plus meeting. At times, the tenor of the meeting turned tense.

"There are a variety of ways the president can approach this decision, and each side in the White House is very convinced their approach is the best," said one source familiar with the meeting.

The president then instructed his advisers to deliver a comprehensive trade plan in the coming days.

A smaller group of administration officials met again on Tuesday, where they came up with a preliminary strategy that takes a more tailored approach than the across-the-board tariffs favored by the hard-liners in the administration, aides said.

That approach would not target every country that exports steel into the United States, instead allowing for exemptions. The officials also largely agreed that that the U.S. should pursue a more collective approach in which countries can work together to address unfair trade practices, according to the aides.

"We ask the G-20 economies to join us in this effort and to take concrete actions to solve these problems. But let us be clear, we will act to ensure a level playing field for all," Cohn told reporters earlier Thursday, pointing to "massive distortions" in the international steel market.

An administration official said no decision has been made on the list of countries that could be targeted, and the official cautioned that the strategy could change over time, particularly because the Commerce Department report isn’t expected to recommend such a tailored approach.

Aides said the administration was considering other options as well, including using a separate trade law that gives the U.S. authority to sanction countries that engage in unfair trade practices.

Trump has up to 90 days to respond to the Commerce Department’s recommendation, which could give his advisers time to influence him further.

The officials said they did not expect Trump to make a formal trade announcement until after the upcoming G-20 summit in Hamburg, Germany, which begins July 7. Trade issues are slated to be a major topic of discussion at the meeting, which Trump will attend.

Still, administration officials said Trump is eager to resolve the issue because trade was such a big part of his campaign messaging, particularly to Midwestern voters in states that were once manufacturing-heavy. Unlike health care and some other policies, Trump has been deeply engaged on trade.

“I think he feels like certain promises were made during the campaign, and he wants to live by them,” one senior administration official said.

Trump bashed China repeatedly on the campaign trail, at one point suggesting that he’d impose a 45 percent tariff on goods coming out of that country. He also installed Navarro — a former economics professor and fierce critic of China who made a documentary titled “Death by China” — in the White House in a newly created trade position.

Trump warmed to Chinese President Xi Jinping after his April visit to Mar-a-Lago. But the president appears to be frustrated with the country again, officials said, adding that any trade-related measures are likely to target the nation’s steel exports.

Both foreign officials and U.S. business groups have raised concerns about any attempt to justify import restrictions on the basis of national security — a rarely used right that countries have under WTO rules.

"The [Chinese] Ministry of Commerce believes there is no evidence that steel imports threaten to impair U.S. national security," Yu Gu, a ministry official stationed at the Chinese Embassy in Washington, testified at Commerce Department hearing in May. "The United States’ defense and national security requirements are clearly not dependent on imports of foreign-made steel."

Canadian, Russian and Ukrainian officials have all urged that they be exempted from any import restrictions if the U.S. invokes Section 232 of the Trade Expansion Act of 1962, which allows it to limit imports of steel and aluminum on the basis of protecting national security interests.

The Canadian government, in comments filed with the Commerce Department, said it believed “there should be no concern about steel imports from Canada having potential national security impacts on the United States.”

Canada, the U.S.’s largest trading partner, also urged the Trump administration to be certain of its facts before imposing any curbs since “there should be a very clear and direct link between any proposed restrictions and a specified national security concern.”

European Union officials, in a similar vein, have warned that they do not believe the United States can plausibly claim a national security exemption from global trade rules to restrict steel imports.

Trump’s actions could bring back memories of former President George W. Bush’s decision in 2002 to slap hefty "safeguard" tariffs on steel imports to give domestic industry time to restructure. That triggered global outrage and a WTO case, which the U.S. lost.

The Rise of Machines and the Evolution of Industrial Work

The Rise of Machines and the Evolution of Industrial Work
Industry Week
By: Yan-David Erlich
6/27/17

On a recent visit to a household products manufacturing plant in California we were awestruck at the miles of machinery humming away on lonely factory floors. Only 75 employees in total were needed to keep this enormous 300,000 square foot facility running 24/7.

It looked like machines rule the day. However on closer examination, we noted that it is the employees – each with an average of 15 years' experience – who are tapped to perform mission critical tasks that greatly impact the factory's performance. Tasks like reconfiguring production processes, immediate interventions to address process breakdowns, inspections and troubleshooting issues.

In an era when robots are hitting their stride, humans are still very much necessary.

This is not to say that algorithms, machines and robots won't replace many existing industrial work activities. According to an article from McKinsey, 59% of all manufacturing activities could be automated. However, humans will still be needed to perform the remaining 41% of activities.

The real world of manufacturing is full of situations that have little structure, predictability or definition. In aerospace manufacturing, almost every aircraft is made to specifications unique to that order –a process that requires extensive engineering attention from human workers. We also easily forget just how often things go wrong — an engine part is delayed because of an unexpected raw material shortage, or the cable wires are too short. These one-time, unpredictable situations can be costly and solving them requires human involvement because unstructured and undefined processes like issues management is hard to automate.

It is a fallacy to think that industrial robots, AI and machines will eliminate the need for industrial workers. By placing too much credence on this fantasy we risk neglecting our most important resource: human potential. —Yan-David Erlich

Additionally, parts of industrial work will always involve navigating difficult terrain, delicately manipulating heavy tools, and decision-making when there isn't enough data or information. These situations require the dexterity, mental agility and creative problem-solving abilities of humans.

Automation also places higher importance on non-routine aspects of human work. According to research by Sabine Pfeiffer of the Department of Sociology at the University of Hohenheim in Germany, automation increases the complexity and vulnerability of an overall system as smaller and seemingly insignificant events can affect the whole organization on a bigger scale. In her research at a highly automated car body production plant, Pfeiffer found as many as 20 to 30 human interventions per shift were needed to prevent major flaws in quality and productivity.

In more affluent societies, manufacturing is also becoming an increasingly complex undertaking. Wealthier consumers are demanding an even broader assortment of goods and services. As a result businesses that create these offerings have to reconfigure manufacturing lines and processes continuously. These mass customization scenarios create more complexity in the production processes and new machinery that need more human-driven setup, maintenance and repair.

As automation spreads and robots take over the mundane aspects of manufacturing, there is also an opportunity for industrial workers to spend more of their workday tackling higher value-added tasks. These are critical tasks that robots and AI cannot easily replicate like breakthrough product innovations and efforts to enhance customer satisfaction that can give an organization a leg up over the competition.

To fully tap the potential of Industry 4.0, companies must invest in technology tools, training and processes that can augment and support their industrial workforce as they perform qualitatively more important work. Industrial workers must have the ability to collaborate in real-time, benefit from immediate access to best practices, and have clearer work instructions and operating procedures. In the same way that desk-bound workers have a plethora of productivity, collaborative, project management and workflow technology tools to choose from, so too should the desk-less industrial workforce.

Companies must also invest in training to build new skill sets among their high performing workers. In order to succeed in an Industry 4.0 world, industrial workers will need both job specific knowledge and digital skills like creating spreadsheets, working with new technology interfaces and even programming.

It is a fallacy to think that industrial robots, AI and machines will eliminate the need for industrial workers. By placing too much credence on this fantasy we risk neglecting our most important resource: human potential.

We also risk derailing our efforts at Industry 4.0. According to PWC's 2016 Global Industry 4.0 Survey, the biggest challenge to the successful transformation and execution of Industry 4.0 isn't the technology – it's the people. We are dependent upon the digital qualifications of the employees who we need to roll out digital processes and services, says the report.

I subscribe to a human-centric Industry 4.0. Here connected industrial workers, supported and augmented by technology, are equally crucial for success as advanced AI and industrial robotics. It is the man-machine collaboration that will ensure our factories reach new levels of efficiency, competitiveness, innovation, safety, and productivity.

TOP

ASD Now part of FMA

ASD Now part of FMA
Steel Market Update
By: Tim Triplett
6/25/17

The Association of Steel Distributors is now a technical affiliate of the Fabricators & Manufacturers Association, International, Elgin, Ill. ASD functioned as an independent, nonprofit service center trade group for 75 years, but changing market conditions and flagging membership forced the association to ally with a larger organization to ensure its continued survival.

"This is a very big, transitional day for ASD," said Andy Gross, owner of Alliance Steel, Bedford Park, Ill., and current ASD president, announcing the deal with FMA during ASD's regional dinner Thursday in Chicago.

Like many trade groups, ASD has struggled to maintain its membership in recent years as service centers have merged and consolidated or opted out to save money. Upon ASD's dissolution and affiliation with FMA, its member companies, now numbering fewer than 40, will join FMA's 2,300 members.

Gross said some long-time ASD members, whose families have been part of the peer group for generations, were reluctant to make the change. But, after some persuasion, they acknowledged it was the only way to guarantee ASD's continued existence. In the end, the vote was unanimous. "I had to make the board understand that the further we went down the river, the further we were up the creek," Gross said. "It was important for me not to allow this group to go away."

ASD will remain "a group within the group," similar to the toll processors and pipe and tube suppliers who are also technical affiliates of FMA. It will host its own speakers, conferences and meetings, and will try to perpetuate its traditions, such as its Steel Man of the Year Award. "The goal is to keep our identity," Gross said.

FMA brings a host of new value to an ASD membership, including wide-ranging educational programs, access to its fabricator and manufacturer members, and participation in the FABTECH trade show, among other benefits. And all at a lower cost. A service center can join ASD, through FMA, for a cost of $495 a year, or $1,295 for a full corporate membership. That compares to ASD's former membership fee of around $2,000.

Gross is confident FMA will help ASD grow and succeed in its mission to share best practices. “I am excited about being part of such a large organization.”

You’re hired, Trump tells 5 million future apprentices

You’re hired, Trump tells 5 million future apprentices
Bloomberg
By: Lance Lambert
6/24/17

Wheatley Brown III had hit the wall. As an electronics installer, he wasn’t going to make a lot of money.

Then, in 2009, the 37-year-old Mississippian took an electrician apprenticeship administered by the Tennessee Valley Authority, the New Deal agency envisioned in 1933 by then-President Franklin Delano Roosevelt as “a corporation clothed with the power of government but possessed of the flexibility and initiative of a private enterprise.” Instead of paying for college, Brown got paid, all the while learning the trade over 5 years.

“We do the book work, but the on-the-job training and experience, there is no way to put value on it,” Brown said. TVA lineman apprenticeships start at around $40,000 a year and rise to $65,000. At the end of the program, a lineman can earn more than $75,000-and more than $90,000 if he or she makes foreman, as Brown did.

Could apprenticeships be part of the answer to the infamous U.S. skills gap? They would certainly be a useful alternative to college for some Americans graduating heavily in debt and into an economy for which they are unprepared.

Employers have complained for years that the nation doesn’t have enough skilled workers to fill the jobs of an increasingly technical workforce. House Speaker Paul Ryan, R-Wis., urged members of the National Association of Manufacturers to mind the gap in a speech Tuesday. On June 15, President Donald Trump, who sees hands-on career training as a solution, signed an executive order to spur apprenticeships.

“Apprenticeships place students into great jobs without the crippling debt of traditional four-year college degrees. Instead, apprentices earn while they learn,” Trump said at the signing ceremony, flanked by Kentucky Gov. Matt Bevin and Wisconsin Gov. Scott Walker, both Republicans.

But we can’t all be the apprentice.

Back in March, during a roundtable discussion on vocational training, Marc Benioff, chief executive officer of Salesforce.com, issued a challenge to the president. “I see a great opportunity right here in the United States to create apprenticeships. And we’d love to encourage you to take a moon shot goal to create 5 million apprenticeships in the next five years,” Benioff said.

“Let’s do that,” Trump said. “Let’s go for that 5 million.”

The problem is, there are only 505,000 apprentices in the U.S. today, according to the Department of Labor, and the total has been growing by an average of 43,000 a year since 2013, a rate far short of what would be needed to reach 5 million by 2022.

“We don’t have the institutional setup to do this,” said Anthony Carnevale, director of the Georgetown University Center on Education and the Workforce, who called the president’s goal “Trumped up.”

Asked about Trump’s ambitions for apprenticeships, the White House noted that the president made no mention of the 5 million goal in the executive order or in his remarks at the signing ceremony, and said that Trump has proposed doubling federal spending on the Apprenticeship USA program, to $200 million a year, and aims to simplify the registration process. Currently in the U.S., an employer sponsors and pays an apprentice in line with standards set by the Department of Labor or state agencies.

The government would need to make far more resources available to meet the president’s goal, said Robert

Lerman, a fellow at the Urban Institute.

“I can’t see [5 million apprenticeships] in four or five years,” Lerman said. “But it could be in 10 years, if done right.”

In the U.S., where apprenticeships are concentrated in electrician, plumbing, carpentry and construction jobs, they would need to be available in more industries and occupations, he said.

Yet moving more career routes into the apprenticeship model would take a massive overhaul in hiring practices and many years to implement. Trump’s plan appears to depend partly on a broadening clause in the executive order that allows many existing internships to be categorized as apprenticeships, Carnevale said.

Increasing apprenticeships would take a big financial commitment from employers, too. Siemens estimates that its U.S. apprenticeship program, founded in 2011, costs the company around $187,000 a student. The company partners with local higher education institutions. After completion of the four-year program, graduates leave with an associate degree and a job at Siemens, signing contracts for two years of service.

“I think it would be wonderful to have more apprenticeships. It would definitely help our workforce,” Brown, the newly minted Mississippi electrician, said. “Skilled labor is the way to go.”

TOP

Near-Term ‘Labor Shortages’ Are a Sign of Progress

Near-Term ‘Labor Shortages’ Are a Sign of Progress
Real Clear Markets
By: Allan Golombek
6/27/17

In Rochester, a 58-year-old unemployed former Eastman Kodak employee’s eyes well with tears as he laments the loss of manufacturing jobs in the United States. “There’s nothing made here anymore,” he tells USA Today. "People are suffering, and communities are suffering." It is easy to hear stories like this and believe the economy is losing too many traditional manufacturing jobs. But the truth is, what is needed is not more semi-skill jobs but more highly-skilled workers.

Perhaps our biggest economic problem right now is a mismatch between the skills many people have and the skills today’s marketplace requires. Capitalism is a dynamic process, constantly shedding jobs, industries, and ways of producing wealth - and generating new products, services and ways of providing them. People need to be able to match those changes.

Many look through the wrong end of the microscope. The big shift in work is not from the Midwest to Mexico or China. It is from semi-skilled workers to robots, software, 3D printing and other technologies. The U.S. economy lost about 5.6 million manufacturing jobs between 2000 and 2010, but 85 percent of them were the result of technological change, according to a study by the Center for Business and Economic Research at Ball States University. Manufacturing companies are simply producing more goods with fewer people, as technological progress makes some skills redundant while generating demand for others. At Kodak, for example, a machine now mixes filmmaking ingredients with precision; 10 years ago, it took 14 workers to do the job. When Subaru opened a plant in Lafayette, Indiana, in 1989, most every weld on a car was done by a human being, and the plant produced 88 cars a day. Today, 28 tears later, the welding is performed by robots, and the plant produces 1350 cars a day. We constantly become more productive, but not by working harder. Most people work as hard as possible. We become more productive by leveraging technology.

By efficiently deploying capital, our economy is displacing repetitive semi-skill and low-skill jobs with high-skill jobs that leverage technology, education and training – and increase productivity and economic growth. According to the Department of Labor, there are more than a half-million open technology-related jobs in the United States. Between 2010 and 2020, the department forecasts, the U.S. economy will see a 30 percent increase in jobs for software developers and database administrators, 25 percent for computer systems analysts, and more than 20 percent for information security analysts, web developers and computer network architects.

The biggest economic problem is not a shortage of jobs, but a shortage of people with the skills to fill them. Over the next decade, Deloitte estimated in a 2015 report, 3.4 million workers will be needed to fill manufacturing jobs because of baby boomers' retirement and economic growth. But 20 percent are likely to be unfilled due to a shortage of workers with the required skills.

The "creative destruction" that characterizes capitalism eliminates manual jobs and creates new ones by deploying technology. It sheds jobs in sunset industries, such as many that used to drive Ohio's Mahoning Valley – only to generate new ones in sunrise industries, like those found in Silicon Valley. Many are alarmed by the process, but it is not a new one; rather, it is one of the most important ways capitalism fosters change and growth. At the beginning of the 20th century over 40 percent of Americans worked in agriculture. By the end of the century, it was just 2 percent. Many driven by a changing economy from farms to cities no doubt felt threatened. But largely because we no longer require half the population to provide our daily bread, labor is freed up to meet the needs of a modern economy – to build cars and planes, cure the sick, and develop software and invent pharmaceutical drugs. The alternative to a dynamic economy is not a stable one, but a static one in which the way we live is inert from one generation to the next rather than constantly changing and improving.

How we earn our money depends on how we produce the goods and services we wish to buy with it. The more efficiently we produce wealth, the more of it is available to us. Rather than futilely trying to build barricades against economic change, we should adjust to it and make it work for us.

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