

Carpenter Technology Centennial
Celebration Dinner and National
Sales Conference
Reading, PA
September 13, 1989

I want to thank you all for inviting me to this remarkable and special event. I am particularly pleased that you thought enough of me to have me to dinner instead of helping to hand out 11,000 hot dogs and cokes. Don't get me wrong, I like hot dogs, but I don't think I could handle the 25 or so that one of you managed to put down!

One hundred years of continuous operation is an extraordinary landmark, one which stands as a symbol of the strength and vitality of the entire American steel industry. It may not have been an easy century, but the fact remains that after 100 years CarTech is in business serving America.

And it is that service we commemorate today. At each step in our country's industrial history, CarTech has been there making it happen.

- the first automobile.
- the engine that flew the first airplane.
- Henry Ford's production line.
- the development of stainless steels.
- Lindbergh's flight across the Atlantic.
- building nuclear reactors.

In each of our wars, beginning with the Spanish-American, CarTech was there as well, supplying the war material our nation needed to prevail and preserve democracy and our way of life. And that remains true today of the entire specialty steel industry. It is no secret in Washington that we cannot build a tank, a submarine, an airplane, or a missile without you. That is the reason, incidentally, why efforts to take specialty out of the President's VRA program failed.

Equally important, CarTech looks to the future: new processes, new products, new applications.

There is no more appropriate theme for the National Sales Conference than "Into Century Two" because CarTech has made itself strong by always looking ahead.

But your theme is also appropriate for the entire steel industry. Just as you are plotting a strategy to take CarTech into the twenty-first century, the steel industry as a whole is trying to cope with an entirely new set of realities. At the same time, we in Washington are also trying to deal with the same new realities.

Fifty years ago the world was rapidly descending into the cataclysm of the Second World War. Those years of heroic effort thrust the United States into a new and unavoidable position. The "Arsenal of Democracy" quickly transformed itself after the war into a bastion of unsurpassed ability, ingenuity, and wealth.

But in the forty-five years since the end of the war other countries have closed the gap. Indeed, it has been our policy to close the gap by rebuilding Europe, integrating Japan into the Western alliance, and promoting economic development in the Third World. I think we all realize that the days of unparalleled American power are over. The United States will remain a superpower, but not without economic competitors, and it is increasingly economic strength rather than raw military strength that defines political power.

Thus "Century Two" holds challenges and responsibilities for us all. CarTech's challenge is to maintain and expand its market and customers and to continue to lead in the development of new technology. Both CarTech and the steel industry as a whole must recognize the fierce competition, both domestic and international, and fight to maintain themselves as reliable sources of quality steel at reasonable prices. My job, and that of the President and my colleagues in the Congress, is to ensure that you have the opportunity to meet that competitive challenge.

You all know, perhaps better than others, those challenges: One has been international competitors who sell steel at ridiculously low prices. They benefit from massive government subsidies and dump their product here by selling it below its cost of production. In spite of the fact that these practices are contrary to both sound economics and international law, our government for years failed to fight them effectively and continued to let these companies conduct business in the United States as if they were legitimate competitors. Meanwhile, American producers were driven to the brink of collapse, and in some cases, over the brink. We saw dozens of mills closed and communities destroyed. We lost thousands of jobs. The companies lost billions of dollars and it became impossible for our industry to undertake the reinvestment and modernization necessary to stay ahead of the pack.

Finally, in 1984, after the industry had won a favorable ruling from the U.S. International Trade Commission and at the urging of myself, Senator Specter and members of the House and Senate in both parties, President Reagan sought to help the industry revitalize. The Voluntary Restraint Agreements Program attempted to limit imports of foreign steel so that domestic producers could retool and modernize for 'Century Two.'

CarTech has used the time well. For example, in 1987 CarTech started up the impressive No. 5 Mill, followed a year later by a Daisho coil-to-bar turning machine. These help make you ready to be here now contemplating the next century.

Other domestic producers are not in as good a position. Although the steel industry as a whole has made great strides since 1984, more time is necessary to complete the transformation. Moreover, our government needs more time to achieve the fair international trading system in steel that the last five presidents have sought. The time is long past when we can afford to serve as the international dumping ground for every third rate producer. The American people deserve better, and that means both producers and consumers.

We all believe in free and open trade, but the free market must be a two-way street. We must obtain open access for our products as well as bring an end to subsidies, dumping, and other market-distorting practices. American steel is making a comeback as remarkable as the Baltimore Orioles -- I wish I could say the Phillies -- but forcing our steel producers to face the same unfair competition as before is like making the Orioles play football against the Steelers -- of the 1970s -- without pads.

President Bush has extended the VRA program for 2 and 1/2 more years. I endorse that. He apparently believes that will be enough time to negotiate the international agreement on fair trade in steel he has promised. I doubt it. It is unrealistic to expect that any American trade representative can achieve in two-and-a-half years what has eluded us for the past twenty. Carla Hills, our Trade Representative, is a remarkable woman, but I don't think she is going to be able to end a generation of foreign subsidies that quickly, especially if her adversaries can simply out-wait her.

What worries me right now is that she will end up accepting a bad agreement rather than admit failure. An agreement with more holes than Swiss cheese will mean more trade complaints and litigation from the industry and a big fight in 1992. Those of us in the Steel Caucus as well as industry representatives in Washington are working very hard to make sure our negotiators draft a tough proposal and then stick with it. That is what we all want, including the President, but it is always a struggle to prop up our negotiators when they reach the point where getting an agreement becomes more important politically than what is in the agreement. That has happened more times than I can count, and it takes tremendous vigilance from Congress and the industry to prevent it.

What is happening to steel, of course, is not unique. I fear our industrial base is eroding faster than some of the Atlantic Coast beaches. A study the Congressional Office of Technology Assessment did at my request demonstrated that continuing weakness in American manufacturing technology is a major reason for our more than \$140 billion trade deficit and our inability to reduce it, despite a dollar that has lost half its value since 1985.

And that weakness is reflected not just in mature industries like steel and textiles, but in so-called high tech sectors like semiconductors and products that contain them and machine tools.

The next fight for technological preeminence will be HDTV, and we are beginning several years and billions of dollars behind both the Japanese and the Europeans. As of last week, however, it looks like we may never enter the race. The Commerce Department announced a major retreat in its efforts to mobilize our high tech industries to develop HDTV. They were apparently intimidated by accusations of industrial policy. We do better when we don't let the words get in the way.

We are trying to defend ourselves in the future against the kind of unfair trade practices that destroyed our own television industry, devastated our steel industry, and now threaten our semiconductor producers. We understand, as CarTech has learned, that R&D does not occur in an economic vacuum. It occurs when you have healthy, profitable companies selling products and using their profits to develop future generations of technology. HDTV is the product engine that will pull our high tech train into the 21st century. Trying to start that engine may be industrial policy to some. But to me it is nothing more than common sense. The same common sense that made our nation the world's industrial leader.

To reverse this sapping of our industrial strength, we must start with the basics -- our trade deficit -- and I am preparing legislation to forcibly ratchet it down. Gramm-Rudman has forced Congress to tackle our budget deficit. We need the same approach to deal with our massive trade imbalance. Without it, we will continue to be international suckers, where everyone can dump here, but keep their doors closed.

What I envision is a set of legislatively imposed targets for reducing the trade deficit by about \$30 billion each year for four years, which would be backed by automatic actions if targets were not met. Such actions could include expansion of the 'Super 301' process to pry open restricted foreign markets in more countries, promote American exports through increasing Eximbank funding, apply an across-the-board import surcharge, or file antidumping complaints against an entire country. All these actions, by the way, could be consistent with international trading rules.

Our bottom line must be to eliminate the trade deficit. That will mean concrete steps that may be painful. We learned with the budget deficit that we cannot simply wish problems away. Gramm-Rudman is making a difference there, and we can use the same approach to tackle our trade deficit.

At the same time, competitiveness cannot be imposed on American industry by its government. Many of our companies will have to change the way they do business, and they will have to do it from the inside. CarTech has already kept itself up to date and in many ways, this celebration is a building block of "Century Two."

Your obligation is to continue your success and spread the word to others.

The government's obligation is to fight the fair trade war and provide a conducive environment for reinvestment and future planning.

I know you will do your part, and I will do my best to do mine. Together we can keep America great and maintain it as the beacon for other nations that it always has been.