

**Congress of the United States**  
**House of Representatives**  
Washington, DC 20515

September 3, 2003

**Congress Should Help Preserve American Manufacturing Jobs**

Dear Colleague:

President Bush was right to draw attention Monday to the dangers confronting our manufacturing sector. Manufacturing is in a crisis of historical proportions:

- ! In July, 71,000 manufacturing jobs were lost according to the Bureau of Labor Statistics.
- ! Over the last year, the economy has lost nearly 700,000 manufacturing jobs.
- ! Of the 2.7 million jobs the U.S. economy has lost since the recession began in early 2001, 2.4 million were in manufacturing.
- ! For 36 straight months, manufacturing has lost jobs - the longest such stretch since the Great Depression.

As the President said on Labor Day, a strong economy depends on preserving manufacturing jobs in the America: “(T)here's a problem with the manufacturing sector. And I understand for a full recovery, to make sure people can find work, that manufacturing must do better. And we've lost thousands of jobs in manufacturing, some of it because of productivity gains - in other words, people can have the same output with fewer people - but some of it because production moved overseas.”

The President said he would take steps aimed at preventing additional losses of manufacturing jobs to other countries. But Congress too has a large responsibility. This fall, we must pass legislation repealing our Extraterritorial Income (ETI) tax laws or the European Union can impose up to \$4 billion in trade sanctions against the U.S. If these sanctions were imposed, they would greatly damage our economy. However, ETI benefits those exporters that manufacture goods here in America. Repealing ETI alone would be a catastrophe for U.S. manufacturing, in effect raising taxes on domestic producers by \$50 billion when that sector can least afford it.

In April, we introduced legislation to repeal ETI in accordance with World Trade Organization (WTO) rulings, while ensuring that America's manufacturing base is strengthened, not weakened. Our legislation (H.R. 1769) is simple, straightforward and fair. It takes the revenue saved under the repeal of ETI and uses it for a new tax reduction to benefit not just exporting manufacturers, but all U.S. producers. Corporate tax rates would be lowered by up to 3½ percentage points (from 35 to 31½ percent) for thousands of U.S. producers, encouraging new manufacturing jobs. As Crain's Chicago Business noted, our proposal “would help not only exporters but all firms struggling to keep jobs in the U.S.”

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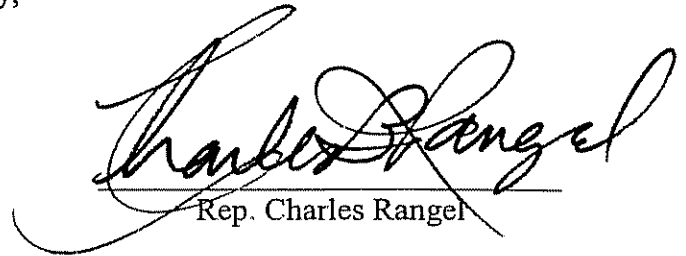
Our proposal already has 138 House cosponsors - 71 Republicans and 67 Democrats including seven Committee Chairman and six Ranking Democrats. It is supported by the AFL-CIO and many of America's biggest manufacturers as well as small and mid-sized producers. And, our proposal fits the Bush Administration's preference expressed by OMB Director Josh Bolten that the bill be revenue neutral.

We think our approach is the right one but clearly we will all have to work together - Democrats and Republicans, House and Senate, business and labor groups - to enact a proposal. Therefore, we are open-minded to suggestions as to how to improve our proposal. However, there is one sure way to make the situation worse for U.S. manufacturing. Some have proposed repealing the ETI tax provision and diverting much of the revenue raised to benefit the offshore operations of multinational companies. That type of approach raises taxes on domestic manufacturers to pay for new tax benefits for overseas production. This would inevitably lead to some of America's largest employers moving their factories overseas, taking thousands of manufacturing jobs with them. We believe that this type of approach just doesn't make sense.

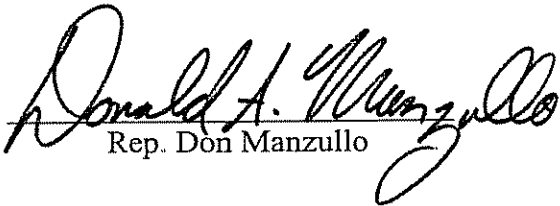
Sincerely,



Rep. Phil Crane



Rep. Charles Rangel



Rep. Don Manzullo



Rep. Sander Levin