

As UAW maintains information blackout on contract negotiations

Federal agents raid Caterpillar headquarters in Illinois

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6 March 2017

Last Thursday, federal agents and the Illinois State Police raided the headquarters of Caterpillar, Inc., the world's largest earthmoving and mining equipment producer, reportedly seeking documents and digital evidence related to a criminal investigation of the company's exports and financial activities.

The dramatic operation, unusual for a Fortune 100 corporation, hints at the immense criminality and fraud that characterize the day-to-day workings of giant transnationals such as Caterpillar. A 2014 congressional investigation concluded that a scheme to move cash between the company's American and foreign subsidiaries cut its tax bill in the United States by \$2.4 billion over 13 years, the *New York Times* reported.

The investigation found that Caterpillar worked with the accounting firm PricewaterhouseCoopers, now PwC, to use sham transactions to transfer \$8 billion in profits to a Swiss subsidiary from 1999 to 2012. "The transfers were not legitimate business transactions, but were made solely to take advantage of a lower tax rate Caterpillar had negotiated with Switzerland... Caterpillar has said its effective United States tax rate was 29 percent. In Switzerland, the company negotiated a tax rate of 4 to 6 percent."

In 2010, Caterpillar's finance department calculated that working through Switzerland had helped the company reduce its effective tax rate to the "lowest in the Dow 30." Company officials "have defended their tax strategy, calling the arrangements prudent, lawful and typical among large United States companies," the *Times* reported.

These events come as the United Auto Workers (UAW) union continues closed-door negotiations with Caterpillar after the UAW forced its members to stay on the job after the expiration of their labor contract less than two days

before the raid. Both the UAW and Caterpillar have instituted a media blackout on the content of the negotiations, which is aimed, above all, at keeping workers in the dark about the takeaways both the UAW and CAT are preparing.

Thus far, the UAW has also maintained a notable silence over the investigation at Caterpillar, no doubt wishing to avoid antagonizing its corporate "partner."

Caterpillar is currently engaged in the restructuring of its global operations. So far, it has reduced its global full-time and flexible workforce by 14,100 to 108,800 employees as part of the restructuring plan, which runs through 2018, Reuters reported. The company has cut its sales outlook in the face of the global economic slowdown, including in Brazil and China, and is seeking to make the working class pay for the crisis.

After serving as CEO since 2010, Doug Oberhelman retired on January 1, and will leave the company on March 31 with a golden parachute of a still unknown amount. Oberhelman made \$16 million in compensation in 2015 while demanding sweeping concessions from workers.

In March 2011, the UAW negotiated a five-year contract that eliminated defined benefit pension plans and wage increases for tier-one employees—after the union previously accepted such concessions for tier-two workers—and forced workers to make huge increases in payments for health care. The contract eliminated defined pension plans.

The raid conducted by several federal agencies, including the Internal Revenue Service (IRS), the Federal Deposit Insurance Corporation (FDIC) and the Department of Commerce's Office of Export Enforcement, comes just a week after President Donald Trump showered praise on Caterpillar in a meeting with

manufacturing executives.

Commenting to Oberhelman, who chairs the president's infrastructure working group, Trump made thinly veiled jabs at both the Obama administration and export-dependent economies such as China and Japan, accusing them of hampering Caterpillar's profitmaking abilities. "When we raise the dollar, and we let other people manipulate their currencies, it's the one thing that stops you, Doug—right?" Oberhelman responded belliciously, saying, "Well, we'll take them on. Bring them on."

Trump went on to add in his typical bombastic manner, "We have to let other countries give you a level playing field. So, what a great company. I love Caterpillar."

Caterpillar was further scrutinized by the Securities and Exchange Commission (SEC) in 2014 over the business dealings of its non-US subsidiaries with countries which were designated by the US government as being "state sponsors of terrorism," including Sudan, Syria and Iran.

In its 2016 SEC disclosure, Caterpillar also revealed it had received a grand jury subpoena in January 2015 seeking documents related to the financial activities of its subsidiaries both within and outside the US. In its SEC disclosure this year, the company noted that the IRS was seeking to recoup \$2 billion in taxes for the years 2010 to 2012, which Caterpillar was "vigorously contesting."

The search warrants for Thursday's raid, signed on February 24, authorized agents to seek a broad array of material from the company's headquarters in Peoria, Illinois, a data center in East Peoria, and the parts distribution center in nearby Morton. The warrants listed the potential areas of Caterpillar's criminal activity as being "failure to file or submitting false electronic export information" and "false and misleading financial reports and statements."

Caterpillar's stock, which had risen 35 percent since the election of Trump and the prospects of a trillion-dollar pro-business infrastructure plan, fell sharply as the raid unfolded. The stock was back up Friday, however, as analysts predicted that the raid would not do "lasting harm" to Caterpillar's reputation.

Thus far, seemingly the only Trump administration official to comment on Thursday's events has been Secretary of Commerce Wilbur Ross, the billionaire asset stripper who played a major role in looting the steel industry in the first years of the last decade. In an interview on CNBC, Ross said the raid was "part of an ongoing investigation that had begun quite a little while ago. And the Commerce Department has responsibilities both on imports and on exports, so it's an important part

of our function. We're going to be stricter on enforcement, particularly on inbound goods that shouldn't be."

Figures such as Ross and National Trade Council head Peter Navarro, along with the fascistic White House Chief Strategist Steve Bannon, have been amongst the most aggressive proponents within the Trump administration of economic nationalist measures, including import controls, tariffs, and other trade war policies. They have also denounced demagogically "unfair trade deals" such as the Trans-Pacific Partnership—the anti-Chinese trade bloc legislation, for which Caterpillar had heavily lobbied.

Many local residents in Peoria, which, in addition to being the location of Caterpillar's headquarters, has the largest concentration of the company's manufacturing workers, expressed both long-simmering anger along with a lack of surprise that the company might be the perpetrator of corporate malfeasance. Greg Devries wrote on Facebook, "I hope the overpaid cat management gets what coming to them. They do not care about Peoria or the people who work for them. It's about the \$\$\$\$\$. They are hiding money and profits and misrepresenting funds they are making. And then layoff people saying we are not making money. Cat board of directors need to rethink pay and bonus structure for cat executives."

Caterpillar announced in January that it would be moving its corporate headquarters from central Illinois to the Chicago area by the end of the year, despite previous promises to build a new campus in Peoria and the fact that the city had been the site of the company's headquarters for nearly a century.

Sam Carruthers, another commenter on Facebook, added, "Cat deserves this for spitting in our face after generations of Peorians put in their blood sweat and tears for Cat and they treat us as if it didn't matter."



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