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New Trade Association In Washington Will Pursue Interests Of U.S. Producers

A new coalition is being organized in Washington, D.C., aimed at promoting the interests of U.S. producers of manufactured goods and agricultural products. Labor organizations and ranchers are also expected to be involved.

BY RICHARD McCORMACK

Organizers are in the early stages of creating the Coalition of American Producers, a tentative name that could change. The effort involves about a dozen individuals and is being led by David "Skip" Hartquist, a partner with the law firm of Kelley Drye, and Charles Blum, president of the International Advisory Services Group. Hartquist's clients include the Specialty Steel Industry of North America, the Valve Manufacturers Association, the Copper and Brass Fabricators Council and the China Currency Coalition.

"There is a lot of firepower and enthusiasm" behind the new organization, says Hartquist. "This is a very sophisticated and experienced group of people who have been involved in these activities for decades. They are talking the same language and are very realistic about the challenges of putting something like this together and making sure that there is a solid agenda with achievable goals."

The proposed coalition will have a fairly narrow focus on promoting policies that encourage investment in U.S. production. It hopes to gain traction by providing policymakers with an organization they can trust to not having been infiltrated by foreign interests. Groups such as the U.S. Chamber and Commerce, the Information Technology Association of American, the American Retail Federation and the National Association of Manufacturers are now being viewed skeptically, having lost the trust of those in Congress and the executive branch due to their stance on issues related to the benefits of offshore outsourcing of labor and production.

The Coalition of American Producers will promote tax incentives for investment in production in the United States. It expects to look at energy policy, health care and increased

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Industry Support Of Academic R&D: A Three-Decade Trend Comes To An End

United States industrial companies are no longer increasing their investment in university research and development, according to the National Science Foundation. "Where has all the money gone?" NSF asks rhetorically in an analysis of the downward trend. "A three-decades-long trend of increasingly strong ties between industry and universities may have ended."

Between 1972 to 2001, industry support for university R&D increased at a faster annual rate than any other source of support for academic R&D, the NSF notes. That long trend has come to an end. Industrial support to colleges in current dollars reached a high of $2.2 billion in 2001, but has dropped every year since, declining 5.1 percent to $2.1 billion in 2004, the latest year for data.

U.S. industry has gotten tired of dealing with universities' handling of intellectual property rights, according to an NSF analysis of a National Academies meeting held in April. Now, U.S. companies are increasingly choosing to support

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Steel Industry, House Democrats React Bitterly To NAM Vote On China Currency

The National Association of Manufacturers' Board of Directors' decision not to endorse a popular bill in the House of Representatives aimed at addressing China's manipulation of its currency is spurring something of a backlash against the organization. The president of the Steel Manufacturers Association (SMA) sent NAM president John Engler a stinging rebuke for NAM's decision not to support the Hunter-Ryan bill (HR-1498). Meanwhile, Michigan's entire Democratic delegation in the House signed a letter to Engler, former Republican governor of Michigan, claiming that he is engaging in partisan politics at the expense of U.S. manufacturers.

SMA's board "wishes me to express the sense of outrage they have encountered regarding the NAM position among many hundreds of manufacturing companies with which they do business," wrote SMA president Thomas Danjczek in an Oct. 17 letter to Engler. "Worse yet, in our view, NAM has now directly opposed the interests of domestic manufacturers, choosing instead to respond affirmatively to the requests of a handful of multinational companies. It is unacceptable policy for an association representing thousands of companies to accede to the requests of a few. The NAM should give its entire membership an opportunity to present views and to vote on the issue. There is no trade issue more alarming to SMA members than the trade effects of China's undervalued currency and China's illegal trade subsidies, which place the U.S. steel industry at a huge competitive disadvantage."

Danjczek said his organization believes the NAM board vote represents a "nadir" for the association's policymaking apparatus. NAM's International Economic Policy Committee approved NAM's endorsement of the Hunter Ryan bill in June, but that was overturned by the NAM's board on Sept. 28. "We have been advised that the NAM has a plan for China and to be patient," writes Danjczek. But patience isn't working, he says. The U.S. manufacturing sector continues to lose jobs (19,000 more in September), and the impact of subsidized Chinese exports continue to grow. "The SMA Board rejects a decision-making process that does not reflect the views of a majority of NAM's members," writes Danjczek. "Delaying action while engaging in meaningless dialogue does nothing to address the pernicious trade effects of Chinese currency manipulation or to save the millions of manufacturing jobs that the U.S. risks losing. The National Association of Manufacturers could be a powerful voice in policy-making, but what use is that voice when it contradicts the interest of a majority of its members?"

Meanwhile, all six Michigan Democratic members of the House of Representatives wrote an equally "stern" (as they describe it) letter to Engler, claiming that he is engaged in an "overtly partisan and often irrelevant agenda" that has little bearing on the health of manufacturers and their workers.

Michigan has lost one in three manufacturing jobs since 1999 and its downward spiral does not look like it will soon end. "While NAM has certainly shown a lack of ability to address the real issues facing domestic

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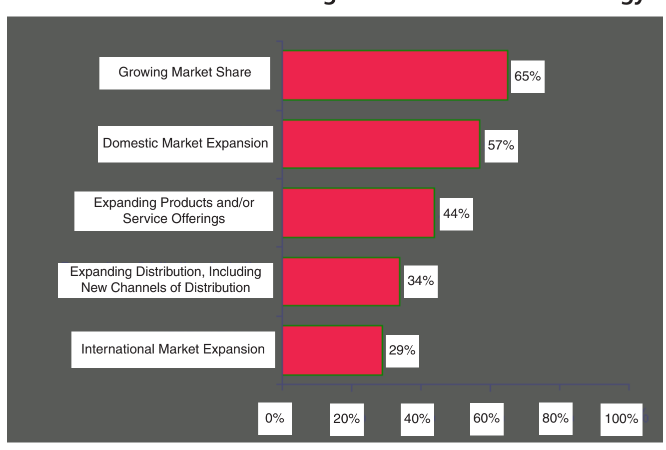
Myopia Pervades U.S. Manufacturing

U.S. manufacturing companies are generally not looking overseas as a means to increase revenues and expand markets, according to a survey by Grant Thornton. Fifty-seven percent of manufacturing executives said increasing their company's market share in the U.S. is their key growth strategy moving forward, while only 29 percent said increasing market share through international expansion was a priority. Seventy-two percent said they have no plans to outsource operations outside the United States.

"Despite all the talk about globalization, many U.S. companies continue to primarily identify as being a U.S. company with only modest plans to expand into international markets by either selling more overseas or opening office branches outside the United States to test the waters," says Jim Maurer, national managing partner of Grant Thornton's consumer and industrial product practice. "This doesn't mean that they aren't interested in figuring out how to take advantage of the opportunities posed by globalization, but it does mean that the majority aren't making big moves right now to get there."

Extent To Which The Following Is Part Of A Growth Strategy:



U.S. Steel Executive Claims UN Group Promotes China's Unfair Trade Practices; Global Trade Faces A 'Decision Point'

The United Nations Conference on Trade and Development (UNCTAD) is fostering a world trading system that allows countries — especially China — to break the rules of trade for their benefit, according to John Goodish, chief operating officer of United States Steel Corp. A global system of "entitlement economics" promoted by the UN body is leading to the creation of an artificial, government-directed global marketplace that is unsustainable.

This entitlement system, which allows developing countries to enjoy the benefits of rules-based trade without having to follow those rules, is leading to grave distortions of markets, especially apparent in the steel industry. By encouraging developing countries to invest in new production by providing industrial subsidies, tariff protection and export promotion, the UNCTAD is rapidly driving the global economy to a "decision point," Goodish told the American Metal Market China Summit in Vancouver in late September. "If China is allowed to continue unabated in its practice of entitlement economics, and if UNCTAD is successful in spreading the model to other developing countries, the very existence of the current rules-based system of global trade will be threatened."

The global steel industry is the first battleground and potentially the first casualty "of the economic war now brewing between the government-based model and the market-based model of economic development," said Goodish. "Which economic model will win out? For supporters of the market-based model, the way forward is clear. Those countries — including China — that choose to ignore global trade rules and opt out of their WTO commitments, should be denied access to the advantages, benefits and markets of those countries that abide by the rules and honor their commitments. This is a harsh prescription, but in the final analysis, what makes this remedy harsh will also make it effective. In a market-based system, it is market that counts: those with access will prosper; those without will suffer."

Goodish argued that UNCTAD is working actively to encourage developing countries to "temporarily" break all trade and subsidy rules in order for them to promote rapid industrialization. "UNCTAD's position appears to be that the current market-driven, rules based system of global trade is unfair and promotes rather than remedies structural imbalances between developed and developing countries," he said.

The UN group encourages subsidies to drive innovation, technology investment and export growth. It promotes the use of tariffs to encourage technology change and productivity growth. It advocates technology transfer through lax enforcement of intellectual property rights. And it promotes managed currency regimes as a means to achieve — in UNCTAD's words — a " 'strategically favorable competitive position,' " Goodish noted. "Within this scheme, UNCTAD's use of the word 'temporary' means that developing counties would be entitled to use these proactive policies until their manufacturing sectors achieve technological and competitive parity in the global market."

UNCTAD further recommends that developing countries "selectively opt out of certain rules and

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CEOs Receive Big Pay Increases

The chief executive officers of 3,075 publicly traded firms in 14 major industry groups made a lot more money in 2005 than they did in 2004, reports the Conference Board in its annual report on CEO pay. In every industry group, CEOs made more money, with construction industry CEOs experiencing the highest median total compensation of $2.6 million, and the highest growth rate of all sectors of 37.6 percent over 2004. CEOs working for financial service firms were next, with a median level of total compensation of $2.4 million (up 10.4 percent over 2004), followed by utilities ($2.06 million, up 15 percent), insurance ($1.8 million, up 6.3 percent), and energy ($1.58 million, up 25 percent). Manufacturing CEOs were near the bottom of the list, with total median compensation of $1.23 million, an increase of 7.8 percent over 2004.

Meanwhile, the Conference Board reports that outside board members of industrial companies are making more money. In its annual study of director pay in 402 companies, it found the median total compensation for outside directors of manufacturing companies was $109,000 up from $91,250 in 2004. The service sector was $106,250, up from $81,875; and the financial services sector was $83,000, up from $64,500 in 2004. Total compensation includes fees, retainers, committee pay and all forms of stock compensation.

"Demands on board members have increased markedly in recent years, and their compensation is increasing commensurately," says Charles Peck, compensation specialist at The Conference Board. "In particular, committee service, especially for those serving on audit and compensation committees, has become much more demanding."

Median basic annual compensation (the mix of fees and retainers for board service plus committee pay) is up in all three industry sectors. Manufacturing increased from $59,150 to $65,000; financial services increased from $48,000 to $50,300; and services from $57,000 to $60,500.

Academic R&D...

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foreign universities that offer "the strong incentives for joint industry-university research that foreign governments provide," says NSF.

The share of academic R&D supported by industry peaked in 1999 at 7.4 percent, but fell to only 4.9 percent in 2004. The federal government has made up for the shortfall. "Industry's contribution to academic R&D as a percentage of their overall internal spending was 1.1 percent in 2004, down from 1.5 percent in 1994, "and its lowest level since the mid 1980s," notes the NSF.

The distribution of industrial R&D funding is also becoming more concentrated in a smaller number of universities. Industry provided 76 percent of its academic R&D funding to the top 100 universities conducting R&D in 2004, up from 74 percent in 1993. "Those institutions ranked between 101 and 200 received 17 percent of industry support in 2004, compared with 20 percent in 1993." The top 200 institutions received between 95 and 96 percent of all industrial funding for academic R&D, up from between 93 and 94 percent in 1993.

The number of top 200 institutions that receive more than 10 percent of their total R&D funds from industry "have changed as well," the NSF notes. "The numbers of such institutions rose from 24 to 57 between 1980 and 1991, but by 2004, that number had fallen to 21."

Other indicators point to a declining influence of academic R&D on industrial operations. There are now fewer citations from university researchers in industrial patents. NSF recommends that further research be conducted to determine how the relationship between university and industry researchers is changing. To view the analysis from the NSF's Science Resources Statistics division (NSF-06-328), go to http://www.nsf.gov /statistics, or call 703-292-7827.

NAM Vote Backlash...

(From page two)

manufacturers in previous years, your recent decision to not support and actually display open hostility towards legislation to address China's currency manipulation (HR-1498 and S-295) is truly concerning," write the six representatives in an Oct. 17 letter.

The group claims that NAM's congressional voting record scorecard is misleading. The six Michigan Democrats' average score on NAM's key manufacturing votes is a lowly 13 percent. But the votes on bills included in the tally are "clearly partisan and have little if anything to do with helping the majority of Michigan and American manufacturers and workers," they claim.

In its legislative ratings, they say NAM did not include votes on the Manufacturing Technology Competitiveness Act (HR-250), legislation to extend the R&D tax credit (HR-4297), increased funding for the Economic Development Administration, the Larsen Amendment to HR-250 to establish a Manufacturing and Technology Administration in the Department of Commerce, tax legislation to encourage U.S. manufacturers to keep their factories in the United States, and a vote on the so-called Gordon amendment to HR-3598 to increase funding for the Manufacturing Extension Partnership program by 10 percent a year.

> ***"What use is [NAM's] voice when it contradicts the interest of a majority of its members?"***

"These are just some examples of issues that are of importance to American manufacturers and workers that were not scored by NAM but supported by us and many other members of Congress," they write. "For this reason, it would seem to us that our supposedly terrible voting record with NAM is highly inaccurate of our efforts on behalf of the manufacturers and instead indicates an overtly partisan and skewed agenda that does not reflect upon the real issues of concern to manufacturers and workers in Michigan and this country."

NAM says it rates all members of Congress on votes selected by executives from small, medium and large manufacturing members serving on the association's Key Vote Advisory Committee. "The NAM is non-partisan, does not have a political action committee and does not endorse candidates," it says on its Web site.

But Democratic critics point to an Oct. 3 press release from NAM "honoring" Virginia Republican Sen. George Allen, who is engaged in a tough race for re-election, for his "outstanding voting record." His winning the NAM's Award for Manufacturing Legislative Excellence a month before the election looks like an endorsement to the complaining Democrats. "Allen's voting record shows a true understanding of the key role manufacturing plays in the strength of our economy and our quality of life," said Engler in a press release. "I thank Senator Allen for his steady dedication to the economic growth agenda of the manufacturing community."

Engler also noted that "all too often in the political arena, flashy rhetoric is drowned out by sincere action. This NAM Award is the only real litmus test for our members, sorting out the true allies of manufacturing by their votes in support of a pro-growth, pro-jobs manufacturing economy." In all, 20 senators and 106 representatives voted with NAM 100 percent of the time. All of them were Republicans.

GUEST EDITORIAL: FOREVER IN THEIR DEBT

BY CHARLES W. McMILLION

For a generation, transnational financial interests — and the politicians, pundits and analysts they promote — have claimed soaring economic benefits from unregulated "free" trade. But over the past 25 years of deregulation and "free" trade agreements, excess debt has soared by at least $10.6 Trillion while the growth of real per capita incomes has slowed.

How could such a massive financial stimulus produce slowing income growth? The largest part of the answer is the "free" trade policies that the debt industry promotes.

In the 25 years before 1980, the United States enjoyed 3.8 percent real annual GDP growth along with small surpluses in manufactures trade and in the full current accounts. Since 1980, GDP growth has slowed to only 3.1 percent per year weighed down by incomprehensibly large manufactures' trade losses totaling -$4.3 Trillion and total current account losses requiring -$5.4 Trillion in net foreign borrowing and asset sales.

An even more abrupt slowdown has occurred in the purchasing power of wages and benefits packages for all workers, accompanied by even more explosive growth in domestic debt.

Due in part to higher productivity rates in those earlier years, the purchasing power of compensation grew by 2.5 percent per year for each hour worked in the generation to 1980. But with lower productivity and other factors since 1980, the purchasing power of compensation has grown by only 1.3 percent per hour — barely half the rate when trade was much less "free."

Partially to offset stagnant wages, a generation of tax cuts along with higher returns to owners of assets and businesses cushioned the slowdown in growth of after-tax income. Still, total real disposable income per capita rose at a 2.5 percent annual rate in the 25 years since 1980 compared with 3.4 percent in the preceding 25 years — a decline of -28 percent per year.

This slowdown in economic and income growth occurred despite the dawn of the personal computer and Internet era. The fact that purchasing power is slowing — rather than accelerating — shows that "free" trade is depressing wages and incomes more than it is slowing the rise of prices.

Yet transnational financial interests are powerful enough to get away with asserting the opposite so often that even most critics of globalization think it must be true. Discussion of "free" trade is therefore usually limited to fruitless, emotional anecdotes about the awful experiences of economic "losers" and the inspiring success of "winners." Any remedy is limited to retraining losers and raising (or lowering!) winners' taxes.

Every economy, of course, has both winners and losers. Americans were once confident enough to root for and help losers and underdogs but now nervously identify mostly with the few big "winners." "Free" traders rely on two key false assumptions to make their claims: a) they assume that most job destruction is creative — that those losing jobs or businesses to imports or outsourcing move up to more-productive and better-paid employment, and b) they assume that labor is naturally fully employed.

The "creative destruction" assumption is key to the claim that unregulated trade improves productivity and thereby creates better jobs at better wages. But the Bureau of Labor Statistics has long shown that most displaced workers earn less when they find new jobs. In the real world, those displaced by imports overwhelmingly move into less-productive service-sector jobs that do not face imports or outsourcing in industries such as health care, education, local government, restaurants and bars, jails and security, maintenance, real estate, other sales, credit and debt collection.

Since 1980, virtually all the new jobs have come in these less-productive, lower-wage services areas while the U.S. has lost 4.2 million vastly more productive and higher wage manufacturing jobs and has produced $4.3 Trillion less manufactured goods than the country itself needed.

The other key false assumption, that labor is naturally "fully" employed, is seldom mentioned but is the false foundation on which "free" trade models are built. It merely assumes away job loss from imports or outsourcing even as the International Labor Organization reports that about 25 percent of the global labor force is unemployed or grossly underemployed. Without the assumption of full employment the naive models of "free" trade promoters evaporate.

How have the U.S. economy and employment continued to grow, in quantity if not quality, and how has unemployment remained so low over a generation with Trillions of dollars in production shortfalls and trade deficits? In a word, the indisputable answer is DEBT; Trillions and Trillions of dollars of debt.

Just how much more debt has the U.S. added in the current generation than in the previous generation? At least $10.6 Trillion.

A generation of slowing income growth and tax cuts forced the federal government to stop paying down its World War II debt. As a share of GDP, federal debt was paid down from 66 percent in 1955 to 32 percent in 1981. Since 1981, when the federal debt first reached $1 Trillion, the public debt has skyrocketed to over $8.5 trillion and is back to 64 percent of GDP.

Had the previous, steady reduction of federal-debt-to-GDP continued, most of the current federal debt would not exist. But even if the debt ratio had stayed at its 1981 level of 32 percent today's, Federal debt would be reduced by at least -$4.3 Trillion.

Household debt has grown even more spectacularly.

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Coalition of American Producers...

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investment in U.S. infrastructure. China currency issues will likely be addressed, although the China Currency Coalition will continue its work on that issue.

Trade is also tentatively on the agenda, but could be dropped due to the composition of the group. Tariffs placed on one product category generally impact U.S. consumers of those products, leading to tensions that are not easily ameliorated. "Some of the trade issues might cause some conflicts, so we want to do the things that we can comfortably do together," Hartquist explains. General enforcement of trade laws is something that would be supported, "but when you get into real details, like should countervailing duty cases be allowed against non-market economies like China, that's something that needs to be discussed."

Hartquist notes that the new group is not being organized as a counter to the National Association of Manufacturers or as a means to siphon off its U.S.-based members aggravated with its current policy choices on China. Domestic producers claim that NAM is favoring the interests of large multinationals that have moved production to low-cost countries at the expense of American suppliers.

"This is not intended to take a shot at the NAM or encourage companies to leave NAM because there are many things the NAM stands for that are perfectly acceptable to this group," says Hartquist. "But then there are other issues where there is a clear divide. We want to have another spokesman to deal with the issues where there are disagreements."

Organizers do not believe other Washington trade associations are in a position to effectively represent their interests in an aggressive manner on Capitol Hill. The United States Business and Industry Council fills a niche of issuing studies and promoting the demise of the World Trade Organization, but is not viewed as being effective on Capitol Hill when it matters due to being viewed as overtly protectionist. The American Manufacturing Trade Action Coalition tends to focus on the textile sector. "They have roles of their own that they play," says Hartquist. "It remains to be seen how our agenda would differ or be consistent with theirs."

The Coalition of American Producers would have a broader base of members than those two groups "and a little different constituency that would have a real effectiveness on the Hill where a lot of these issues would start," says Hartquist.

The group has named a steering committee, is developing preliminary papers to define the basic structure and budget of the organization, and is identifying issues to be addressed. Skip can be reached at 202-342-8450 or via e-mail at dhartquist@kelleydrye.com.

Retailers Tell Bush To Change Trade Agreement With Vietnam

A group of apparel retailers, importers and trade associations is "insisting" that the Bush administration rescind a commitment it provided to the two U.S. senators from South Carolina in exchange for them to lift their block on a Senate floor vote on Permanent Normal Trade Relations with Vietnam. The group says the Bush administration's agreement to self-initiate antidumping cases on behalf of textile manufacturers if there is evidence of dumping "sets a terrible and likely irreversible precedent for this and future administrations in the conduct of antidumping cases which will harm not only U.S. apparel retailers, importers and manufacturers but any U.S. industry in manufacturing and agriculture that depends on a global supply chain."

In a letter sent Oct. 11 to Sec. of Commerce Carlos Gutierrez and USTR Susan Schwab, a group of eight trade associations and 25 U.S. retail and apparel companies, said the agreement to target textile and apparel imports from Vietnam "in order to secure a November vote on PNTR in the Senate [means] the administration has effectively turned its back on a long-standing policy of resisting political pressure to self-initiate antidumping cases.

"Let us be clear," the letter demands, "this problem must be remedied and our concerns satisfactorily addressed before any 'scheduled' vote in November. There is still time to remedy the damage done by this ill-conceived agreement and restore predictability, transparency and good faith essential to the success of U.S. business and America's credibility in the international trading community."

Gutierrez and Schwab sent letters to Sens. Elizabeth Dole (R-N.C.) and Lindsey Graham (R-S.C.) promising to set up a monitoring process that could lead to antidumping investigations against apparel made in Vietnam during the remaining two years of the Bush administration. The two senators were delaying Senate consideration of PNTR with Vietnam, claiming it would harm the U.S. textile industry. After receiving assurances from Gutierrez and Schwab, the two senators lifted their hold on the bill.

"Although they could not have continued to block approval of the bill, the administration cut the deal with the two senators in the hope that it would speed consideration of the bill before President Bush's trip to Vietnam in mid-November" says the group. The agreement was made without consulting U.S. apparel retailers, manufacturers and importers.

"Importers can never be certain whether clothing they source from Vietnam will be subject to a future antidumping investigation, whether the price they paid for the product will one day be deemed by the Commerce

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U.S. Steel Exec...

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commitments, depending on their specific national priorities," said Goodish, who compares it to a game of soccer "in which the opposing team is allowed to decide — without discussion — what rules it will abide by and what rules it will ignore."

The Chinese love the Entitlement Model of Economics, Goodish said. "On August 31, 2006, when UNCTAD's annual report hit the streets, the Chinese media was quick to seize on the UNCTAD report's validation of China's government-driven 'economic policies as well as its exchange rate scheme.' " It noted that other countries should follow this model, based upon China's success, according to an article in The People's Daily. "With UNCTAD's ringing endorsement pinned to its wall, the Chinese government — along with other developing countries — will be encouraged to continue its use of government-driven proactive trade and industrial policies, while simultaneously 'opting out' of certain WTO commitments," Goodish added.

China continues to ignore numerous commitments it made when it became a member of the WTO in 2001. Huge subsidies to its state-owned steel industry are destabilizing the global steel industry. The country continues to impose restrictions on the export of raw materials including coke and coal, thereby artificially propping up global prices of many commodities. Pegging its currency to the dollar provides the country's producers with an enormous subsidy. "After five years of WTO membership, China has had more than enough time to fulfill these commitments," said Goodish. "Apparently, as a developing country, China believes it is entitled to honor these WTO obligations only when it sees fit to do so — and not before."

This UNCTAD/China entitlement model of economic development "represents a severe threat to the stability of the global steel industry," said Goodish. China continues to heavily subsidize steelmaking capacity, which now far surpasses domestic demand. China's capacity is projected to reach 483 million net tons by the end of this year, an increase of 14 percent from 2005. But demand in China is expected to be 370 million tons, a 113-million-ton difference. Production plus imports could reach 498 million tons, creating a steel surplus of 128 million net tons — "an amount approximately equal to the entire U.S. market," Goodish pointed out.

China might say it wants to shut down 100 million tons of inefficient, highly polluting capacity, but it doesn't act that way. The country invested $8.4 billion in steelmaking capacity during the second quarter of 2006, up 106 percent over the first quarter investment of $4 billion. Most all of this investment is being funded by state-owned banks. These same banks hold $500 billion in bad loans that are being written off the books. A "stroke of a bureaucrat's pen" turns them from being subsidized loans to state grants, Goodish noted.

The country is now a net exporter of steel. This year, its exports are expected to reach 13.2 million tons of finished steel and 6.1 million tons of semis (sheet, plate, rod and bar), putting it "well within striking distance of the world's traditional export leader, Japan," Goodish said. "The most disturbing thing about these numbers is that — even at the high current export levels — China still has plenty of excess capacity and steel surplus to drive exports even higher."

Chinese steel exports to the United States surged by 92 percent during the first half of 2006, but in certain product categories, the increases were higher. China's sheet steel exports were averaging 96,000 net tons per month through August, on pace for a total of 1.15 million tons for the year, a projected 380 percent increase from 240,000 tons last year. Cold rolled steel exports to the U.S. are up 382 percent compared to the same period in 2005, and corrosion-resistant steel exports were up 191 percent. Inventories in the United States are now approaching unsustainable levels, resulting in lower orders for U.S. steel producers and weakening spot prices.

Other Chinese exports of steel product categories are raising alarm bells at U.S. Steel. In 2000, China produced 10 million net tons of seamless and welded tubular products, but this year, that number is expected to reach 38 million net tons, a 280 percent increase. The country's production capacity should exceed 48 million net tons "with more on the way," said Goodish. Yet demand in China amounts to only 21.1 million tons, and total exports are 1.5 million tons.

A surplus of welded and seamless tubular products stands at 25 million net tons, given full capacity utilization. Exports of these products to the United States are expected to exceed 1.5 million net tons this year, up from 1.07 million net tons in 2005, an increase of 45 percent.

Steel used in finished goods such as car parts and appliances exported to the United States is also racing upward. The total steel content of Chinese consumer goods exports to the United States reached 4.3 million tons in 2004, up from 2.4 million tons in 1999. "The impact of this imbalance reaches far beyond the steel industry, as Chinese exports displace U.S. manufactured products," said Goodish.

As a result of its embracing the UN's Entitlement Model of Economics, China "is driving the global steel market towards of period of supply/demand imbalance," he said. China's system of subsidies, protection, tariffs and currency manipulation "ultimate results in an economic house of straw built upon the shifting sands of government bureaucracy. As several countries in Western Europe and Asia have already discovered, when the big, bad wolf of global market-based trade comes to call, economic houses not founded upon solid, market-based principles are destined to fall. To find compelling evidence that the Entitlement Model is ultimately self-destructive for those who use it, we need look no farther than the model's impact on the pricing and profitability of the Chinese steel industry." Hot rolled prices in China have dropped "dramatically" as production comes on line, Goodish said. Profitability of China's 66 major steel producers declined 10.6 percent last year or by $9.6 billion. This year, profits are down by an additional 20 percent.

Interview With Sen. Byron Dorgan Author Of 'Take This Job And Ship It'

There aren't many U.S. senators writing books about offshore outsourcing, save for one, that is: Byron Dorgan (D-N.D.) author of the recently released book "Take This Job and Ship It: How Corporate Greed and Brain-Dead Politics Are Selling Out America."

Dorgan is considered to be one of the more urbane members of the upper chamber, a level-headed, courteous man with a sonorous voice that makes you turn your head and listen to what he has to say. And what he says is sobering. Chapters in his book describe his frustrations: "A Star-Spangled Rut"; "The Selling of America, Piece by Piece..."; "Exporting Misery"; and "Hogs at the Trough: How Companies Cut Their Taxes By Shipping Jobs Overseas." He should know something about all of this, since he is one of 100 U.S. senators whose vote can actually impact the creation of an investment climate that benefits U.S. citizens.

But in his book he describes what it is he's up against. "Corporations are more powerful than countries," he writes. "Combined sales of the top 200 corporations are larger than all the combined economies of all countries with the exception of the largest nine."

He wonders "whose side are they on?" and describes "sweetheart tax breaks for those who move our jobs overseas." He adds: "Corporations renounce American citizenship to exploit the U.S. marketplace."

He describes one horror story after another of corporate influence sabotaging the interests of the nation, including Tyco moving its corporate headquarters to Bermuda and then bragging that it avoided paying $400 million in U.S. taxes in 2001.

Dorgan, 56, expresses abhorrence for the infatuation with trifling issues that consume the Senate's attention. The third-term senator is chairman of the Democratic Policy Committee, a position held by Lyndon B. Johnson before he became Majority Leader.

Manufacturing & Technology News editor Richard McCormack spent almost an hour with him in his Washington office. Here's what he had to say:

Q: Do you think a better name for your book would be "One Outrage After Another"?

Dorgan: Most of what I write about is largely unseen and unknown. Not many people know about the bilateral automobile trade agreement we have with China. We have a 2.5 percent tariff on Chinese imports versus their 25 percent tariff on our exports. This is with a country with whom we have a $200-billion yearly deficit. That really is brain dead. How did that happen? Who did it? That comes under the Clinton administration. You can close your eyes and sanitize the voices and you wouldn't know if it were a Republican or a Democratic administration doing these things.

Q: Why is there so little difference between the Republicans and Democrats on trade issues?

Dorgan: There is a difference now in Congress. Three-fourths of the Democrats will vote with me on a trade amendment and one-fourth will not. Most all of the Republicans will vote against me, so there is a difference in Congress. Because we had the presidency for eight years in the 90s and because Clinton was such a high-profile NAFTA supporter, there is a notion that both parties have contributed, and they have. But the Republicans are way out there in support of all this much more than the Democrats have been lately.

Q: What do you think of the trade deals the Bush administration is currently negotiating?

Dorgan: None of them — not with South Korea, Peru or Thailand — have any labor standards or environmental standards or child labor laws written into them. Jordon, which was done under Clinton, was the one example that had some of those standards, yet word is they're not working. We're just being made aware of factories being created in the outreach areas of Jordan with Bangladeshis and Sri Lankans working in sweatshops with the most unbelievable conditions using imported Chinese textiles. That's all because of the free trade agreement with Jordan. Having standards is irrelevant unless we have real enforcement.

Q: What has been the response to your book?

Dorgan: One of the things that I did was put together an Internet site called takethisjobandshipit.com. When I'm doing radio interviews I ask people to go there to tell me about what's happening with their company or job or community. It's fascinating what I've gotten. A guy writes to me saying he's the president of a small manufacturing company that can't move and is getting killed by unfair competition. This is not just about workers. The workers are the most obvious people getting hurt, but there are a lot of people trying to make a living who can't compete against child labor and against people making 30 cents an hour.

Q: Why doesn't this issue have much political traction?

Dorgan: We have morphed into a new strategy in this country which says that under the rubric of free trade anything made anywhere under any condition can be shipped into this country and we welcome it. Almost anything goes. There isn't any question that strategy diminishes standards in this country — wages, ability to organize and health care. When you diminish standards,

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you shrink the middle class and shrink opportunity. There is no question that is happening. Yet the institutional thinkers that have supported it all can't bring themselves to say there is a correction needed here. With them, it's the same old nonsense: let's stay the course 'cause this is the right approach. But it's clearly not the right approach. That has already been demonstrated.

This is unsustainable. We're going to borrow nearly $600 billion in fiscal policy. They say the deficit is $300 billion but we're going to borrow $600 billion because we're using highway funds and other things. And we have an $800-billion trade deficit. Combined, that is $1.4 trillion in the red in one year in a $13 trillion economy. This is unsustainable.

What will happen? At some point the dollar collapses. At some point those who offer us credit will decide to pull back, although the Chinese have a vested interest in not seeing the value of the dollar diminish because they hold so much. As Warren Buffet always says, bubbles bust. The big question is: when does the bubble bust?

Q: Most people in the country can't do a thing about this. What's it like to be a Senator and to have a vote that matters?

Dorgan: It's enormously frustrating for me because I see what's wrong and I see how we how we ought to fix it. The real catalyst that persuaded me to write the book — and I pulled some punches in the book — is that I can't get the first baby steps done, which is to shut off the tax break for shipping jobs overseas. The tax break for doing that is deferral.

But instead we say, fire your workers, close your plants, move them overseas and get the benefit of deferral. So now your profit is substantially higher and if you repatriate your profits someday you will have to pay taxes on it, but now you don't. Oh, and if someday when you repatriate your profits, maybe you get to pay 5.25 percent, as the Republicans allowed, and call it the JOBS Act.

Even as Ford Motor was announcing their 30,000 cuts of employees, in the same press release they pointed out that they benefited by $250 million from the 5.25 percent gift.

My point is I can't even get the first little thing done. I have tried four times. Four times I've lost the vote to shut down a tax incentive that incentivize the wrong thing. So I wrote the book. I had to get all of this out of my system.

Q: In your book, you provide the elementary math behind the incentives to move production and jobs offshore. You make a straightforward argument. Why haven't you made headway?

Dorgan: Because I've taken on the Chamber of Commerce and all the major multinationals and I haven't been able to beat them. There are 60 senators that won't go along with it, and some of those are on my [Democratic] side. Now, if I were running in a race against any one of those senators, boy would I have horsepower. I would demand that they explain to every

Dorgan: "[Commerce] Sec. Gutierrez and all those folks couldn't spot a working person with a telescope."

citizen how they decided to incentivize the shipping of jobs overseas.

Q: But with low unemployment and a growing economy that issue doesn't really resonate in many places in the country.

Dorgan: I think most people get it but they feel powerless to deal with it. I think most people understand that we're selling our jobs and it's all about patriotism going out the back door. But they don't know quite what to do with it. People like me are treated like near-do-well populists. That's how the Post treats me and the New York Times ignores it.

Q: How are book sales?

Dorgan: The book has resonated some. It was on the extended New York Times bestseller list for five weeks and it's been in the top 10 business books. Obviously somebody is buying the book and it strikes a cord someplace. But there is not a movement of people saying this is bullshit. What's happening is we're taking apart what we built over a century and we built this stick by stick. We built all the things that are necessary to expand the middle class, protect our environment and protect workers' rights, and we're just taking it apart.

I don't think you can remain a world economic power without having a strong manufacturing base. I'm not talking about manufacturing Radio Flyer little red wagons or Huffy bicycles, because we are exporting the manufacture of a lot of things that are important.

The most recent story I heard about is about the iPod. Steve Jobs creates iPod and it explodes. Go past the iPod store and it's packed. So we engineer it, create it in this country and it's now made in China with people who sleep 100 to a room in cinder block rooms. It's typical Chinese labor conditions: 30 to 40 cents per hour. There are a lot of kids working there, but we all have our iPods.

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Q: A friend of mine from the Commerce Department was in China recently and he said workers are perfectly happy to have those jobs. That's not such a bad job for a lot of people.

Dorgan: I'm sure that's the case. For people who have no job is a 30-cent-an-hour job better than no job? Sure. But still, in most cases that I've seen whether it's merchandise that comes to Wal-Mart or Target, it's exploitation of foreign labor and it's about fattening the treasury here at home. There is very little inspection of the conditions under which things are made.

Q: The Wall Street Journal recently wrote about how it's not going to help Democrats to take on Wal-Mart since that is where most middle-class people shop. A lot of people can buy a lot of stuff for very little money. It's also not going to help the Democrats to talk about class warfare because people are ambitious and want to become part of the upper class and don't hold it against those who have made it there. How do you win on this argument?

Dorgan: That's a fair point. But salaries and wages, which are what working people get, are the lowest as a percentage of GDP since they started keeping score in 1947. Working people claim the lowest percentage of GDP since 1947. Poverty is up by 5.5 million people. You can make the case that unemployment is marginally lower, but in almost all families there are two people working to make ends meet. There is downward pressure on wages, fewer health care benefits and less retirement benefits.

Q: Isn't that all just the pessimism of the Democrats. Republicans don't talk about all the bad stuff. I read Commerce Secretary Gutierrez's speeches and he talks about how more people own homes than ever before, that unemployment is historically low, that things are not that bad.

Dorgan: You know what? Secretary Gutierrez and all those folks couldn't spot a working person with a telescope. The CEOs of major corporations are making 430 times the salary of a person down on the production line. I think there is a real disconnect in this country. Is it up to us to point it out? Sure it is. My obligation is to tell it as I see it. Is that half empty? I don't know. I watch the President describe it as half full all the time. In fact, he describes it as a full glass in Iraq and the economy. But it would be smarter to address these issues.

Q: When you look at the National Association of Manufacturers' voting ratings for Democrats they are really low. You are a 35-percent senator as opposed to 20, 100-percent senators, all of whom are Republicans. How can you claim to be a champion of American manufacturing with such a low rating from NAM?

Dorgan: That's because the NAM largely values members of Congress who will do them favors, who will vote for specific kinds of things for their business or their industry.

Q: But the ranking is based on issues like liability reform and opening ANWR to drilling.

Dorgan: If the National Association of Manufacturers had their head on right they'd take a look at the last 40 years of presidencies, Republicans and Democrats, and evaluate it. When has the rate of economic growth been the highest? Consistently, always and by a substantial margin, Democratic administrations have had higher rates of economic growth. That is not a statistical accident.

But instead of looking at how can I make more money with a growing economy, which comes under a Democratic administration — and there has been a lot of empirical studies done on that subject to prove it — businesses look at it in this way: which party can I go to for a special deal for my business or my industry? So the Republicans are their friend, even though you get a lower rate of economic growth under that party. At NAM and the Chamber, there was some consternation under the surface about our trade policies, but they would never let it surface. They would never speak publicly about it because they didn't want to upset any of the biggest of the big interests in this country, and they are big and they are powerful.

Q: Why hasn't business gotten the message that their fortunes are better under a Democratic presidency?

Dorgan: I used to teach economics, briefly. Economic growth is about confidence. It is not about statistics. If people see the future with confidence, they buy a house or a car and if they don't they may do the exact opposite. So it's all about confidence. When Democrats are in power, people by and large have more confidence.

Q: When you talk about those special favors, isn't that what earmarking is all about?

Dorgan: Aside from earmarks, if you were in the pharmaceutical industry, would you prefer a Republican? You bet your life you would. They stick little things in bills that prevent the federal government from even negotiating lower prices. So I understand why the big business interests support Republicans because the Republicans support them. It's a selfish notion about looking out for my industry and my business in the short term.

I shave in the morning in front of a little TV set I have in my bathroom and there are commercials telling you to ask your doctor for purple pills because they're right for you. The fact is that there is massive money spent on promoting all of these drugs and that is a massive waste of money in my judgment. This administration is not interested in focusing on those types of issues.

Q: The offshore job shift you describe won't be easy to turn around. You're like a reed in an economic tide that's running against you.

Dorgan: I have reams of paper from the Department of Labor that provide you line by line the companies that have certified the number of jobs that have been outsourced and are therefore eligible for Trade Adjustment Assistance. I have reams of that stuff. Allan

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Blinder, former vice chair of the Fed has said there are between 42 million to 56 million tradable or outsourceable jobs. Not all of them will leave, but those that stay will be competing with lower wages abroad.

That is where we are. That's the tide. How do you change it? My thought is that it is a global economy — that's already done, we're not going to change that. But what we can change is how we participate in the global economy. What are the rules that we should insist upon, because we are still the most important market in the world? What is the admission price to our marketplace? Is it, for example, you can't allow socks made in Chinese prisons to be on the store shelves of Wal-Mart or Target? Can we all agree on the fact that prison labor should be unfair competition for any American who wants to make a tube sock?

So let's start there and go forward a bit. How about countries that decide if workers organize they should be sent to prison? Should that be something we consider? What is it that we've decided that represents our willingness to participate in the global economy without diminishing our standards but in a way that pulls others up?

Jeff Birnbaum wrote a piece on my book in The [Washington] Post and he says it's a populist rant. He says beneath it all I want is to build walls around our country and if he had a picture of Smoot-Hawley, here's what it looks like. They're aided and abetted by the Post and the Times.

Q: One of the new arguments we're hearing recently is that the multinationals are, in fact, the real protectionists, because they are defending and promoting the protection of subsidies and currency manipulation in China that provide them with tremendous financial rewards. The roles have flipped: the real protectionists are the big importers.

Dorgan: I don't think you will see the full financial impact of these trends for 10 or 20 years, but when fully implemented, the financial impact of this free trade mantra cannot be denied. The World Bank did the studies that laid the foundation for the so-called global economy and the effort to create the goal of having zero tariffs everywhere under all circumstances. They said if we do that, then X-number of people will be lifted out of poverty. They have re-done that study and we now know that if we go through all of the agony and all the dislocations and all of the problems related to it for an industrial country like ours, the gain is miniscule for poor people around the world.

Q: If the Democrats win either or both houses of Congress, what will change?

Dorgan: If we win, my hope is that we can persuade our majority that we can put together a trade policy that starts deciding as a country how we want to participate in the global economy in a way that basically protects what we've built and our standard of living — and by protecting I don't mean building walls. I don't think any American would believe it is in our best interest to diminish the standard of living that exists in this country. That's not what we aspire for our future. How do we participate in the global economy that provides a foundation that leads to a standard of living with the opportunity to grow?

The other thing that has happened in the last 25 years is people have stolen the language. When you get into a trade discussion here in Congress, you're not confronting open minds, you're confronting symbols. You either vote as a free trader or you're not a free trader. That is frustrating because if you just look at what is happening — just look at the facts — then you have to conclude that this is a mess. This clearly isn't working and yet, take a look at CAFTA, there was still substantial support.

I want our corporations to do well, but look at what we have allowed to happen. We're now going to buy tankers for the Air Force, even though Boeing got in all that trouble. We have two choices: Boeing, which is an American company, or Airbus. We've gotten to the point in this country now where we only have one company that will be a bidder on an airplane for the Air Force. That is unbelievable. We used to have three or four bidders. Now we have one, and that one now outsources a fair amount of its airplanes. That was a deliberate strategy by DOD. They saw the mergers and acquisitions and they said fine, we are going to pitch this into only a few companies with certain types of expertise. Now we're stuck with only one domestic company that can make tankers. Think of where we find ourselves. Think of how unhealthy that is for our country.

Q: What are the chances Democrats take control of the House or Senate?

Dorgan: I think we take control of the House, but I don't know about the Senate. It's harder.

Q: What did you think of this last session of Congress?

Dorgan: It was almost an AWOL Congress. They didn't show up for work. Now we'll come back [for a lame duck session] and we have to pass eight or nine appropriations bills. How do you do that?

Q: What's your favorite movie:

Dorgan: I just saw Little Miss Sunshine, which I loved. I like My Cousin Vinny. I like romantic comedies: Four Weddings and A Funeral.

Q: Who are your favorite musical composers?

Dorgan: I like country western pretty well. I like most rock and roll. I like the Black Eyed Peas and Greenday. Probably the thing I play the most is Eva Cassidy. Her CD called Songbird is one of the most beautiful CDs I've listened to.

Q: Do you have a favorite author?

Dorgan: I read almost everything. I just finished *Fiasco [The American Military Adventure in Iraq* by Thomas Ricks]. One book I like a lot is William Manchester's the *Glory and the Dream [A Narrative History of America]*.

Forever In Debt... (From page five)

It remained near 67 percent of annual disposable income from the early 1960s until 1984 but has soared to 134 percent now, $12.7 Trillion. Households would have been forced to borrow -$6.3 Trillion less for this debt ratio to have stayed at the earlier level.

Even with interest rates historically low, households are already forced to spend far more of their disposable incomes than ever before just to service debt. For the first time since 1933, household incomes in 2005 and again in 2006 have not been keeping up with spending, forcing more borrowing, spending down of savings or asset sales.

For a generation we have allowed powerful "free" trade financial interests to weaken and undermine the U.S. productive capacity as it piled up Trillions of dollars in financial obligations. This mountain of debt now creates a perverse, downwardly-spiraling logic in which worsening trade deficits and falling real wages may be less immediately harmful than rising interest rates.

This can't last forever, of course, but what will it take to break the power of transnational financial interests?

— Charles W. McMillion is president and chief economist of MBG Information Services in Washington, D.C., and a past contributing editor of the Harvard Business Review.

U.S. PCB Industry Shrinks

The United States slipped from fourth to fifth place last year in the world in printed circuit board production, according to the IPC — Association Connecting Electronics Industries. U.S. production of PCBs now represents 10 percent of the world total, with Asia producing 80 percent of all printed circuit boards. Total worldwide production of PCBs rose to $42.6 billion last year, almost reaching its historical peak in 2000, says IPC.

Competitiveness Council: 20

The Council on Competitiveness is planning a celebration bash for its 20th anniversary on Nov. 14 in Washington, D.C. The group will host an "Innovation Symposium to Celebrate America's Competitive Edge." The group will release its latest Competitiveness Index, something it hasn't done since 2001. It's entitled "Where America Stands." DuPont CEO Chad Holliday, chairman of the council, will lead the day-long event that is being produced by the "renowned" Richard Saul Wurman, founder of TED — Technology, Entertainment and Design. Other participants include Richard Clark, CEO of Merck; Robert Greifeld, CEO of NASDAQ; John Menzer, vice chairman of Wal-Mart; and Patricia Russo, CEO of Lucent. More than 300 people are confirmed to attend. For information, go to http://www.compete.org.

Retailers' Demands... (From page six)

Department to be below normal value (i.e. dumped) whether they will be assessed antidumping duties retroactively on goods they bought and sold months beforehand and, once imposed, whether it will ever be possible to remove an antidumping order," says the letter. "As a result of the increased unpredictability this agreement will create for American businesses, further trade and investment in Vietnam will be chilled as retailers and other consumer brand companies shift their sourcing to suppliers in other Asian countries."

The following associations and companies signed the letter: American Import Shippers Association, American Apparel & Footwear Association, Coalition of New England Companies for Trade, National Retail Federation, Pacific Coast Council of Customs Brokers and Freight Forwarders Association, Retail Industry Leaders Association, Travel Goods Association, U.S. Association of Importers of Textile and Apparel, Ann Taylor Inc., Biscotti Inc., Charming Shoppes Inc., Concorde Apparel Co., Deb Shops Inc., Eddie Bauer Inc., Federated Department Stores, Gap Inc., Haggar Clothing Co., J.C. Penney, Jockey International Inc., Jones Apparel Group, Kohl's Dept. Stores, Levi Strauss & Co., Liz Claiborne, New York Co., Nike, One Step Up, Pacific Sunwear of California, Paul Davril Inc., Perry Ellis International, Phillips-Van Heusen Corp., Polo Ralph Lauren, Public Clothing Co., Regent Intl. Corp., Summit Resource Imports Inc., Target Corp., Toys "R" Us, and Warnaco Inc.

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