MANUFACTURING & TECHNOLOGY NEWS

COVERING INNOVATION, GLOBALIZATION AND INDUSTRIAL COMPETITIVENESS

PUBLISHERS & PRODUCERS, P.O. BOX 36, ANNANDALE, VA 22003
PHONE: 703-750-2664 FAX: 703-750-0064 URL: WWW.MANUFACTURINGNEWS.COM

Tuesday, November 14, 2006 Volume 13, No. 20

New Members Of Congress Want To Change Terms Of Debate Over Manufacturing Trade

The U.S. tug-of-war over trade policy will be taking place on a dramatically regraded playing field in the wake of last week's congressional elections, claim opponents of the economic and political assumptions that have shaped the nation's trade agreements and dominated its debate over globalization in the NAFTA era.

BY KEN JACOBSON

"The Washington Consensus is shattered," declares Robert Borosage of the Institute for America's Future. He points to the election of a half-dozen new senators whose outlook he considers "populist" — and thus at odds with the economic prescriptions, both national and global, to which both major parties have adhered since early in Bill Clinton's presidency.

Public Citizen contends that the election's result has "busted the myth of the trade debate being divided into 'pro-traders' and 'protectionists,' " explaining: "The candidates who ran and won on trade explicitly advocated for better trade policies — and not against trade per se but against the specific avoidable damage delivered by over a decade of the NAFTA-WTO model."

The handiest support for these arguments is to be found in the compositions of the House and the Senate as they will be seated in January. In both, the margins by which CAFTA passed in 2005 will have been wiped out.

In the Senate, which gave CAFTA a 55-45 victory, seats of five GOP members who voted with the majority have been taken by Democrats who have gone on the record in favor of "fair" rather than "free" trade. Most of the winning Senate newcomers kept the issue at the hub of their campaign. Vermont's choice of Independent Bernie Sanders to replace a pro-CAFTA voter, Independent Jim Jeffords, puts a sixth and deciding vote into the "anti" column.

In the House, through which CAFTA squeaked through on a midnight vote by only 217-215, "anti-fair trade incumbents" were unseated by a "fair trade challenger" in 16 races, with 10 races remaining undecided at press time, according to a report by

(Continued on page three)

Interview: NAM Pres. John Engler Addresses Thorny Issues Raised By Domestic Manufacturers

It's been a stormy period for the National Association of Manufacturers. Globalization and the rapid rise of China's manufacturing sector have created tension within the organization's membership, with domestic manufacturers feeling increasingly under stress. The "little guys" — though many of them aren't so little — have gone to battle against NAM's large multinational members, such as Caterpillar, GE and GM, and the fight has spilled out of closed-door meetings and into the press.

The chief concern is China's manipulation of its currency and what to do about it. The domestic manufacturers have pushed for NAM to endorse legislation that would allow U.S. companies to petition the U.S. government for relief under trade laws due to unfair foreign subsidization of currency. But NAM has refused to do so, even though

(Continued on page four)

College Costs Could Impact Big U.S. Companies

Escalating costs of a college education could begin having an impact on companies seeking qualified employees needed to replace aging baby boomers, according to John Challenger, CEO of outplacement firm Challenger, Gray & Christmas. "Soon, employers will not be able to pick from the cream of the crop," says Challenger. "A four-year degree is required in a growing number of jobs, but more and more are unable to afford the level of education needed to compete for these jobs. The employers lose out because they will have fewer candidates from which to recruit."

One year of college costs at a public institution jumped 6.3 percent last year, to about $13,000, while private institutions now cost $30,367, up almost 6 percent. "Making matters worse is the fact that state and federal funding to public schools is shrinking as is spending on Pell Grants, the biggest source of federal aid to lower income students," says Challenger.

The median amount of student loan debt held by graduates is now $19,000, but that does not include credit card debt, which is also increasing.

"A high amount of debt is going to influence what type of job you would consider, where you decide to live after college, how soon you get married and buy a house," says Challenger. "Small business, non-profit organizations, civil services, schools and health services are going to suffer greatly, as graduates try to find more lucrative positions that will allow them to pay down their loans."

Growing costs of college education are reducing the share of the workforce with a college degree. Between 1980 and 2000 "the share of workers with post-high school education increased 19 percent," says Challenger. "Between now and 2020, the share of these workers will grow just 4 percent."

The college graduation rate continues to drop, from 48 percent in 1998 to 41 percent in 2002. "Within 10 years, a 33 percent shortfall in graduates with four-year or higher degrees is expected," says Challenger.

As the number of college graduates declines, "companies will have far fewer candidates available for positions that require higher and higher skill levels," he adds. "Soon, employers will not be able to pick from the cream of the crop. They will be limited to hiring those who were able to afford college. Unfortunately, having money is not an indicator of workplace success."

Washington Pioneer: R.Wayne Sayer

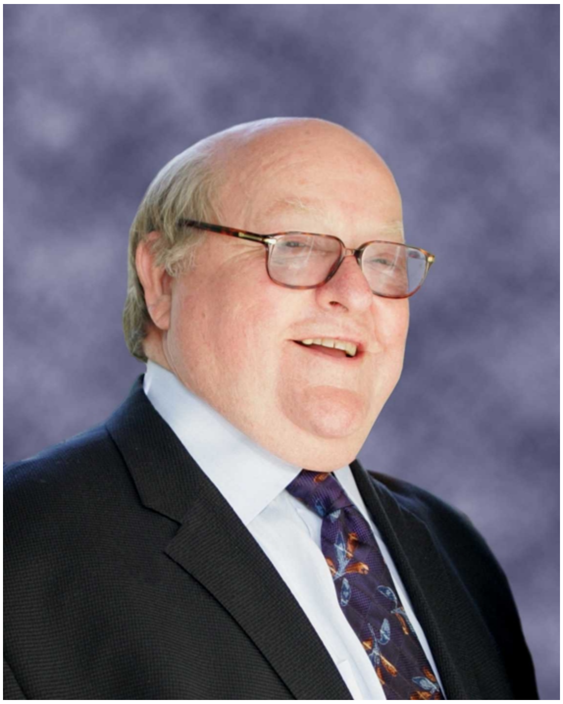
R. Wayne Sayer, president of the Washington, D.C.-based high-tech lobbying firm that bears his name, passed away on Friday Nov. 3 at the age of 67. Sayer worked with hundreds of people in Washington as an avuncular builder of coalitions aimed at advancing the high tech industry.

He came to Washington in 1982, representing the interests of GCA Corp., the Bedford, Mass.-based semiconductor equipment manufacturer and later became the Washington representative for Applied Materials, the world's largest and most successful maker of semiconductor equipment.

"Wayne Sayer was one of the first voices speaking up in Washington for the technology industry, urging policy leaders to focus on the opportunity to strengthen American competitiveness through support of innovation," says Jim Morgan, chairman of Applied Materials. "Silicon Valley and the nation have lost an advocate."

Sayer was the founder of the Coalition for Intelligent Manufacturing Systems (CIMS) and the Industry Coalition on Technology Transfer. He represented organizations such as SEMI, Joint Venture Silicon Valley Network, the Electronic Interconnect Trade Association (IPC), and companies such as the Silicon Valley Group, ASML, Schott and others.

Sayer had a distinctive, resonating voice and laugh. He was a character in the truest sense of the word: a big man in big shoes, erudite, urbane and conversant in the finer points of literature, opera, classical music, jazz, the blues and movies. He was also a good friend of this publication. Over the past 20 years, he had a consistent presence in our pages, providing us with the ideas needed to pursue some of the most important stories we have run, along with encouragement, support and always good cheer. His passing represents the end of an era in Washington.



'Fair Trade' Was The Big Winner In Senate Elections

All but one of the freshman Senators elected last week — the exception being Republican Bob Corker of Tennessee — want to leave behind "free trade" as it is known and lay a new foundation for international commerce. On the stump and in their campaign literature, they have practiced a rhetoric rarely heard from legislators in recent years.

Replacing Yea Voters on CAFTA

Rep. Sherrod Brown (D-Ohio), who defeated Sen. Mike DeWine: "I led the fight in Congress against the fundamentally flawed CAFTA....In the U.S. Senate I want to revamp U.S. trade policy to reward corporations that create jobs at home [and] pass fair trade initiatives that protect workers at home and abroad. Raising living standards in developing nations not only makes us more competitive and more secure, but gives foreign workers purchasing power to buy U.S.-made goods."

Bob Casey, who defeated Sen. Rick Santorum (R-Pa.): "Bob Casey believes that our international trade agreements must contain provisions that enforce strong environmental standards around the world. [He] opposes unfair trade laws like CAFTA that put U.S. workers at a disadvantage."

Claire McCaskill, who defeated Sen. Jim Talent (R-Mo.): "Claire believes trade policies must raise living standards for both workers here and abroad. Basic standards of fairness and decency to working people must be incorporated into all our trade policies. [She] will fight for Missouri jobs by cracking down on corporate loopholes, which reward companies that ship American jobs overseas."

Bernie Sanders, who won the seat vacated by Sen. Jim Jeffords (R-Vt.): "One of the major reasons why the middle class is shrinking, poverty is increasing, and the gap between the rich and poor is growing wider is due to our disastrous unfettered free-trade policy. If the United States is to remain a major industrial power, producing real products and creating good-paying jobs, we must develop trade policies that protect not just the CEOs of large corporations, but the working people of our country."

Jim Webb, who defeated Sen. George Allen (R-Va.): "This country is splitting into three pieces. As a result of the internationalization of the economy, the people at the top have never had it so good. The middle class is continuing to get squeezed by stagnant wages and rising cost of living. And we are in danger of creating a permanent underclass. We must reexamine our tax and trade policies and reinstitute notions of fairness, and also enforce our existing trade laws so that free trade becomes fair trade."

Sheldon Whitehouse, who defeated Sen. Lincoln Chafee (R-R.I.): "I was disappointed to see that Sen. Chafee once again voted for CAFTA. This trade agreement fails Rhode Island's working families and does nothing to help American workers who are displaced from their jobs as a result of this unfair agreement....It's time to reject trade deals like NAFTA and CAFTA that fail to protect American jobs."

Replacing Nay Voters on CAFTA

Rep. Ben Cardin (D-Md.), who replaces Democratic Sen. Paul Sarbanes: "Congress has waited in vain for the Administration to negotiate a level playing field for our

(Continued on page eight)

New Members of Congress... *(From page one)*

Public Citizen. In addition, the report said, the forces of fair trade emerged from 33 contests for open seats with a net gain of 11.

Seen as punished for his pro-CAFTA vote was seven-term GOP Congressman Richard Pombo of California, whose last-minute decision to support the agreement was crucial to its passage, and who lost on Tuesday to Democrat Jerry McNerney. Rep. Charles Taylor (R-N.C.), an eight-termer who promised to vote against the pact but then abstained, fell to Democrat Heath Shuler, who had criticized the action on the campaign trail.

Based on last week's results, Borosage predicts that "by '08 trade is going to be a centerpiece of the presidential campaign," a sentiment echoed by Public Citizen in its report (available online at http://www.citizen.org/documents/Election2006.pdf).

A remaining question, however, is why the free-trade tide would be stemmed when its most fervent supporters — big finance, as personified by NAFTA-supporters Robert Rubin and Mickey Cantor, and U.S.-based multinationals like the ones now tussling with the domestic manufacturers within NAM — still have both the interest and the pocketbooks to keep those campaign contributions coming.

"The pain has gotten so much worse," offers Charles McMillion, president and chief economist of MBG Information Services. Pointing to the U.S. trade deficit, now running at between 6 and 7 percent of GDP, he says: "We've never had anything remotely like this, and the overall damage is off the charts.

"It's one thing to argue that we don't need a textile industry, but it's another to envision the U.S. without an auto industry. Things are so much worse than ever before, even worse than in the '80s, when people were apoplectic over the state of the economy."

As a result, those driving today's reaction against trade policy "are the guys trying to keep a business going, not just the blue-collar workers," McMillion observes, noting tartly that, as " 'people who matter,' " they have more clout.

NAM Interview...

(Continued from page one)

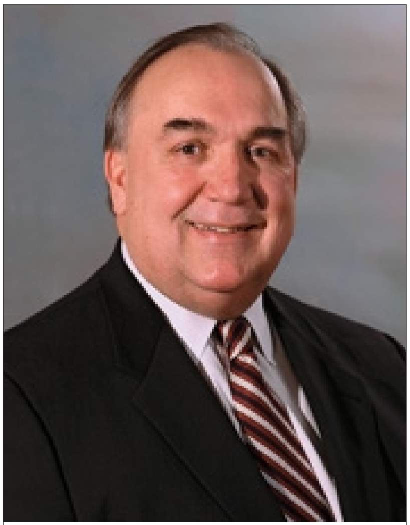
that legislation, called the Hunter-Ryan bill (HR-1498), has been endorsed by about 180 members of the House of Representatives.

NAM says there are good reasons not to endorse the bill, but the domestic manufacturers smell a rat: NAM's big multinational (or transnational) dues-paying members are calling the policy shots. They claim that these big companies benefit from Chinese currency manipulation because they have located their production there and export back to the United States, making for one of the most profitable corporate periods in history. The real protectionists, domestic manufacturers argue, are the multinational companies and big-box retailers that now argue in favor of Chinese protectionism.

NAM is caught in the middle of a debate that doesn't look like it's going to go away. The trade deficit with China continues to go up, from $22 billion in September to $23 billion in October, an increase of $17.5 billion since December 2001.

In June, NAM's International Economic Policy Committee met and voted in favor of having NAM endorse the Hunter-Ryan bill. But its recommendation was overturned at the recent NAM annual board meeting by a vote of 55 to 25. NAM officials note that there were 50 small manufacturers involved in the board members' vote. The decision did not sit well with some domestic manufacturers, particularly steel companies. Nucor CEO Dan DiMicco said it was a "blatant stab in the back" to domestic manufacturers.

Not long after the vote, a new Washington-based organization was proposed to represent the interests of domestic manufacturers. It is called the American Producers Coalition. The new group intends to represent the interests of U.S.-based manufacturers, and will include farmers, ranchers and workers (see *MTN* Oct. 25, 2006, page one), owes its existence to the schism that has emerged within NAM's membership.



Engler: "I'm criticized because I'm not the Chinese Politburo, and I can't fix the Chinese currency issue."

Mfg. & Technology News editor recently sat down with NAM president John Engler, the former Republican governor of Michigan, at NAM's Washington headquarters and asked him about these matters. Here's what he had to say.

Question: What do you think of the proposed American Producers Coalition?

Engler: Groups like this come and go. The NAM is 110 years old and going strong. When I look back to 1895, interestingly enough, NAM was put together to deal with the issues of trade and commerce. So not much has changed over that period of time.

The dimensions of the challenge and the concerns change, but the fact of the matter is everybody would like to have an advantage against any other country or against any other company in the marketplace. What the United States has stood for globally is a rules-based system, where we try to develop a level playing field. We're passionate about having a level playing field because we can win.

Q: The organizers of the new coalition don't believe it's a level playing field.

Engler: I agree, it's not a level playing field. That's why we need agreements like CAFTA. I look at that tough vote [in Congress] and wonder, "What are people thinking?" U.S. duties have already been dropped on products from those nations coming this way. CAFTA was about getting rid of the duties and tariffs on U.S. products going to them. People were so interested in making a political statement that they were willing basically to trade away the economic advantage that CAFTA represented.

There were people voting against the Australian Free Trade Agreement, which has already proven to be worth billions of dollars in trade opportunities for American companies. So trade liberalization continues to be important.

We've never agreed with any other nation that it's okay to steal our intellectual property. So enforcement is very important. We've also never agreed to have a hidden subsidy or a bank loan that you don't have to pay back. We think international enforcement mechanisms need to be stronger, that's why we raised the currency issues.

Maybe it's in the category of no good deed goes unpunished, but the NAM was first to speak out about the currency issue. Then, subsequently, it began to be talked about more and more widely.

The U.S. was out in front even of the EU. It was the U.S. through Tim Adams [Undersecretary of International Affairs at the Treasury Department] who put this on the agenda at the International Monetary Fund. Today you have a pretty good global chorus saying look, in China there is an undervalued currency and it has to be adjusted.

We've had and continue to have an ongoing vigorous debate about tactics, but what I find somewhat offensive is that we have members of Congress who aren't in the Chinese government, but are trying to run [on] what they're going to do to reform China. At the same time,

(Continued on next page)

Engler Q&A...

(Continued from page four)

they're here in our Congress voting against things that would help a manufacturing company in America today. In effect, they want to be able to speak yes and vote no against U.S. manufacturing, based on a foreign threat.

Q: There is a very high level of frustration with NAM among the domestic manufacturers who don't follow their big customers in setting up shop overseas.

Engler: The fact is that a majority of NAM membership is involved in global trade. We've got member companies who are still unhappy that Toyota makes cars in this country because they grew up as a company that sold to GM only. They were a GM or a Ford supplier pretty much all their lives. That's what dad did and who are these new domestics here? Well, we have to adapt to a changing global force and figure out how to win.

Q: The 30 percent cost advantage, the subsidies and currency manipulation seem very unfair to domestic manufacturers. They are frustrated by the lack of action by the U.S. government on their behalf.

Engler: Many of these companies feel if they can get a 30 percent disadvantage removed, they'd be pretty competitive. That is one of the reasons we have stressed our structural cost study, which finds that we have a 31.7 percent structural cost disadvantage because of decisions our government has made. This disadvantage is not caused by China or the EU, but by our litigation system, our health care costs and energy situation.

You recently featured an article from a North Dakota Senator [Byron Dorgan, *MTN* Oct. 25, 2006 page eight] who says he's for manufacturing. Well what does he do? He votes against access to increased energy. He votes against class-action reform. He votes against trade agreements that are favorable for the United States. But he's for us other than that.

Q: The Democrats say you're counting the wrong votes. Dorgan likes the Manufacturing Extension Partnership program.

Engler: Well, so do 534 other members of Congress. When it comes to spending money in Congress, pretty much anything can get done. Spending hasn't been the problem up there. And on the MEP, Congress has not been the problem. On a bi-partisan basis they've consistently stood up to the administration, which has raised this issue either by zeroing it out or by requesting status-quo budgets.

Interestingly enough, the existence of the MEP makes the point that there are companies out there that say, "Look the world has changed, the game is different, I've got to change. I have to bring in lean, I have to look at Six Sigma and look at quality every step of the way, inventory every step of the way and I have to look at how I do my innovation and R&D."

Q: After the Japan threat, many companies really improved their operations and started adopting best practices, now the number-one beef for domestic manufacturers is trade. Yet they don't see action. They don't see the Treasury Department's report on international currency saying China is manipulating its currency, when everybody knows that's the case.

Engler: Again, it's easy to say, "Well maybe if just this one thing changes, all of my problems will go away." In talking with manufacturers, I don't think it's just one thing. That's a very important thing and we would very much like to see that changed. We had a debate at a recent NAM meeting, which, by a 55 to 25 vote, it was decided it would be better to give Secretary Paulson a chance, and oddly enough, so did two people who have been even further out on this issue to the point where they have even been willing to advocate things that are flatly contradicted by the WTO and that would be [endorsing Sens. Lindsey] Graham [R-S.C.] and [Charles] Schumer [D-N.Y.] on their China tariffs bill. Even they said let's give Paulson this opportunity.

> *"I can tell you this: if it hadn't been for this organization, maybe nobody would even be talking about currency."*

I think there is a recognition on the part of everybody that if you start into a regulatory bureaucratic process you're two or three years away [from action on China's currency]. Someone will say you should have started two years ago, but I think the case today is that there is a much more unified international community than we had two years ago. Two years ago it would be largely the U.S., but thanks in the large part to some of the work that has been done by the National Association of Manufacturers there is a focus on the issue in international meetings, whether it's the G-8 Finance Ministers or the European Community. There is a conversation going on about currency at the International Monetary Fund. That to me is all positive. People can say, "When China announced they were breaking the fixed peg to the dollar and they were going to let it float within a range, that was nothing." But it was the beginning of something that hadn't even begun until that happened.

We're not satisfied that those are big enough steps, but there is no act of Congress that can actually change the currency system in China and what Congress needs to do is support the Administration. I think they've done that. In 2008, everybody will have an opportunity to have presidential candidates talk about what their administration would do.

Q: You might get Duncan Hunter [R-Calif.], and he's the biggest protectionist of them all.

Engler: So now we can have a debate about has the rate of progress been acceptable. It is legitimately a big issue.

(Continued on next page)

Engler Q&A...

(Continued from page five)

Q: There has been a Republican Congress and a Republican White House for six years and costs have still gone up in that time period.

Engler: I would point out that we did get class-action reform done. That's a start. We made some progress on taxes. Virtually every Democrat opposed capital gains and dividend tax cuts. On FSC-ETI — something that is criticized by the Senator from North Dakota saying that we're letting people bring these earnings from overseas back home and charging a very low tax rate — well the alternative is to keep a high tax rate and let them spend it overseas, which would presumably accelerate further investment offshore.

Q: But they didn't see the JOBs Act that reformed [FSC-ETI] create any manufacturing jobs. It was promised to be reinvested in the United States, but where is the proof of that?

Engler: If we look at agriculture we see that over a century output increased while on-farm employment declined. In many ways manufacturing is in a similar position. You would think that our manufacturing economy is smaller than that of Latvia today. In fact, it's the largest in the world: more than two times Japan's which is in second place and larger than China's today. Manufacturing output in the United States in 2005 set an all-time record. It's been done with fewer people, although we've seen over the last year, thousands of manufacturing jobs have been added in manufacturing. In fact, today in manufacturing one of the biggest challenges is finding skilled, trained people. You have some manufacturing companies that want to be smaller in terms of their employment not just because productivity, innovation and technology have allowed that to happen, but in some cases because they can't find people with the skills they need in this country to do that work. A very big priority of ours is to work on that.

Q: Despite the growth of manufacturing output the big gorilla in the room is the $800-billion trade deficit in goods. What is the United States going to sell to pay that off that debt: assets and scrap metal?

Engler: To get the deficit leveled out, you would logically be in favor of free-trade agreements with Australia or CAFTA. Yet we have people in the Congress voting against the agreement with Oman. I'm not sure if the Oman trade threat to us is great, but we ought to expand our markets where we can expand them.

If you look at NAFTA, which is still criticized by some despite having at least a presidential level bipartisan support, it has created jobs and sustained employment in the U.S. When you look at the free trade agreements in place, the manufacturing goods deficits have actually narrowed. That's why Doha has been important for market access and stripping away some of these non-tariff trade barriers. That's how you deal with it in part.

When you've got the potential development of a middle class in a couple of countries that is bigger than the entire population of this country, those are markets that you probably don't want to just say, "We're going to take a pass on those and try to get our 300 million people to buy a fifth television or a third car."

Q: There is still a huge gap between manufacturing output being at an all time high and the U.S. having to import so many high value-added manufactured goods. How do you assuage that concern?

Engler: I want them working and making stuff, and a lot of them are doing that today. The unemployment rate in the country is 4.7 percent. There is a skills gap that makes it hard to hire somebody to replace a worker. The company that is not competing well today isn't going to survive because someone creates a protected share of the market to keep them in business.

Q: But they freely say they don't want that. They just want somebody to go to bat for them against what's happening overseas, in their own protected markets, with subsidies and currency manipulation. Many of these subsidies now seem to be defended by the people who are benefiting from them, which are the large U.S. multinational or transnationals that have moved there and now have a stake in preserving that system. These big companies are now being called the new protectionists, because they have to protect their interests, which happen to be where there are subsidies and big benefits to operating there. They view NAM as being somebody carrying that water for them.

Engler: I heard it 30 years ago, when I was in the state legislature. It has been around for a long time. I read history books. They talked about this 100 years ago. And your point is?

Q: Does NAM represent the interest of the big companies that are benefiting from protectionism abroad?

Engler: We represent the interests of manufacturers who make things in the United States. We celebrate the idea that in 2005 we made more things in the United States than we ever made in our history. We celebrate the fact that we've got among the makers of things in the United States an array of companies large and small that have never been more competitive in their history than they are today — that are able to meet global competition anywhere. Some are so successful that they have been able to go into foreign countries, build facilities and carve out large shares of those markets. Even companies like General Motors and Ford, which are struggling mightily for a share of the domestic market here, have the number-one or two- positions in some foreign nations.

The idea that they shouldn't go there and they shouldn't build those plants, they shouldn't be in the Chinese market where they've actually made money is preposterous. Why would you want the auto companies to only produce here, especially at a time when other nations' auto companies can come here and compete? So we ought to go there and compete.

Q: What do you think of the perception that U.S. companies are making money overseas at the expense of the United States?

Engler: That is rich and fertile ground for candidates

(Continued on page seven)

Engler Q&A...

(Continued from page six)

to till, and so there is a great desire to keep it just that way — to keep that perception there because it's hard to go back and look in the mirror and say, "Are we doing all that we can do? Are we getting $500-billion worth out of our annual public education expenditure? Are we spending money on innovation or is that investment slowed down? What does it take to compete?"

How is it that small companies of similar size, one's thriving and one's failing? Let's say you have 3M, where 63 percent of its sales of products made here go out around the world, and they've got one supplier that's making it and another one that's failing. Could it be there are differences in these companies in the kind of management, the kind of decisions they made, the preparation? I suspect there is, just like we've seen some of the very largest companies in this nation be subject to takeover by private equity funds, go into bankruptcy and get split up and sold.

One of the things in your article [about the new Coalition of American Producers], and this was not in quotes so it appeared to be your description, is that it says that organization "is not going to be infiltrated by foreign interests." Here's the point: Cummins is adding jobs in Indiana. In March, Toyota announced it will hire 1,000 people. In June, Honda announced plans to build a 2,000-worker plant in Greensburg, [Ind.]. These "infiltrating foreign interests" are hiring American workers. Are we trying to stop them or not? In other words, how are they able to advance at a time when the [U.S.] auto industry is in retreat?

Earlier in the year I was down in Montgomery, Alabama. This is a state that has nearly 100,000 auto workers. Where did those come from in the last decade?

Last year, we had 17.1 million vehicles produced in the United States. It was one of the best auto years in North American history. The problem is who's getting the market share? Here's Ford closing a plant in Hapeville, [Ga.], losing 2,000 jobs when the last Taurus rolls off the assembly line. But Rome Tool and Die in Rome, Ga., which serve Ford and GM, do not see them as a source of growth. They're looking at growing their business mainly by selling to the transplants. Prestolite Wire in Tifton, Ga., has 140 workers making ignition wire. They say if Ford's not selling cars they'll slow down too, but their customers also include Chrysler, Nissan and Honda. In other words, there is a dynamism that goes on in the economy. Some companies are coming up, some are going down, and that pretty much goes back all the way to the beginning.

I don't think any association or any lawyer in Washington is going to be successful at reversing the trend for one company or five companies if they're not able in their own right to be competitive. There is nothing that can be done to protect them from change and can keep them going. That's what we're dealing with.

When I talk about the goals here at the National Association of Manufacturers, we want to reduce production costs in the U.S. and level the international playing field. We want to make sure there is a workforce to do the 21st Century work that is to be done and we want an environment in this country that fosters and sustains innovation and productivity.

Q: NAM isn't really criticized on any of those points.

Engler: I know. I'm criticized because I'm not the Chinese Politburo, and I can't fix the Chinese currency issue.

Q: Come on, you're John Engler!

Engler: Yeah, but I don't have that much influence.

Q: If not you, who?

Engler: At this point, who is Hank Paulson. There is a guy who's been to China some 70 times. He knows their top leaders. He's got a dialogue underway. He, better than anyone, can say that the Chinese problem is going to lead in the near future to social unrest. Some of it is going to come from a banking system that will collapse if they don't get it right.

Q: What are the chances that Paulson succeeds?

Engler: First of all, he has to be given a chance. We're willing to do that and even Senators Graham and Schumer are willing to do that. I haven't heard of a strategy put forward by anyone that says there's a faster way to do it. The strategy debate is one where I think we've got to say, who are the people best positioned to make the argument? I have to conclude that I think it's Hank Paulson because he's the guy the president put in that spot, because of the relationships he has and the experience he has in understanding this issue. We will see. The stakes are high.

Q: Did you respond to the e-mails [criticizing NAM for favoring international interests] from [Nucor CEO] Dan DiMicco or the Steel Manufacturers Association?

Engler: I will be formally answering them. Yesterday I was down in Atlanta at a meeting of FabTech where the number-one issue is high steel prices and they want to know when are we going to get rid of these unfair tariffs? I offered to have Dan come down and explain why those tariffs made sense.

Q: What do you think of NAM's June 27 International Economic Policy Committee vote to endorse the Hunter-Ryan currency manipulation bill?

Engler: It's a working group. In our process, you could have 500 people walk in that room. At the Board of Directors meeting where the vote was 55 to 25 there were as many small companies [50] as large companies there.

Q: There was a sense that the vote went exactly as the board's makeup, which is two-thirds multinationals.

Engler: I was there. I heard the people speaking. You had small companies speaking up in opposition to this. You had large companies that were supporting it. It doesn't just break along size. Steel companies are large

(Continued on page eight)

New Senators...

(Continued from page three)

manufacturers, but enough is enough. I will soon be introducing legislation [Restoring America's Competitiveness Act of 2006, H.R. 5043] to restore international tax fairness to prevent further discrimination against American workers."

Amy Klobuchar, who replaces Sen. Mark Dayton (D-Minn.): "I would have voted against [CAFTA]. I believe we need fair trade, not just free trade....I believe we must put an end to this administration's policies that reward American companies for taking our workers' jobs overseas. Instead, we should provide incentives for creating new, good-paying jobs here at home."

Jon Tester, who defeated Sen. Conrad Burns (R-Mont.): "I will fight for Montana priorities in the U.S. Senate by standing firmly opposed to unfair trade agreements like CAFTA that hurt our communities and way of life."

Conference Board Issues 'Alarm' Over U.S. Education System

"The future U.S. workforce is here — and it is woefully ill-prepared for the demands of today's (and tomorrow's) workplace," concludes a study conducted by The Conference Board, the Society for Human Resource Management and the Partnership for 21st Century Skills.

A survey of 400 employers in the country found that recently hired high-school graduates do not have a single skill that they rated as being "very important" to workforce success. Two-year college-educated workforce entrants were proficient in only one skill: "information technology application." College grads were good at "creativity and innovation," but even this category "barely clears the threshold for placement on the 'excellence list,' " says the report. The findings "reflect employers' growing frustrations over the lack of skills they see in new workforce entrants."

High-school graduates were found to be deficient in writing skills, mathematics and reading comprehension. They were found deficient in critical thinking, problem solving professionalism and work ethic. They were found adequate in information technology application, diversity and teamwork/collaboration. Two-year and four-year college graduates were found to be better prepared than high-school graduates for entry-level jobs, but were deficient in writing and communications and leadership.

"Across the U.S., alarm bells are sounding in the business community about educating tomorrow's workforce," says the study. Between 2000 and 2015, 85 percent of the newly created jobs in the United States will require an education beyond high school. For a copy of the report "Are They Ready To Work? Employers' Perspectives on the Basic Knowledge and Applied Skills of New Entrants to the 21st Century U.S. Workforce," go to http://www.conferenceboard.org.

Engler Q&A...

(Continued from page seven)

companies and their alliance is to support anything that will keep tariffs in place.

Q: Is there any chance this vote will go to your membership?

Engler: It just did. We have a board of directors.

Q: Would you endorse any type of currency legislation, such as the Bunning bill?

Engler: Well let's see who's in control of Congress and what proposals they offer.

Q: The domestic members felt you took sides when you commissioned the Greenberg Traurig report on questions of WTO compliance of the Hunter-Ryan bill.

Engler: I don't even know the lawyer. I haven't met him to this day. I said who is the most experienced lawyer we've got that would know something about this and be objective. Here's a guy who just happened to chair the WTO appeals panel for eight years. It's his integrity too. If people have a problem with that it's too bad, but in reality, nobody challenged the credentials of the person, and I thought it was better to know that.

But putting the substance of the [Hunter-Ryan] bill aside, from a purely tactical [perspective], you were beginning a two- to three-year process of going through a regulatory process. I would be willing to bet that some of the same people who voted for it in six months would say, "What are you doing?"

"Well we're following the process you laid out."

"Well it's not moving fast enough."

"We told you that when we went into this."

"Well I didn't understand that. It should move faster. You make it move faster."

Q: China's currency has been an issue for years. If you started that process two years ago, you'd be there now.

Engler: Hindsight is a beautiful thing, it's always 20/20. But I can tell you this: if it hadn't been for this organization, maybe nobody would even be talking about currency.

Q: The China Currency Coalition still exists, but NAM's Coalition for a Sound Dollar doesn't even have a Web site any more. So they say you started it but where's the follow up?

Engler: Today, they've got a Secretary of the United States Treasury going to China on their behalf. How do you get better than that, unless they send Dan DiMicco.

Q: There was another Secretary going to China whose name was Snow, but still nothing got done.

Engler: You have a lot of people egging them on who don't want to do the things that they themselves can do here at home. The bottom line is while they're waiting, while they're unhappy and while they're worrying about the speed of action on China, there are a whole heck of a lot of things that can be done right here in America, and we control those.

New Plants In The United States, And The World Over

NEW PLANTS IN THE UNITED STATES

Nestle USA will soon begin construction of a $359 million factory and distribution center in Anderson, Ind., about 40 miles northeast of Indianapolis. The 880,000-square-foot facility will produce Nesquick and Coffee-Mate. The plant will open in 2008 with about 300 employees. Indiana's Economic Development Corp. provided Nestle with $250,000 in training grants, up to $550,000 in infrastructure incentives and about $7 million in tax credits based on the number of jobs created and capital invested. The city of Anderson is providing incentives in the form of tax abatements and infrastructure assistance.

Honda has received $41.5 million in tax credits, real and personal property tax abatements and training assistance from the Indiana Economic Development Agency for its planned plant in Greensburg, Ind. The facility will be operational in 2008 and employ 2,000 workers producing up to 200,000 vehicles per year. The state also pledged to invest $56 million in upgrades to the interchange on Interstate 74, along with water, wastewater and other road improvements.

Rolls Royce has announced a $145 million-expansion of its gas turbine engine plant in Indianapolis, Ind. The Indiana Economic Development Corp. will provide Rolls Royce with $17 million in a "forgivable loan." The city of Indianapolis approved a 10-year tax abatement worth $11 million, based on Rolls Royce's pledge to create 600 new jobs at the plant, 150 of which will be in a new center for excellence for the advancement of aerospace industry technology.

STIHL, headquartered in Waiblingen, Germany, has started construction of a new $20-million manufacturing plant in Virginia Beach, Va. The 60,000-square-foot facility will make chain saw guide bars. "We are pleased to be able to continue to add jobs here in support of the local and national economies in lieu of outsourcing," says Fred Whyte, president of STIHL. "Although we export to over 80 countries, the United States is still the largest single market for our products. Consequently, expanding manufacturing in Virginia Beach has repeatedly proven to be a sound business decision for STIHL." The company has manufacturing plants in Brazil, Switzerland, Austria, Germany, and a new facility in China, as well as the recently announced addition of a new saw chain plant in Switzerland. The company's sales increased last year by 12 percent (1.8 billion euro), while employment worldwide increased by 9 percent to more than 9,000. The company has 1,700 employees in Virginia.

Siemens Power Generation has announced plans to build a new wind turbine blade manufacturing plant in Fort Madison, Iowa. The company will convert an existing 224,000-square-foot facility on 127 acres to build large (2.3 megawatt) wind power generators for the fast-growing U.S. market.

Advanced Drainage Systems Inc. of Hilliard, Ohio, has broken ground on a $12-million, 68,000-square-foot plant in Logan, N.J., that will produce high-density polyethylene pipe for use in drainage projects. The company expects to hire 100 workers at what it expects to be its largest manufacturing plant in the United States. The facility will produce 20-foot pipe from 3 inches to 60 inches in diameter.

Darnel Inc., the U.S. subsidiary of Colombian-based Ajover SA, a maker of plastics, has announced plans to open a new plant in Union County, North Carolina. The $20-million facility will employ 100 people, who will make an average of $593 per week plus benefits, says the company. Darnel chose the location based on "its ease of distribution access and the availability of skilled workers," says Walt Harfmann, Darnel's general manager. The One North Carolina Fund provided the company with financial assistance to locate in the state.

Fenner Dunlop North America Inc. has announced tentative plans to build a $38-million manufacturing facility in Port Clinton, Ohio. The facility will employ up to 75 workers and produce wide steel cord belting for conveyor belts. The project is subject to approval of financing and incentives by the Ohio Tax Credit Authority, the State Controlling Board and the Fenner board, which is based in the UK. The Ohio Department of Development has offered more than $9.1 million in incentives and Ottawa County more than $1.6 million.

U.S. PLANTS CLOSING:

Davis Furniture has decided to shut down its production plant in Houlka, Miss., and move manufacturing operations to China. One-hundred and thirty employees will be laid off. Company owner Lynn Davis told the Associated Press that it is necessary to move production to China in order to stay competitive. The company is already importing much of its material and then doing assembly in Houlka. Once production shifts to China, the Houlka facility will become a distribution center with 20 employees.

Valley-Dynamo, a division of Brunswick Corp. has announced plans to reduce its workforce by 90 people at its Richland Hills, Texas, production facility. The company says it is shifting manufacturing to Reynosa, Mexico, to "realize substantial cost savings" in the production of pool, air hockey and foosball tables.

Ethan Allen Interiors Inc. has announced plans to close its 280,000-square-foot Spruce Pine, N.C., manufacturing plant and lay off 340 people. The plant was built in 1989. The company also says it will close its manufacturing facility in Oklahoma, with the loss of an additional 125 jobs. "We sincerely regret the impact that this decision will have on many of our employees," says company CEO Farooq Kathwari.

(Continued on page 10)

New Plants...

(Continued from page nine)

Camel Manufacturing, a Caryville, Tenn.-based maker of military tents, is laying off 150 workers at plants in Jamestown and Pioneer, Tenn., due to a loss of military contracts.

General Electric has announced plans to stop manufacturing at one of its oldest plants. The company says it will stop making rotary appliance switches and fluorescent lamp holders at its Bridgeport, Conn., manufacturing facility. There are only 57 workers left at the site, which has been in operation by GE for more than 80 years.

Ametek, the Paoli, Penn.-based maker of electromechanical devices, is further reducing employment at its Racine, Wisc., manufacturing facility. The plant makes motors for vacuum cleaners and other commercial equipment. The $1.8-billion company is reducing employment at the plant by 76 jobs, leaving 45 employees remaining at the site. The facility employed 700 workers in 1995, according to the Associated Press. "Company officials have previously said the same products could be made for less in other parts of the world, such as Mexico, China and the Czech Republic."

NEW PLANTS OPENING IN INDIA

Samsung has announced plans to double is mobile phone manufacturing capacity in Manesar, India, from 1.2 million units a year to 3 million units by next year. The company has also announced plans to build another manufacturing complex in Sriperumbudur, Chennai, at a cost of $100 million over the next five years. The new plant in Sriperumbudur will be operational next August and will provide employment to 2,500 people. It will compliment its factory in Nodia, which produces color televisions, monitors, refrigerators and washing machines. The new plant will be making about 1.5 million television sets per year, 1 million computer monitors along with printers, refrigerators and washing machines. "The growing demand for our products in southern India, the strong infrastructure available in the region coupled with its proximity to the port and the Tamil Nadu government's investor-friendly approach are the factors that prompted us to set up this complex in Chennai," says R. Zitshi, deputy managing director of Samsung India Electronics.

Flextronics has announced plans to invest $200 million in its manufacturing plant in Sriperumbudur, near Chennai, India. The company will initially consolidate manufacturing in two facilities with a total of 500,000 square feet of space in a 250-acre industrial park. The first plant, inaugurated on November 4 by India Prime Minister Manmohan Singh, will have the production capability of one million mobile handsets per year and produce mechanical systems and infrastructure parts for telecommunication base stations. Initial production is for the Indian market, but after a year the company expects to export output to Europe, Africa and the Middle East. Initial employment will be 1,000, but a total of 4,000 workers could be employed at the site. Flextronics expects to build 10 million square feet of space at the industrial park.

Laird Technologies of St. Louis, Mo., as announced plans to break ground on a 15,000-square-meter plant in Chennai, India, in January, 2007. The plant, which will employ up to 1,500 people, will make antennas and electromagnetic interference shielding for cell phones.

Hewlett Packard has started construction of a new manufacturing plant in Pantnagar, India. The facility will produce desktops, workstations, notebooks and servers for the fast-growing Indian market. "The inauguration of our second manufacturing facility in the country reiterates our commitment to serve our customers in the region," said Adrian Koch, senior vice president of HP's personal systems group in Asia Pacific and Japan.

Lenovo has announced plans to open a plant to produce one million personal computers in India. The company is working with the Himachal Pradesh government to build a new manufacturing plant in Nalagarth, India, on about 10 acres of land. Lenovo plans to open about 500 retail outlets in India for its computers by the end of this year, up from its current level of 52.

Dell has announced plans to build a new $30-million plant in Sriperumbudur, Tamil Nadu, India. The facility will start with a production capacity of 400,000 units "and quickly ramp up to much higher numbers," said Rajan Anandan, Dell India's vice-president and general manager. The company hopes to increase its Indian market share from its current position of 7 percent. Dell has doubled its sales force in India.

Nokia has announced plans for a $150 million expansion of its manufacturing plant in India to keep up with growing demand for cell phones. The company expects to double the number of employees at its plant in India from 3,700 to more than 7,000 and expand the number of models it produces.

The Timken Co. has announced plans to build a new bearing manufacturing facility in India. The $25-million plant will be located in a newly created special economic zone in Chennai and will produce anti-friction bearings for global markets. The Canton, Ohio-based company will be able to take advantage of tax benefits and duty-free import of equipment and material for making products to be sold outside of India. Timken expects to hire 300 workers and start production in late 2007. It already employs 1,000 workers in India at a bearing plant in Jamshedpur and an R&D facility in Bangalore. The company, with sales of $5.2 billion, has operations in 27 countries and has 27,000 employees.

Hyundai Motor Co. has announced plans to build a $911-million plant in India for the production of cars,

(Continued on next page)

New Plants...

(Continued from page 10)

engines and transmissions. Parts suppliers are expected to invest an additional $562 million in adjoining plants. "We are making these investments to create capacities for the future," Arvind Saxena, vice president of marketing and sales at Hyundai Motor India Ltd., told the Wall Street Journal. "They are driven by the growth in the domestic market as well as the exports market." The plant will be built next to Hyundai's car plant outside Chennai and it will double the company's car-manufacturing capacity in India to 600,000 units a year when it begins operation by October 2007. The company will also invest $40 million in a new research and development center that will employ 1,000 workers by 2010.

Naza Automotive Manufacturing, based in Malaysia, has announced plans to build a $260-million assembly plant in India. The company will build the plant in the Sriperumbudur business park in Chennai. It will sell Naza and Kia vehicles in India as well as export them to neighboring markets including Nepal and Sri Lanka.

Nissan is considering building a large auto production plant in Gujarat, India. The company is working on a venture with Suzuki to build a plant that can produce up to 600,000 vehicles per year.

Renault and its Indian partner, automaker **Mahindra & Mahindra**, have announced plans to build a $1-billion auto plant in India. Negotiations are under way with various state governments seeking a site for the facility that would produce the Renault Logan automobile. The first phase of production is expected in 2009 at 300,000 vehicles per year. There is a chance that Nissan could join the alliance, says Renault president and CEO Carlos Ghosn. "If it does, the capacity would go up" to 500,000 vehicles, he says. A decision is expected in four months.

ABB says it is considering building an industrial robot plant in India to serve the country's growing automotive sector. The company has opened demonstration centers in Pune, Bangalore and Chennai, India, and is currently selling systems to Tata Motors, Mahindra & Mahindra and Samtel.

NEW PLANTS IN EUROPE:

Alcoa has opened its first manufacturing facility in Bulgaria, a 12,000-square-meter facility that produces aluminum foil, film and disposable bags. The company will sell its output into retail markets in the UK, Europe and the Middle East under the Reynolds and Baco brand names. The plant is Alcoa's entry into its 44th country.

Dell Computer has announced plans to build a $200-million plant in Lodz, Poland. The company says the Poland facility will be among the most advanced manufacturing plants in the world, with improved flow of materials and ergonomically designed manufacturing cells. Dell suppliers are expected to invest about $53 million to serve Dell in Poland. Once the new facility is operational, "Dell's Central, Nordic and Eastern European customers can expect a reduction of at least two days over the current system delivery times," says the company. Adds Dell senior vice president Paul Bell: "Proximity to a large base of Dell customers, the significant opportunity for growth promised by the Central and Eastern European economies, and the availability of a well-educated Polish workforce were key factors in our decision."

GlaxoSmithKline plans to invest $637 million in a new vaccine manufacturing plant in St-Armand-Les-Eaux, France. The London-based pharmaceutical company says the plant will produce cervical cancer vaccines, a meningitis vaccine and a new vaccine for seasonal flu. The company has also announced plans to spend nearly $190 million on a new vaccine plant in Singapore. In North America, GlaxoSmithKline, has purchased a manufacturing site in Marietta, Pa., for cell-culture-based flu vaccines and acquired Seattle-based Corixa Corp., to further increase its flu vaccine manufacturing capacity.

NEW PLANTS IN CHINA:

The Timken Co. has announced plans to open a new aerospace precision product manufacturing center in Chengdu, China, the capital city of Sichuan province. The facility will initially employ 200 production workers, and will later broaden capabilities to include sales, engineering support and customer service for aerospace bearings and other precision products. "Timken selected Chengdu as the location for its sixth plant in China in part because it is a major Chinese aerospace center with a good technical infrastructure and educated workforce," says the company. The plant will initially manufacture ball and cylindrical bearings up to 12 inches in diameter. The first products are expected to be shipped from the plant in late 2007. The company has 3,500 employees in China.

Benz-DaimlerChrysler Automotive Corp., a joint venture between DaimlerChrysler and Beijing Automotive Industry Holding Company, has opened its first manufacturing plant in China, just outside of Beijing. The 210,000-square-meter facility will have a production capacity of 100,000 Mercedes E-class, Chrysler 300c sedans and Mitsubishi Outlander SUVs. The 50/50, 30-year venture is expecting to increase production to 300,000 vehicles.

Suntech Power Holdings has announced plans to build a $60-million photovoltaics manufacturing and R&D facility in the Caoheijing High Tech Park in Shanghai. The plant will supply the growing market in China for solar power systems.

Royal DSM N.V. will build a new polymer manufacturing plant and development center in the

(Continued on next page)

New Plants...(Continued from page 11)

Jiangsu province of China. The facility will produce resins to be sold to packaging film production companies in Asia. "China represents an almost unimaginably large market opportunity, thanks to the country's vast population and increasing standard of living," says Jos Goessens, president of DSM Engineering Plastics.

Polymer Group Inc. of Charlotte, N.C., has opened its first Chinese manufacturing plant located in Suzhou. The plant, located in the China-Singapore Suzhou Industrial Park near Shanghai, will have 145 employees producing high-performance medical barrier fabrics.

Modine Manufacturing Co., the $1.6-billion Racine, Wisc.-based maker of thermal management systems for the automotive industry, has approved $16 million for a new manufacturing facility in China. The plant will be the company's third such facility in China. It "will provide a low-cost country sourcing alternative to Modine with the ability to develop a scale manufacturing footprint in Asia," says Modine president and CEO David Rayburn. The plant will be located in the Changzhou National Hi-tech District of Jiangsu Province, and will provide products for the off-highway, commercial vehicle and engine products industries. The plant will export product to Hyundai's Korean operations.

NEW PLANTS IN MEXICO:

Bombardier Aerospace has announced plans to build a new aircraft components manufacturing plant in Mexico's Queretaro Aerospace Park. The company says it will begin making components for the Bombardier CRJ200 and Challenger 850 fuselage, transferring work from the company's Belfast facility in Ireland. The new plant is expected to employ a total of 600 workers. "We are confident in our investment because of the strong commitment to the development of the aerospace industry in Mexico shown by both the federal and state of Queretaro governments," said Pierre Beaudoin, president and COO of Bombardier Aerospace. "We take great pride in our partnership with the Mexican government in developing an industry that will attract investment, highly qualified labor, technology and new expertise in many business sectors in addition to aerospace."

Alto-Shaam of Menomonee Falls, Wisc., has announced plans to build a 35,000-square-foot plant in Saltillo, Coahuila, Mexico. The facility will have 40 employees making commercial kitchen primary cooking equipment. "Because of our continuing growth and increase of new product offerings, we clearly see the need to expand our manufacturing infrastructure on a global basis," says Alto-Shaam CFO James Baka.

NEW PLANT IN THAILAND:

Honda Motor Co. has announced plans to open a new $35-million spare parts manufacturing facility in Thailand. The facility will produce parts for "global models" including the CR-V and Jaz vehicles for countries in Asia and Europe. "The Asia-Oceania automobile market is expanding, with body spare parts sales increasing 114 percent from April 2005 to March 2006," says Honda's new subsidiary, Asian Parts Manufacturing Co., Ltd., located in Ayutthaya. The new plant will employ about 200 people and start production in June 2007.

Need A Job? Search The Internet

More people are finding jobs through the Internet than any other source, including job ads in newspapers, networking and employment agencies, according to a report from The Conference Board. The Internet produced 38.2 percent of job offers, followed by employment agencies (30 percent), networking with friends and colleagues (27 percent) and newspaper ads (24 percent).

The Conference Board tracks 1,200 Internet job boards each month in its "Help-Wanted Online Data Series." It found that management jobs with an average hourly wage of $42.52 per hour are the most popular jobs listed on the Internet, with a total of 407,600 advertisements, followed by heath care practitioner (312,000 ads with an average hourly pay of $28.45), business and financial operations (287,500 ads with an average hourly pay of $27.85) and office and administrative support (286,000 ads with an average hourly pay of $14.28 an hour).

MANUFACTURING & TECHNOLOGY NEWS (ISSN No. 1078-2397) is a publication of Publishers & Producers, P.O. Box 36, Annandale, VA 22003. On the Web at: www.manufacturingnews.com.
PHONE: 703-750-2664. FAX: 703-750-0064. E-MAIL: editor@manufacturingnews.com.
Annual Subscription Price: $495. Frequency: Twenty-two times per year.
Editor & Publisher: Richard A. McCormack (richard@manufacturingnews.com)
Senior Editor: Ken Jacobson (202-462-2472, ken@manufacturingnews.com)
Web Technical Coordinator: Krishna Shah (krishna@manufacturingnews.com)
Business Manager: Anne Anderson (anne@manufacturingnews.com)
Electronic distribution of a PDF version of this publication within an organization is available at a reasonable rate.

Subscribers have access to the Manufacturing & Technology News Web site, which includes a keyword searchable archive of the past eight years of Manufacturing & Technology News. PDF versions of the publication are available for download. Register in the "Subscribers Only" section at www.manufacturingnews.com for electronic delivery.