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Manufacturers And Farmers Form Alliance To Battle Against Proponents Of Free Trade

A new coalition is being formed by farmers, manufacturers and labor officials who are frustrated with multinational companies' control of a trade agenda they say is devastating the U.S. economy. The coalition has the backing of Nucor, the country's most respected steel manufacturer, the National Farmers Union, American Corn Growers Association, the Colorado Springs Manufacturing Task Force and others. It is currently putting together a leadership team and will take its battle against corporate interests to both Washington, D.C., and America's heartland.

The coalition's "trusted core" of leaders planned to meet Dec. 15 in Charlotte, N.C., at the law offices of Moore & Van Allen to sketch out a structure, identify potential alliance and coalition partners and develop a strategic plan aimed at reversing the spiraling U.S. trade deficit. Moore & Van

BY RICHARD McCORMACK

Allen has been helping organize Nucor's town hall meetings throughout the country deploring trade agreements that Nucor argues are leading to the decline of the United States economy.

Most of the principal members of the group from the farm community describe

themselves as life-long conservatives, and they have no intention of allowing the coalition to be hijacked by lefty liberal hotheads wielding guitars and singing folk songs.

"We are people who are getting off our asses and are doing something," says Fred Stokes, a Mississippi

farmer and executive director of the Organization for Competitive Markets, which is spearheading the initiative. "We're building a coalition of manufacturing, agriculture, services, labor, consumer interests, environmentalists and Archie Bunker regular Americans who give a damn about the country and who will come together and say we are doing it wrong. There is an argument to be made that we need trade, but there is nothing that we can produce in this country that somebody somewhere else can produce cheaper, so the question is, what are we going to do?"

Commercial-scale family farmers are becoming more outraged by the treatment they receive from large agribusinesses such as Cargill, ADM, Smithfield Foods and Tyson Foods. These big companies are America's "enemies," says Stokes, a retired Army

DARPA Creates Program Aimed At Overcoming Production Problems

After years of discussion and prodding from the private sector, the Defense Advanced Research Projects Agency (DARPA) has created a new manufacturing program aimed at fostering a radical transformation of the industrial base. The "Disruptive Manufacturing Technologies" initiative being undertaken by DARPA is due partly to the slow response of the Defense Department and its industrial base to the demand for upgraded systems such as body armor for the troops in Iraq.

"The rate at which asymmetric threats evolve has increased the speed with which new systems and platforms must be produced and increased the need

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OECD Ranks China No. 2 In Global R&D

China is becoming a powerhouse in research and development, according to the Organization for Economic Cooperation and Development (OECD). China this year is expected to move into second place in the world in R&D spending, with a total investment projected at \$136 billion. This would surpass Japan's projected R&D spending of \$130 billion, but would remain behind the United States, which is expected to spend just over \$330 billion. The EU-15, which includes France, Germany and the UK, is projected to spend \$270 billion this year on R&D.

"The rapid rise of China in both money spent and researchers employed is stunning," says Dirk Pilat, head of the OECD's Science and Technology Policy division.

The number of researchers in China increased by 77 percent between 1995 and 2004 to 926,000, second place in the world behind the United States with more than 1.3 million. China's spending on R&D as a percentage of GDP has more than doubled from 0.6 percent of GDP in 1995 to just over 1.2 percent in 2004. "In current prices, this represents an increase from just over \$17 billion in 1995 to \$94 billion in 2004, and it is growing even faster than the economy, which is growing by between 9 and 10 percent a year," says the OECD in its newly released report "Science, Technology and Industry Outlook 2006," available at www.oecd.org/sti/outlook.

Europe Launches Huge R&D Program

The largest research program in the history of Europe is about to get underway. The Seventh European Framework Program For Research and Technological Development will receive a formal kick-off on Dec. 22, when the European Commission issues its first calls for proposals.

The 54.582 billion euro program from 2007 to 2013 will support research in health (6.05 billion euro), agriculture and biotechnology (1.935 billion euro), information and communications technologies (9.11 billion euro), nano-production technologies (3.5 billion euro), energy (2.3 billion euro), environment (1.8 billion euro), transportation including aeronautics (4.18 billion euro), space (1.43 billion euro), socioeconomic sciences and humanities (610 million euro) and security (1.35 billion euro).

"Strong and coherent international cooperation with [non-EU member] countries is essential for Europe to become more competitive and play a leading role in the global R&D and innovation sphere," says the EC. "In this context, strategic partnerships with third countries such as the U.S. will be encouraged in scientific fields of mutual interest to engage the best scientists worldwide to work with and in Europe."

GAO Audits U.S.- China Commission

The Government Accountability Office (GAO) is undertaking an audit of the United States-China Economic and Security Review Commission (USCC), at the request of Sen. Robert Byrd (D-W.V.). "We've been in operation for five years and they think it's time to look and see if we're meeting our mandate," says USCC Chairman Larry Wortzel. "There are some areas where Byrd's people felt that we were exceeding what they saw as the letter of the mandate and actually change aspects of our work plan."

Byrd sponsored the legislation creating the commission and it has been unclear why he requested the audit. His office has not replied to numerous inquiries from *Manufacturing & Technology News*.

Byrd's staff "reminded me that it is Congress's mandate to formulate responses" to the issues raised by the commission, said Wortzel. "Our mandate is to point out the issues, not critique the United States response."

Doctorate Awards Reach New Record

Science and engineering doctorates hit an all-time high in 2005, reports the National Science Foundation. Last year, 27,974 doctorates were awarded, up from 26,272 in 2004. The 2005 number surpassed the previous all-time high of 27,273 reached in 1998. "Although there has been a three-year increase in academic years 2002 through 2005, this follows a four year decrease from 1998 to 2002," notes NSF's Science Resources Statistics division. "The increase in the number of doctorate awards from 1996 to 2005 was only 2.5 percent."

For the period from 2001 to 2005, science and engineering doctorates awarded to non-citizens increased by 25 percent and accounted for all of the overall growth in S&E doctorate awards during the period. Women received 10,533 of the doctorates in the science and engineering disciplines. In 2005, women received 18 percent of the doctorates in engineering, 15 percent in physics and 20 percent in computer sciences, as compared to 45 percent of all doctorates in social sciences; 49 percent in biological sciences; and 68 percent of all doctorates in psychology.

Momentum Drives Manufacturing Training Program Nationwide

The “Dream It, Do It” campaign aimed at training young people for exciting careers in the manufacturing sector is beginning to blossom. The two-year old program is emerging from a pilot stage and is beginning to attract attention, money and commitment in different parts of the country facing shortages of skilled workers.

The campaign, created and run by Phyllis Eisen of the National Association of Manufacturers’ Manufacturing Institute, is opening new programs in Virginia, Indiana, Ohio, Nebraska, Texas, and Washington.

“The big ‘mo’ is on,” Eisen declares. “We’re looking to create a national rollout after the second phase gets done next year, which coincides with the beginning of the major retirement of the Baby Boomers.”

Dream It, Do It has been operating in Kansas City for almost two years. But hundreds of people throughout the country are involved in their own versions of Dream It, Do It, due to a growing need for adequately trained and motivated workers.

“It’s not easy to date us,” says Eisen describing the process of creating a Dream It, Do It campaign. Leaders in a region must put together a strong economic development coalition that is willing to help improve the image of manufacturing and engage in a transformation of its educational system. It must conduct a gap analysis to determine the types of skills employers need but cannot find in their region. It must involve companies, politicians, economic development agencies, high schools, community colleges, universities, trade schools and other organizations such as manufacturing extension agencies. “It is a grass-roots campaign to build regional coalitions,” says Eisen.

NAM acts as a partner helping to raise money, craft a regional message and provide visibility. “This is not a program from Washington down,” says Eisen. “We can’t get on the ground. If they don’t do it, they don’t want it and if they don’t want it, they can’t have it. It’s not just a

regional group getting together to have tea and cookies once a month. It’s a coalition that promotes manufacturing and the skills that need to go with today’s manufacturing.”

A region needs to raise between \$300,000 and \$500,000 to start a Dream It, Do It campaign. Initial funding is used to hire a coordinator, begin work on the gap analysis and develop a media campaign.

Employers are “coming to the table in droves,” says Eisen. A new program in Northeast Ohio is led by the Timken Co. In Indiana, Cummins Engine is leading an effort that has received a commitment of \$2 million from Gov. Mitch Daniels. In Southeast Virginia a half-dozen companies are spearheading a Dream It, Do It campaign because the region is desperate for skilled workers. In Nebraska, Behlen Manufacturing Co. is leading a campaign. In Kansas City, the Alliance for Innovation in Manufacturing has been instrumental in the success of its program. The Dream It, Do It campaign there recently received a \$15-million Workforce Innovation in Regional Economic Development (WIRED) grant from the Department of Labor to further broaden the program. Manufacturing Extension Partnership programs are engaged in helping organize Dream It, Do It programs in Seattle, Kansas City and

Ohio.

The idea for the program started four years ago after the Manufacturing Institute and Deloitte conducted research on what it was going to take to keep American manufacturers competitive. They found that manufacturing had great challenges to overcome, particularly in attracting a new generation of workers. In 16 focus groups held with students, parents, educators, economic development personnel and employers around the country they found that students had little or no interest in careers in manufacturing. Students perceived manufac-

“If they don’t do it, they don’t want it and if they don’t want it, they can’t have it.”

turing as being a dead end — a view reflected by parents and educators.

“The image of manufacturing couldn’t be worse — worse than being a construction operator or a politician, if you can get worse than that,” says Eisen. “The bad news couldn’t have come at a worse time, with continuing layoffs and the view of industry in decline.”

The research also found that the educational system was dramatically out of alignment with the needs of the business community. Kids weren’t learning math, science or the computer skills necessary to work in a high-tech factory. “It was imperative for us to launch a campaign that spoke to the research and the need of a sector in our economy that was desperate for talent,” says Eisen.

More information is on the Web at <http://www.dreamit-doit.com>.

Farmers & Manufacturers... (From page one)

officer. What makes them the "enemy?" *Manufacturing & Technology News* asks: "Because money is more important than people, community and country," Stokes replies. But these companies employ thousands of Americans. That might be true, says Stokes, "but they're putting a lot of Americans out of jobs with their fixation on raising stock values and making money. There is no way that you can compete with people who are not bound by the safety and environmental rules that we are required to abide by, who don't give a damn about labor standards and are very happy to exploit people by using prison labor, child labor, and cheap labor and have no national allegiance. Our government has refused to take action against them. I don't know where they think their kids are going to live."

Others note that no

"protectionist" type of trade legislation has ever passed Congress without the support of farmers.

Other farm leaders in the movement say they have been told for 20 years that free trade would result in greater market access and would benefit the family farmer by increasing export volumes and prices. "But that's crock," says John Dittrich, a Nebraska farmer with 4,500 acres of corn and soybeans and a leader in the American Corn Growers Association. "It was never designed to help the family farmer. It has helped lower-priced products from developing countries undercut U.S. production. So if we strengthen our dissenting voice in agriculture and join it with those voices in domestic manufacturing that are having similar problems, that is a plus. That is unique."

An agricultural trade surplus of

\$27 billion in 1996 has shrunk to only \$3.7 billion in 2005, and the country is expected to post its first ever trade deficit in agricultural products in 2006. Agricultural imports have almost doubled over the past 10 years from \$33.5 billion in 1996 to \$59.3 billion in 2005, according to the Department of Agriculture. But U.S. ag exports have hardly budged: growing from \$60.3 billion in 1996 to \$63 billion in 2005. Exports declined from \$60.3 billion in 1996 to a low of \$51 billion in 2000 before slowly recovering to their current level. Agricultural imports from China have more than tripled since 1998, growing from \$641 million to \$2.1 billion in 2005.

Those involved in the coalition say there is a "tidal wave" of concern brewing in the country over the effects of unfair trade promoted by multinationals. "Bubba is catching up," says Stokes. "It's an entrepreneurial

(Continued on next page)

A 'Statement Of Purpose'

About 50 individuals attending a meeting of the Coalition for Competitive Markets in Colorado spent about 90 minutes crafting a common "Statement of Purpose." The proclamation "establishes a very important and substantial common ground among the groups," said one attendee. "It was a clear accomplishment. It established that there is common ground." Here's the statement:

This week of Nov. 15, 2006, members of grassroots organizations representing America's farmers, workers and manufacturers met in Colorado Springs, Colorado, to form a new coalition.

Multinational corporate-controlled globalization is undermining the well being and prosperity of farmers and rural America, working families, domestic manufacturers and the service industries depending on them. It is built on policies that threaten and harm workers and families in every sector of the American and world economies.

We must address current corporate conduct and corporate control of government policy. Communities and families are under economic assault and that assault undermines our fundamental American democratic values.

Existing trade agreements have caused tremendous trade deficits, harmed future American innovation prospects, resulted in tens of thousands of manufacturing company closures and eliminated

millions of manufacturing jobs. They have also compromised national security and undermined national sovereignty.

We support a mutually beneficial fair trade policy that delivers broadly shared benefits for workers, farmers and manufacturers everywhere;

We believe that it is urgently necessary to pursue trade policies that recognize the full range of societal concerns.

We accept trade as fundamental, but it must balance producer, consumer and trading partner interests.

We recognize that markets serve the economic interest of individuals and businesses but they must also serve democratic values.

We are committed to developing a New Global Trade and Investment Agenda that serves the people who make and grow things in all countries. The agenda must include and improve labor and environmental standards, food security and national security. It must realign corporate and trade objectives to serve the nation's public and private interests.

Signatories:

- Organization for Competitive Markets
- Colorado Springs Manufacturing Task Force
- National Farmers Union
- California Farmers Union
- California Dairy Campaign
- National Catholic Rural Life Conference
- Made In USA Strategies
- American Corn Growers Association

Bureau Of Labor Statistics Includes Chinese Worker Compensation Costs In International Comparison

The total hourly cost of a production worker in the United States rose slightly last year to \$23.65, but that doesn't come close to the hourly compensation costs for a worker in China, according to the Foreign Labor Statistics division of the Bureau of Labor Statistics.

For the first time, BLS is including China in its annual series on "International Comparisons of Hourly Compensation Costs for Production Workers in Manufacturing." It is doing so because of growing interest in China's labor costs. But since China does not break out compensation costs for production workers, BLS provides the average total compensation for all workers, which is \$0.67 per hour, or 3 percent of the average hourly compensation of manufacturing production workers in the United States. The highest total compensation costs for manufacturing workers among the 32 countries BLS tracks is Denmark, at \$34.46 per hour.

The \$0.67 an hour figure for China could be even lower. Production workers tend to get paid less than all other employees in a manufacturing operation, including supervisors and office workers, explains Erin Lett, an economist with BLS's Foreign Labor Statistics division. "We think the bias is that it is overestimating, but we don't have data to prove that."

The figure for Chinese production workers also could be lower because of difficulties Chinese government statistical agencies have in capturing data on millions of migrant workers and workers employed in small-scale private enterprises. Workers in the "informal" sector of the economy could also be getting paid far less

than the average. In 2002, China had an estimated 109 million workers in the manufacturing sector, according to research funded by BLS. This number is far higher than most analysts in the United States used until recently, which, in most cases, was 83 million.

The BLS report, which measures total employer costs per worker, shows that large increases in hourly compensation costs of foreign workers compared to U.S. workers are often the result of increases in the exchange rate for that country. In 2003, the total compensation costs for production workers in Europe increased by 23 percent compared to those of U.S. workers. This tracked closely with the value of Europe's currency, which increased by 19.8 percent during that period.

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Farmers...*(Continued from page four)*

opportunity," adds one manufacturing executive involved in the coalition. "The masses of American people are disenfranchised. I don't think the people in leadership realize how much they have been failing us and how there is such yearning for common-sense statesmanship. The guy who invented Microsoft didn't realize what was going to happen when he did that, and this is a similar situation. We're reaching a tipping point."

Those involved with the coalition say they are conscious of their role as "activists" or "dissenters" and understand the difficulty of having to wear those negative labels, but so be it. "Being an activist is better than being a do-nothing," says Stokes. "We have absolutely hollowed out this country as far as our capacity to make things," he says. "Rosie the Riveter is not around any more, and China is not some little pipsqueak."

Others associated with the movement say they have learned from earlier grass-roots efforts such as Save American Manufacturing (SAM) and MADE In USA. Those groups "were run by very impatient people with big egos — primadonnas — and you couldn't get them to work together," says Dave Frengel of United Penn Technology, who helped organize the National Association of Manufacturers' Domestic Manufacturing Group (DMG), but is representing only his company in the new coalition. Developing a realistic, workable

solution to the problems posed by the current trade regime is key to success, Frengel adds. "We have people within our midst who want to go out and tear down the system, raise hell and boot those SOBs out of office. If we're not prepared with answers and are just keeping our fingers crossed for something better to happen, and if we begin fighting amongst ourselves in a way that totally divides us as to what to do next, then the multinationals will swoop back in and give everybody their answers."

The group needs a dose of reality, commented one Washington trade lobbyist who's been invited to participate. There are only two or three ways of doing anything in Washington and they all require getting congressional and presidential votes, he says. It's great to have a grass-roots movement, but holding pep rallies isn't going to get the job done. "It's easy to achieve unanimity and have energetic converts, but that always exists until you try to do something."

"Being an activist is better than being a do-nothing."

Bush's Pick For Nation's Top Regulator Is Scuttled By Confirmation Committee

President Bush's controversial nomination of Susan Dudley to become the nation's top regulatory official has been dropped by the Senate. Critics claim that Dudley, who is director of regulatory studies at the privately funded Mercatus Center at George Mason University, has espoused "extremist" opinions on the cost and necessity of federal regulations. Her performance before the Senate nominating committee on November 22 was inspiring, but didn't overcome concerns about her controversial views.

Even Sen. John Warner (R-Va.) in introducing her to the Committee

on Homeland Security and Government Affairs for consideration of her appointment as director of OMB's Office of Information & Regulatory Affairs (OIRA) seemed skeptical of her prospects. "I'm aware of the concerns about her background and positions she's held in public service," said Warner prior to committee members' tough questioning of Dudley. "Any individual worth their salt in various public positions has engendered some controversy in their lifetime. So accept it with the bravery you've shown in the past. Look at them in the eye. Tell it as it

is and be reasonable. I wish you luck and you're on your own!"

The hearing room filled with laughter, to which committee chairman Susan Collins (R-Maine) said: "Ms. Dudley, I'm not sure you should take great confidence in that."

For the next 90 minutes Dudley was grilled on her objections to dozens of federal regulations, including those for fuel efficiency of automobiles, which she called the worst regulation of 2003, air bags, privacy rights and the Davis Bacon laws. She repeatedly tried to distance herself from her own work,

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Chinese Wages... *(From page five)*

So if China's currency is currently undervalued by as much as 75 percent, it means that country's workers are getting squeezed by China's currency policies. Underpaid workers relative to the U.S. dollar can be considered another subsidy — and incentive — for U.S. companies moving production to China.

BLS measures of hourly compensation costs include "social insurance benefits" such as government mandated labor taxes, private benefit plans, retirement and disability pensions, health insurance, income guarantee insurance, sick leave, life and accident insurance, occupational injury and illness compensation, unemployment insurance and family allowances. In the United States, these social insurance benefits account for 22.5 percent of all compensation costs, lower than for all of Europe (at 27 percent).

These costs to employers are difficult to measure in China, due in part to the fact that Chinese companies and workers didn't pay income taxes, value-added taxes, corporate income taxes or payments for social insurance during the Maoist decades from 1949 to 1978, according to Judith Banister in research she conducted on Chinese labor costs for the BLS. The cost of company medical clinics, housing, and meals are also difficult to measure.

Because social insurance programs are expensive to employers, Chinese companies "have developed a culture of tax avoidance," Banister explains. "When foreign and multinational companies come to China and attempt to acquire or set up a joint venture or merger with a (usually state-owned) Chinese company, the foreign company insists on engaging in a due diligence process to determine whether the joint venture, merger or acquisition is in the interests of its owners and

shareholders. The auditors and accounting companies frequently discover that the target company has two sets of books: 'management accounts' and 'tax accounts.' The tax ledger is designed to minimize tax exposure, particularly corporate income taxes, value-added taxes, personal income taxes for employer and employees, and required social benefits payments. It is believed that non-public-sector domestic Chinese enterprises avoid taxation and social benefit payments to an even greater extent than the state-owned and collective-owned enterprises."

Total compensation costs for 71 million Chinese production workers employed in rural manufacturing plants was an estimated \$75 per month, according to Banister. Subtract out social insurance costs and their take-home pay is about \$70 per month or around \$837 per year. On a purchasing power parity basis, they would be making less than \$2 an hour in the United States, or \$3,890 a year.

For urban production workers, total compensation costs for employers were \$175 per month. Employees' take-home pay was \$112 per month, which is equal to a purchasing power parity of \$522 in the U.S. "The average city manufacturing employee in China could purchase goods and services that give the worker and family a living standard equivalent to annual take-home pay of about \$6,300 in the U.S.," writes Banister. Their take-home pay in America would be less than \$3 per hour.

The BLS report is located at <ftp://ftp.bls.gov/pub/news.release/ichcc.txt>. The 106-page Judith Banister report commissioned by BLS titled "Manufacturing Employment and Compensation in China" is located at <http://www.bls.gov/fls/chinareport.pdf>.

DARPA Mfg. Program...*(Continued from one)*

to distribute new technologies to a larger number of troops," says DARPA. "This new environment places a premium on fast and affordable manufacturing processes. When the cost of manufacturing spare parts is taken into consideration, it becomes clear that new approaches to defense manufacturing are critically needed to guarantee the future success of the military."

The agency is currently evaluating proposals and is expecting to award contracts in the spring. It expects to fund disruptive manufacturing technologies "that will have a pervasive impact on DOD systems and platforms, both current and future," says the agency. "The programs' focus is on reducing the fabrication time as well as the cost of materials and/or components that are currently used (or currently programmed for use) in existing platforms or that would be used if their price was reduced."

DARPA is creating the program more than three years after concerned members of the defense manufacturing community started pressuring the agency to directly address issues related to production. The now defunct Coalition for Defense Manufacturing Technology presented DARPA managers with evidence of a deteriorating manufacturing enterprise in early, 2003, in a series of meetings. Dozens of the biggest names in the defense industry, including previous DARPA director Gary Denman, Herm Reininga of Rockwell-Collins and Larry Rhoades of Extrude Hone Corp., told DARPA program managers that DOD was facing a potential crisis due to the deterioration of the manufacturing base and the need for new production techniques.

The feeling among those in the defense manufacturing technology community contacted by *Manufacturing & Technology News* this week was that that crisis is now at hand. The Defense Department has "messed up incredibly due to the lack of attention" to advanced manufacturing, said one of those involved in the 2003 effort. "Iraq

has definitely exposed the difficulties the military is having getting basic things like castings and forgings on a timely basis in order for them to maintain these antique weapons systems," says a member of the former defense manufacturing coalition.

Others who were involved note that DOD's long-term focus on high-tech, expensive, low-volume weaponry such as stealth aircraft came at the expense of the soldier in the field. The agency has lost its ability to procure items that need to be produced by the hundreds of thousands. Many brigades are now unable to train properly for deployment in Iraq due to the lack of equipment. The defense depots and other defense industrial enterprises are also unable to quickly re-manufacture equipment that has been brutalized by war and the harsh desert environment.

Some of the jerry-rigged U.S. equipment in Iraq that had inadequate armor looked like it could be used in a Mel Gibson "Mad Max" film. "The issues go beyond technology," says one defense manufacturing technology company executive involved in the defense manufacturing technology coalition. "The issues are the whole culture and the whole system: there are no incentives in place for program managers to worry about how things get made."

DOD's focus in the 1990s on "commercial off the shelf technologies" has put the agency in a bind, say others. Production of commercial items has fallen prey to the globalization of supply chains. It is unclear how or if the military can now extract itself from a situation in which industrial sectors on which it depends, particularly automotive, are in a downward spiral. The erosion of the U.S. industrial base needed to mass produce equipment

for the troops is creating an additional sense of urgency among military leaders and members of Congress to more forcefully address manufacturing issues.

DARPA had a long history of funding manufacturing technology programs, and even had an "executive director" in charge of manufacturing (Mike McGrath) in the early 1990s. But about a decade ago, manufacturing was "disconnected" from the agency's

Some of the jerry-rigged U.S. equipment in Iraq that had inadequate armor looked like it could be used in a Mel Gibson "Mad Max" film.

core mission of high-risk, high-payoff technology development projects, say those involved in the effort to revive the manufacturing program at DARPA in 2003. DARPA program managers did not initially embrace the recommendations made by the Coalition of Defense Manufacturing Technology because they were not sure an autonomous program in manufacturing fell in line the agency's mission.

DARPA is currently evaluating proposals under its procurement (BAA06-34) and will select contractors that can develop new systems to reduce the cost of raw materials through a "radical change in the process," it says. It is seeking other contractors with systems that can "rapidly define and produce production quality tooling," or that can completely eliminate tooling. It wants contractors to develop new technologies that reduce the cost of producing precise finished parts, the cost of capital equipment "and therefore the total cost of parts made in small lot sizes."

Top Regulator... (From page six)

noting that she is an environmentalist who drives a Toyota Prius.

Sen. Collins told Dudley that the impression she had of her interpretation of regulations was that it “boiled down to a hard dollar-and-cents calculation of the cost and benefit; yet it’s very difficult to put a dollar value on many benefits. What is the scenic value of being able to go outside and see an unpolluted sky? It’s difficult to quantify everything. Some things in life are priceless. I’m not sure if you see it that way.”

Dudley, who made \$115,000 in 2004 working for the non-profit Mercatus Center, came to her own defense. She said that her role as the federal government’s chief regulatory official “would be very different” from her current role as a researcher and academic. Her writings are intentionally provocative and are intended to challenge the way people think about regulatory approaches.

“If I had known I was going to be nominated for a position, I would have written less,” she quipped. “If confirmed I would have a different role. I would implement the laws of the land as Congress has written them. One thing I will continue to do is foster debate. I’m fair and open-minded and will listen to anyone who wants to have a say in the regulatory process. I conduct myself with honesty and integrity.” She said that her approach to regulations would be to look at the root cause of a problem and address it with market forces.

Sen. Thomas Carper (D-Del.) told her that in politics “our friends come and go but our enemies accumulate. You have had a chance to collect a few enemies. Sometimes critics strike true. How would you rebut them?” Dudley: “I would say please look at my writings and please meet me. If people are concerned that I won’t be open and transparent, I can assure you that is not true. There was a letter [submitted] against me. I haven’t met anybody who signed that letter. The letter signed for me I know those 50 academics. I know the Nobel Prize winner. I know the former OIRA administrators who have written supportive letters. I don’t know anybody who wrote the other letters. I hope to change that.”

Collins closed the hearing, attended by Dudley’s family, by saying: “Your writings have given us a lot to ponder.”

Collins says did not hold a vote on Dudley’s nomination before the end of the congressional session because not enough Democrats would vote in favor of her appointment. President Bush can re-nominate Dudley in a “recess” appointment. By doing so, Dudley would avoid another confirmation hearing and an expected rejection by Democrats controlling the Senate. But she would serve on a temporary basis, with her appointment lasting through 2007, when either her term would expire or she would go through another confirmation hearing.

Report: Regulations Are Not Killing Mfg. Jobs In Virginia

The state of Virginia, which is ranked by Forbes as being the most attractive state in the country for business, lost one-fifth of its manufacturing jobs between 2000 and 2005, a drop of 66,000 to 296,000, but few of those were lost due to the burden of regulations, according to a report prepared for the Virginia state legislature. Low-cost global competitors, technology, productivity improvements and increasing labor costs were the primary drivers of job losses in Virginia. “Virginia’s regulations were not the primary reason for the sector’s decline in jobs,” says the 168-page study produced by the Virginia General Assembly’s Joint Legislative Audit and Review Commission (JLARC). “Sweeping changes to Virginia’s regulations would not be feasible or prudent.”

The biggest factor in a manufacturers’ decision to stay in Virginia, open a new facility or close an existing one was the quality and availability of the local workforce, followed by workforce costs, taxes and state regulations.

But that doesn’t mean the cost of complying with regulations is low. The JLARC estimated the state’s 6,119 manufacturing companies spent between \$1 billion and \$3.49 billion complying with regulations, depending on the technique used to calculate those costs.

That burden equates to an average cost of between \$3,121 and \$11,700 per employee, or 8 percent and 29 percent of the total manufacturing payroll in Virginia. Virginia’s manufacturing sector generated \$50 billion in value added production in 2005, out of a total gross state product of \$353 billion. Environmental regulations are the most expensive of regulatory compliance costs, representing between one-half and two-thirds of direct costs, says the study.

“Regulations benefit the public and, in some instances, manufacturers,” says the study. “In 2001, five of the top 10 point sources of pollution in Virginia were manufacturing companies, the other five being electric utilities.”

Virginia’s regulations mirror federal requirements “and do not add substantial costs” to manufacturers, says the report. Most of the regulations impacting manufacturers “generally do not go substantially beyond minimum federal requirements or include regulations without a clear purpose or intent,” says the JLARC. “Sufficient data is not — and will likely never be — available to conduct a full cost-benefit analysis of all federal and Virginia regulations. However, there is some evidence that suggests that, overall, the benefits to society of Virginia’s regulations are at least equal to and likely outweigh its costs to manufacturers.”

Some regulations provide manufacturers with “monetized benefits [that] are usually greater than the estimated costs,” says the study. “In Virginia there are historical examples that illustrate the importance of regulation. For example, in 1975, EPA sampled the lower James River and found

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A Look Back At The Congressional Debate Over Trade With China

When President Clinton signed legislation granting China with permanent normal trade relations (PNTR) on Oct. 10, 2000, it was widely argued that the legislation would usher in a new period of democratic reforms in China, along with open markets for U.S. goods. At the signing ceremony, Clinton said; "This is a great day for the United States." Granting China with PNTR "is a good economic deal for America. It will increase our exports and, over the long run, will strengthen our economic position in the world." He also said that open markets "will accelerate the information revolution in China, giving more people more access to more sources of knowledge. That will strengthen those in China who fight for decent labor standards, a cleaner environment, human rights, and the rule of law."

Those predications cannot be easily defended six years later.

The legislation (HR-4444), passed the House by a vote of 237 to 197, and the Senate by 83 to 15, and set the stage for China's entry into the World Trade Organization on December 11, 2001.

Five years after the anniversary of China's entry into the WTO, *Manufacturing & Technology News* takes a look at some of what was said on the House and Senate Floors during the debate over PNTR. In the House, the quotes were taken from the Congressional Record of May 24, 2000 (page H-3653 to 3661). The Senate's debate was in Congressional Record dated September 19, 2000 (S-8667 to 8725).

ARGUING IN FAVOR OF PNTR HOUSE DEBATE — May 24, 2000

David Dreier (R-Calif.): Today's vote on trade with China is probably the most important vote that we will face in this session of Congress. Make no mistake about it. This vote is a win-win-win for America's workers, America's first-class businesses, and the very important goal of promoting American values.

This will be a win for American workers because China will finally be required to play by the rules when they trade with America. They are opening their markets to American exporters which means good jobs across the United States. The fact is, trade with China is good for the Chinese people. It is good for human rights. It is good for democratic reform. It is good for national security and it is good for American values. This bill is key to spreading the Internet across China. That is all great.

Tom Davis (R-Va.): Economic forces that will be unleashed by free trade and commerce are going to overwhelm the current forces fighting to maintain socialism, to maintain totalitarianism and repression in China. Political freedom will follow the economic freedom in the opening up of the markets...This will change China forever in a way that withholding our support can never get to.

Rodney Frelinghuysen (R-N.J.): This agreement forces China to adhere to our rules based trading system. Without an agreement, there are no rules, and we have no say whatsoever in how China conducts its business with the rest of the world. Trade with China is a win for American values inside China. Through free and fair trade, America will not only export many products and services, but will deliver a good old-fashioned dose of our democratic values and free-market values.

Jay Inslee (D-Wash.): None of us have rose-colored glasses when it comes to China, but we have to ask this question: What is the more powerful force for breaking the strangle cord of the Chinese government? Twenty million Chinese armed with cell phones and Internet access and independent businesses or 435 members of the House giving sometimes eloquent speeches about China? Chinese freedom will advance when the Chinese have an independent basis to break the strangle cord of the Chinese government, and this agreement will advance that cause.

Mark Foley (R-Fla.): I admonish the people on the other side of the aisle to support their President in the final months of his administration; support the Vice President as he tries to succeed President Clinton, and do what is right for international policy, human rights for the Chinese, more business for all in China, and more business for United States companies.

Thomas Ewing (D-Ill.): There are currently 9 million Internet users in China, and that figure doubles every six months. The Chinese have tried to censor their Internet, but they have failed in that attempt. The number-one item that people in China log on the Internet for is news. A vote for PNTR is a vote for development of the Internet.

Deborah Pryce (R-Ohio): Greater economic freedom is a precursor to political freedom. We must decide whether we will extend our hands to assist the pro-reform elements in Chinese society or turn our backs and allow the misguided militant socialist forces to strengthen their hold. We must take the battle of freedom versus tyranny to the Chinese people.

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HOUSE MEMBERS ARGUING AGAINST PNTR

Joe Moakley (D-Mass.): If we do not reconsider [China's trade] status every year, we are going to lose what little chance we have of effecting any change in China. China needs to change. If we grant the Chinese government permanent normal trade relations, we will be giving away what little chance we have to exert some influence on some of these horrible practices, particularly, the abuse of religious freedoms. Since the United States consumes one-third of China's exports, we have a great opportunity to change the current practices in China, and we should not squander that opportunity for the sake of the almighty dollar.

Each year that Congress reconsiders the most favored nation trading status for China, the debate resurfaces here in the halls of the Congress, in the newspapers, on television screens. Each year we have the debate, attention again is focused again on China; and heat is kept on. And if we are to make that status permanent, the debate would end and human and workers' rights would be completely off the radar screen. If we do not reconsider China's trade status every year, we lock ourselves into an inescapable trade agreement that hurts workers, hurts the environment and does nothing to stop religious persecution, slave labor, or the proliferation of nuclear weapons.

Tony Hall (D-Ohio): A recent study by the Congressional Research Service concluded that the annual congressional debate on China trade has, in fact, played a prominent role in winning the release of some Chinese political prisoners. There are some benefits to the United States in this trade agreement. Some companies in our country, of course, will make a few bucks, but if we look at the agreements that we have had with the Chinese government, they have not fully kept the promises that they have made to us so many times before. There is no reason to believe that it will honor the terms of this agreement...

Joe Baca (D-Calif.): This is an injustice and inequality to the environment and human rights and most importantly to the workers' rights. The issue is about principle, right and wrong, the future of this country. It is about the future of this country and protecting American jobs in the global economy.

Ron Klink (D-Penn.): It is a bit of *deja vu* and remember 1993 when the subject was NAFTA, and the sides were divided somewhat similarly. We kept hearing [that] all of the former presidents are in favor of this agreement, all of these industries are in favor of such agreement, this is going to do such wonderful things for us. The reality is that we went from a \$3-billion trade surplus with Mexico after the passage of NAFTA to a \$17-billion trade deficit. The reality here is that, if somebody is making 25 cents an hour in a factory in Chongqing, what are they going to buy that we make in this country? Are they going to buy our Boeing airplanes? No. Are they going to buy our automobiles, our appliances? They are not even going to buy our beepers or our phones.

Bernie Sanders (I-Vt.): There is a reason why the largest multinational corporations in this country are spending tens of millions of dollars to see this legislation passed, and that reason is they like doing business in China where they can pay people 10 cents an hour, 15 cents an hour, rather than paying the workers in this country a living wage. And there is another reason why the environmental community is opposed to this agreement, why the veterans community is opposed to this agreement, why religious organizations like the National Conference of Catholic Bishops are opposed to this agreement, and that is this agreement is bad for workers, it is bad for human rights, it is bad for the environment, and it is bad for national security. I would hope that the members of this Congress have the courage to stand up to the big money interests who are flooding Congress with contributions, with lobbying efforts, and with advertising, and do the right thing for the vast majority of the American people. Vote against this agreement.

James Traficant (D-Ohio): Today, the Congress of the United States breathes a second life into Communism. If Congress joins the White House in granting this Communist nation that has missiles pointed at us a sweetheart trade deal worth \$80 billion a year, then Congress, in my opinion, will do several things: they will now stabilize Communism around the world. We will now finance the resurgence of Communism. We, in fact, reinvent Communism today. And, finally, I think we endanger America.

How soon we forget the Soviet Union, the Berlin Wall, Vietnam, North Korea, Ronald Reagan's struggle keeping the pressure on, making sure those Communists did not destroy free enterprise, did not destroy America. A Congress that today will prop up Communism is a Congress that today endangers every worker, every one of our kids, and every one of our grandkids by giving a country \$80 billion a year. I yield back Pearl Harbor. I yield back Ronald Reagan. And I yield back the second breath of life that Congress is granting to the Communist bloc nations.

Ed Markey (D-Mass.): We should vote "yes" on full trade with China. But Congress should keep its ability to check on our relations with a police state, and as long as China remains a police state, we must never have relations with China which are permanent, which are normal, or which are insulated from moral concerns. Until China has proven itself a full member of the moral citizenship of the world, we should play the moral role of keeping a check upon them while having full trade relations...

**U.S. SENATE DEBATE — ARGUING IN FAVOR
September 19, 2000**

Patty Murray (D-Wash.): If Congress fails to grant PNTR to China, we will hinder our broader relationship with that country, make it harder for us to promote change there and damage America's workers and

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PNTR Debate...*(Continued from page 10)*

industries as they compete with other countries for a place in China's market. The Chinese have agreed to radically open their market to U.S. goods and services. Chinese trade concessions will benefit the United States across all economic sectors in virtually every region of our country. The agreement radically opens China's market to American workers, forces China to end its unfair practices, and gives the United States tough mechanisms to hold China accountable.

Frank Lautenberg (D-N.J.): Through China's WTO accession and the establishment of PNTR, we will be able to hold China accountable for its trade commitments through the WTO's transparent, rules-based dispute settlement mechanisms. If China arbitrarily increases a tariff on an American product or engages in retaliatory actions against the U.S., we could seek redress under WTO regulations. We are going to try a new approach. We are going to try to drop those tariffs and barriers and see what free trade will do. Let each country make a product and a service the best and sell it around the world. That is what the World Trade Organization is about. This bill opens markets, opens an exchange of ideas and goods, and gives us a chance to not only provide for workers and farmers and businesses in America the chance to succeed in a new market but a chance to change China for the better.

Kit Bond (R-Mo.): The arguments that we are giving them a pass despite these abuses misses the point and the argument that profits are taking precedence over American values is wrong. Will supporting PNTR empower the reform movement? Can promoting free enterprise in China undermine the grip of the government? I think it can...

Kent Conrad (D-N.D.): I am hopeful that the WTO's multilateral dispute resolution system will be more successful than our past unilateral efforts to hold China to its commitments. The simple fact is that the current system has not worked well. There has been no neutral arbitrator to resolve disputes.

Bob Kerrey (D-Neb.): What better way to promote democracy in China, a nation that has long lacked a strong rule of law, than to encourage its participation in institutions like the WTO with strong dispute resolution mechanisms.

John McCain (R-Ariz.): The United States, by maximizing its presence in China through commercial investment and trade, can be of immeasurable assistance to the Chinese population in ensuring that that conflict between economic growth and political repression is resolved in the direction of liberalization. Opponents of engaging China in trade should be aware that membership in the World Trade Organization carries with it responsibilities that are at variance with Communist Party practice. Denying PNTR to China won't stop its unfair labor practices or its environmental devastation. So while I would have liked to see these

issues addressed in this legislation or in the bilateral agreement, on balance, the risk of not engaging China at this time far outweighs any value we would gain by signaling to China that we still do not approve of its practices and policies. That symbolic signal would only strip U.S. of the leverage that WTO membership brings with it to hold China accountable and effect real progress...

Jeff Bingaman (D-N.M.): There is simply no benefit to be gained from attempting to isolate or ignore China at this time. It has not worked in the past, and it will not work in the future. As the PNTR debate moves forward, Congress must decide how it would like China to look five, 10, 15, 20 years from now. Do we want China to be a competitor, or an enemy? PNTR will place us in a particularly strong position to promote positive change in China and increase our capacity to pursue our long-term national interest.

Jay Rockefeller (D-W.V.): I fully realize that China has generally gone about its trading business however it saw fit, doing whatever it wanted and barring most competition. That cannot continue, and that is exactly why I believe we must bring China into and under the scrutiny of the WTO.

Herbert Kohl (D-Wisc.): The World Trade Organization will bring China the prestige and respect it craves, but at a price. The members of the WTO will not let themselves be taken advantage of in trade matters.

Patrick Leahy (D-Vt.): This legislation will not undermine U.S. efforts to use a full range of policy tools — diplomatic, economic and military — to address any potential Chinese noncompliance with American interests or international norms...

Joe Biden (D-Del.): China's growing participation in the international community over the past quarter century has been marked by growing adherence to international norms in the areas of trade, security, and human rights. If you want to know what China looks like when it is isolated, take a look at the so-called Great Leap Forward and the Cultural Revolution. During those periods of modern Chinese history perhaps 20 million Chinese died of starvation, religious practice was almost stamped out entirely, and China supported Communist insurgents in half a dozen African and East Asian countries. I will cast my vote today in favor of change, in favor of closing that sad chapter in China's long history.

Strom Thurmond (R-S.C.): Given China's record, why should the United States grant permanent normal trade relations? I believe, that in the long term, Americans as well as Chinese will be better off as China joins the international economic system. There is no doubt there will be obstacles and slow progress in the short term. It will take years for the Chinese to fully open up their economy and develop the legal infrastructure that will facilitate trade and commerce. I recognize that China

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PNTR Debate... *(Continued from page 11)*

has made fundamental internal economic reforms, moving away from a Marxist state-run economy and centralized planning. The road to democracy is paved with free markets. Free trade is the bridge to reach out to the Chinese...

I do not expect all of this to go smoothly. But I do anticipate that opening economic doors will open other opportunities for prosperity and freedom for the Chinese people. As China develops a vibrant free market and a more open and democratic society, the Chinese people will be better off, American security will be strengthened, and the prospects for international peace will be greatly improved...

William Roth (R-Del.): The WTO is exactly the sort of multilateral institution that can act as a reinforcing mechanism to make China's interests more compatible with ours. As that happens, and as China's economic success increasingly comes to depend on stable and peaceful relations with its trading partners, Beijing will be more apt to play a constructive regional and global role...

U.S. SENATE DEBATE — ARGUING AGAINST

Robert Byrd (D-W.V.): The Senate is about to make a grave mistake. It is hard for me to believe that after a year which has seen the Chinese Government rattling sabers at Taiwan, continuing to brutally repress religion, and, generally, behaving like the "Bobby Knight" of the international community — after a year like that — the Senate is still determined to hand the Chinese a huge early Christmas present called permanent normal trade relations. We are running a \$70-billion deficit with China. China's string of broken promises on trade and nonproliferation matters is longer than the Great Wall of China. Yet, a majority in this Senate has agreed to put all of its eggs into one basket and rush to pass PNTR. "Don't worry. Be happy," says the administration.

PNTR will encourage mainly one phenomenon, namely, more U.S. corporations will move operations to China to capitalize on low-wage production for export back here to the United States.

Additionally, unlike the Japanese yen or the euro, or the Mexican peso, the exchange value of the Chinese

currency does not float in the international market. It is largely determined by the Chinese government. In 1994, the Chinese devalued their currency in order to expand their exports and reduce their imports. Nothing in the bilateral agreement we have negotiated with China prevents the Chinese from such manipulation again.

In 1992, the Chinese and U.S. governments signed a memorandum of understanding in which China agreed to provide access to U.S. goods in its markets, and to enforce U.S. intellectual property rights. President George Bush hailed this agreement as a breakthrough. The USTR under President Bush claimed that the 1992 agreement would provide "American businesses, farmers, and workers with unprecedented access to a rapidly growing Chinese market with 1.2 billion people." Well, since that much-touted 1992 agreement, U.S. exports to China have risen by about \$7 billion. But look at this: imports from China to the United States have risen by \$56 billion. Who won that round?

Yet, the Clinton administration continues to claim that this new agreement will ensure the political triumph of democracy-loving, U.S.-friendly, free-market leaders in China, who can be trusted to live up to their end of the bargain. Someone downtown must be popping "gullible" pills. That claim gives new meaning to the word "naïve."

The objective for U.S. business is not access to the Chinese domestic consumer market. Forget it. They cannot afford our goods. The objective is the business-friendly, pollution-friendly climate in China, which is advantageous for moving production off U.S. shores and then selling goods, now made in China, back to the United States — selling goods made by American manufacturers that move overseas back to the United States.

Are we really going to expect anything different from a deal with the Chinese? Our trade deficit reached \$340 billion in 1999. China accounts for 20 percent of the total U.S. trade deficit. A U.S. International Trade Commission report stresses that China's WTO entry would significantly increase investment by U.S. multinationals inside China. Additionally, the composition of Chinese imports has changed over the last 10 years. In 1989, only 30 percent of what we imported from China competed with our high-wage, high-skilled industries here in the U.S. By 1999, that

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PNTR Debate... (Continued from page 12)

percentage had risen to 50 percent.

The unvarnished, unmitigated, ungussied up truth is that American companies are eagerly eyeing China as an important production base for high-tech products. And these made-in-China goods are displacing goods made in the good ole USA. Additionally, most U.S. manufacturing in China is produced in conjunction with Chinese government agencies and state-owned companies. So much for the claim that U.S. corporate activity in China benefits Chinese entrepreneurs, and will lead to privatization and, lo and behold, the emergence of a democratic China. Get it?

PRESIDENT CLINTON'S REMARKS UPON SENATE PASSAGE OF HR-4444 (Sept. 19, 2000)

There is much more at stake here than our economic self interests. It's about building a world in which more human beings have more freedom, more control over their lives, more contact with others than ever before, a world in which countries are tied more closely together, and the prospects for peace are strengthened.

Trade alone won't create this kind of world, but bringing China under global rules of trade is a step in the right direction. The more China opens its markets to our products, the wider it opens its doors to economic freedom and the more fully it will liberate the potential of its people.

When China finishes its negotiations and joins the WTO, our high-tech companies will help to speed the information revolution there. Outside competition will speed the demise of China's huge state industries and spur the enterprise of private sector involvement.

They will diminish the role of government in people's daily lives. It will strengthen those within China who fight for higher labor standards, a cleaner environment, for human rights and the rule of law.

We will find...that America has more influence in China with an outstretched hand than with a clenched fist. Of course, none of us should think for a moment that any of these outcomes are guaranteed. The advance of freedom ultimately will depend upon what people in China are willing to do to continue standing up for change. We will continue to help support them...

PRESIDENT CLINTON'S REMARKS UPON SIGNING OF CHINA PNTR (Oct. 10, 2000)

...Opening trade with China will not, in and of itself, lead China to make all the choices we believe it should. But clearly, the more China opens its markets, the more it unleashes the power of economic freedom, the more likely it will be to more fully liberate the human potential of its people. As tariffs fall, competition will rise, speeding the demise of huge state enterprises. Private firms will take their place and reduce the role of government in people's daily lives. Open markets will accelerate the information revolution in China, giving more people more access to more sources of knowledge. That will strengthen those in China who fight for decent labor standards, a cleaner environment, human rights,

and the rule of law...

I think this is a good economic deal for America. I think it will increase our exports and, over the long run, will strengthen our economic position in the world. But I think, by far, the most important reason to ratify this agreement is the potential it gives us to build a safer, more integrated world.

Like all people in the United States, the Chinese people ultimately will have to pick their own path. And they will make their own decisions. We can't control what they do, but we can control what we do...

Virginia... (Continued from page eight)

widespread contamination from kepone, a toxic insecticide formerly used in the manufacturing of ant and roach traps. Subsequent investigations found that a manufacturer routinely disposed of kepone down storm drains and through the Hopewell sewage plant. The contamination led to the closing of the James River and its tidal tributaries to commercial and sport fishing. Kepone is still present in the river today, although at levels considered safe by the U.S. Food and Drug Administration. However, as of 2006, the State Health Department still advises against eating large amounts of fish from the river."

Workplace fatalities have dropped by more than 64 percent since 1970 after rules were put in place by OSHA. Average volatile organic compound emissions have dropped by more than half since 1990 due to the Clean Air Act. "Some manufacturers recognize the benefits and go beyond minimum regulatory requirements," says the study.

Some of Virginia's manufacturing sectors have been pummeled by globalization and differences in labor costs. Virginia's apparel industry lost 87 percent of its workers between 1997 and 2004, dropping from 25,800 to 3,315. The computer and electronic products manufacturing sector lost 49 percent of its workforce, dropping from 29,885 in 1997 to 15,231 in 2004. But since 2004, manufacturing job losses have moderated, and Virginia's economy has strengthened, with an unemployment rate of only 3 percent.

"To maintain and develop a strong manufacturing sector it appears that there are some issues that may be more critical for manufacturers than the costs to comply with Virginia regulations," states the report. "An effective and well coordinated statewide approach to building a workforce is particularly needed....Any efforts to support the sector need to articulate how Virginia can complement the federal American Competitiveness Initiative, particularly on international trade and global competitiveness issues that are largely beyond Virginia's control."

The 168-page study, which compares Virginia's regulatory and tax burdens to Maryland, Pennsylvania, North Carolina, Tennessee and Georgia, is located at <http://jlarc.state.va.us/Reports/Rpt342.pdf>.

Manufacturing Czar Takes Leave Before Facing A Congressional Storm

The federal government's manufacturing "czar" is calling it quits. **Al Frink**, an executive with a carpet manufacturing company in Los Angeles prior to his appointment in July, 2004, has announced he will step down from the post of Assistant Secretary for Manufacturing at the Department of Commerce effective January 31, 2007. He plans to stay active in the manufacturing community, sitting on various boards.

Frink is leaving at an appropriate moment. The new Democratic Congress has expressed frustration with the Bush administration's lack of interest in manufacturing issues and some powerful members have pledged to begin investigations and oversight into the activities of Frink's office.

Commerce Department Secretary Carlos Gutierrez says Frink has helped implement 35 of the 57 recommendations that were contained in the 2004 Commerce Department report "Manufacturing in America: A Comprehensive Strategy to Address the Challenges to U.S. Manufacturers." Here is a list provided by Frink's office of those items that have been accomplished, and those that have not yet been checked off the "to-do" list.

MANUFACTURING POLICY RECOMMENDATIONS IMPLEMENTED

- Create an Assistant Secretary for Manufacturing and Services to serve as chief advocate for the manufacturing sector and implement recommendations.
- Create an Office of Industry Analysis to assess the cost competitiveness of American industry and evaluate the impact of domestic and international economic policy on U.S. competitiveness.
- Establish the Manufacturing Council to foster coordination and communication among U.S. industry and the federal government.
- Establish an Interagency Working Group on Manufacturing to coordinate the implementation of recommendations and the development of new initiatives.
- Promote Health Savings Accounts as established in the 2003 Medicare bill.
- Implement new technologies, such as bar coding and electronic prescribing, to prevent costly medical errors.
- Enact Class Action reform.
- Office of Management and Budget to lead a comprehensive three-step process to reduce the burden of regulations.
- Pass the President's energy plan.
- Enact legislation to enable modernization and increased reliability of electricity production and distribution.
- Enact legislation to facilitate adequate and economic supplies of natural gas.
- Congress to ensure future for clean-burning coal and nuclear power.
- Fund the Hydrogen Fuel Initiative.
- Review of current R&D programs important to manufacturing to ensure appropriate focus on innovation and productivity-enhancing technologies.
- Establish a new Interagency Working Group on Manufacturing R&D and prioritize future federal support to advanced manufacturing technology.
- Expand the reach of programs providing technical assistance standards agencies, national metrology institutes and regional metrology organizations in the developing world.
- Coordinate the Manufacturing Extension Partnership fully with other Department of Commerce programs.
- Encourage the Small Business Innovation Research and Small Business Technology Transfer Programs to focus on manufacturing.
- Explore the establishment of cooperative research programs on manufacturing technologies among national laboratories, universities, the SBIR program, community colleges and state and local technology development associations.
- Create an interagency federal task force to address the structural economic challenges facing manufacturing communities.
- Press for the elimination of barriers to trade in financial services in the World Trade Organization and other trade agreements.
- Pursue elimination of foreign tariff and non-tariff barriers for exports of U.S. manufactured goods.
- Aggressively investigate allegations of intellectual property theft.
- Promote the protection of U.S. intellectual property by expanding cooperative efforts with other countries.
- Establish an Office of Investigations and Compliance within the Department of Commerce.

(Continued on next page)

Accomplishments... (From page 14)

- Establish a task force within the Department of Commerce Import Administration to investigate allegations of foreign unfair trade practices.
- Establish an office to coordinate China and non-market economic investigations.
- Consolidate export functions under a new Assistant Secretary for Trade Promotion.
- Accelerate the implementation of the President's National Export Strategy.
- Implement a joint public-private global supply chain initiative to promote access by America's small- and medium-sized manufacturers.
- Promote the global recognition and use of U.S. technical standards.
- Review the existing structure of the U.S. foreign trade zone program.
- Conduct a Treasury study of tax simplification focusing on manufacturing, including depreciation and the corporate alternative minimum tax.
- Enact legislation on pension reform including improving funding rules.
- Pass legislation creating a coordinated high schools and technical education improvement program.

MANUFACTURING POLICY RECOMMENDATIONS NOT YET IMPLEMENTED:

- Initiate a benchmark analysis used to measure progress toward improving the economic environment for manufacturing in the U.S.
- Create an Intergovernmental Committee to foster coordination among federal, state and local governments.
- Eliminate the death tax and make tax cuts permanent.
- Make the Research and Experimentation Tax Credit permanent.
- Adopt tax incentives to increase savings.
- Pass legislation to create and fund association health plans.
- Accelerate the Food and Drug Administration's review of generic drugs.
- Enact medical liability reform.
- Enact asbestos litigation reform.
- Pass legislation to strengthen the U.S. Patent & Trademark Office by reducing the delay of time for issuing patents and protecting intellectual property.
- Strengthen partnerships to promote manufacturing technology transfer to ensure broad diffusion of technology particularly to small- and medium-sized manufacturers.
- Ensure critical infrastructure that enables standards development organizations in the U.S. to establish needed security standards for industrial control systems.
- Promote standards to better protect industrial control systems through communication among the federal agencies and rapidly transfer research advances to the private sector.
- Undertake a benchmark analysis of the existing

skills of the U.S. workforce and future needs of the manufacturing sector for educational programmatic changes at the federal level and curricula at the local level.

- Pass legislation creating Personal Reemployment Accounts to assist Americans who need the most help getting back to work.
- Review the existing worker adjustment programs and provide recommendations for their integration into a coordinated approach to adjustment, reemployment and retraining.
- Pass legislation to strengthen the Workforce Investment Act.
- Encourage growth and development of foreign capital markets by promoting market based prices and interest rates and the phase out of subsidies and direct lending.
- Negotiate liberalization of markets by expanding the existing prohibitions on a broader range of subsidies and strengthening rules against government financing of the private sector.
- Enhance the effectiveness of trade enforcement tools.
- Create stronger mechanisms for countering trade practices that are not subject to trade disciplines.
- Support the passage of a revised Export Administration Act.

Congressional Malfunction: 2007 Budget Bites The Dust

Republicans left town on December 9 without passing a budget for most of the federal government for the 2007 fiscal year that started on November 1. This "record of dismal failure" must now be addressed by incoming Democrats, say the two men who will lead the House and Senate Appropriations Committees. Their solution is to pass a year-long joint resolution that will, for the most part, keep government funding at the 2006 level. "This path provides the best way to dispose of the unfinished business quickly, and allow governors, state and local officials and families to finally plan for the coming year with some knowledge of what the federal government is funding," write Sen. Robert Byrd (D-W.V.) and Rep. Dave Obey (D-Wisc.) in a joint statement. It will be year without earmarks.

The solution is not ideal, but Congress will receive President Bush's 2008 budget request in early 2007 and the Democrats want to clear the decks in order to "give the President's new budget the attention and oversight it deserves and requires," say the two men. "The last time each of the appropriations bills were passed by Congress individually and signed into law on time was 1994 — the last time we both chaired the Appropriations Committees. That is the best way to govern and we are committed to that effort."

The statement, along with a six-page report titled, "The Republican Legacy: Bad Budgeting Creates Burdens for Years to Come," is located at the House Appropriations Committee's Minority Web site: http://www.house.gov/appropriations_democrats/press/pr_121106.shtml.

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