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'MAIN STREET VERSUS WALL STREET'

Asian Currency Manipulation Riles Members Of Congress

Currency manipulation by Asian countries is becoming a big political issue among members of Congress worried about the loss of good jobs in their districts. In a set of two hearings held May 9 involving three House subcommittees, something believed not to have been done before, both Republicans and Democrats expressed concern over the Bush administration's policy of not citing Japan and China as countries manipulating their currencies. The practice provides those countries' export-oriented industrial companies a substantial advantage over American industry, leading to the destruction of U.S. jobs, cities and towns, they said.

One member of Congress, Rep. Brad Sherman (D-Calif.), described the \$233-billion trade deficit with China as being "the most cancerous and lopsided trade relationship in the history of mammalian life." China's currency practices amount to "criminal" behavior, Sherman told members of the Bush administration. "There are people in my district who lost their jobs as a result of the Chinese currency manipulation, became an alcoholic and committed suicide. Usually when a crime is committed and death results, police action is immediate."

In hearings that were contentious, serious, educational and long, only a few speakers defended a go-slow approach to confronting China and Japan, mainly Republicans from non-industrial districts and Steven

Roach, chief global economist for Morgan Stanley. "Everyone wants to bash China here," said Roach at one point during the proceedings. China is making progress, he argued. Its

policies are benefiting Americans through lower consumer prices and lower interest rates. Even if China realigned its currency, the U.S. would still maintain a huge trade deficit.

"We can't delude ourselves into thinking that we can have a bilateral fix for a multilateral problem," Roach said. "That is flawed macroeconomics. I sincerely worry that you in the Congress are moving into very dangerous territory if you contemplate trade legislation aimed directly at China. I fear this approach could backfire and unleash forces that would have an adverse impact on the U.S. economy and on middle-class American workers." Forcing the issue, he insisted, "could be a major policy blunder of monumental proportions."

That sentiment was not shared by the majority of others testifying, who

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Taking It To The Streets: New Coalition To Hold Trade Meetings In Primary States

The recently created Coalition for a Prosperous America Inc., a coalition of manufacturers, manufacturing trade associations, farm organizations and labor pushing for trade reform, has scheduled a large-scale town-hall meeting for Ames, Iowa, for June 21. The group also plans to hold similar meetings in New Hampshire and South Carolina, two other early presidential primary states.

The meetings are designed to elevate issues related to globalization and trade with a view toward prompting politicians to take a stand on changing policies that encourage massive trade deficits. The strategy is a continuation of the successful town hall meetings conducted over the

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Dept. Of Energy Outlines Strategy For Nuclear Revival

The United States and Japan have entered into a partnership to develop and build a new generation of nuclear reactors that can reduce the production of weapons-grade plutonium and can be built in developing nations. The U.S.-Japan Joint Nuclear Energy Action Plan is described by Energy Secretary Sam Bodman as being "historic," and will provide the "foundations for the two countries to create a nuclear renaissance."

The plan, signed by principals in Japan and the United States on April 18, will allow the two countries to conduct joint R&D into fast reactors and the fuel cycle, establish programs "that support the construction of new nuclear plants and create a nuclear fuel assurance" program. The two countries hope to preside over the expansion of small- and medium-sized nuclear power plants throughout the world. Westinghouse Electric based in Pittsburgh, Penn., one of the country's largest nuclear reactor vendors, is now owned by the Japanese firm Toshiba.

The action plan with Japan falls under the Energy Department's Global Nuclear Energy Partnership, which seeks to bring about a "significant, wide-scale use of nuclear power" while reducing the risks of non proliferation. "In the United States, there is growing recognition of the need to start building new nuclear power plants as soon as possible and to rebuild our national nuclear infrastructure," says the Global Nuclear Energy Partnership Strategic Plan released earlier this year.

The United States has a long way to go to get back into the global nuclear game, according to the plan, which is written in a refreshingly forthright manner. It will require a major new commitment by the federal government to re-ignite virtually every segment of the U.S. nuclear power industry, says the plan. "The magnitude of this effort is large and involves significant domestic political challenges, as well as a substantial international effort," says the plan. If the United States does not get re-engaged in the global nuclear industry, then it will

lose any authority it might have in dealing with the growing accumulation of plutonium "that could be misused by rogue states," says the plan.

"The nuclear capability of the United States has atrophied over the past 30 years since the last nuclear plant construction permit was issued," notes the DOE strategic plan. "We no longer have the capability to forge the ingots needed to fabricate major nuclear reactor components. Whereas the U.S. was once the unquestioned leader in enrichment technology we currently meet only a portion of our domestic demand with outdated technology and we depend on foreign sources for more than 80 percent of our enriched uranium requirements. We have no domestic commercial fuel recycling facilities, no operating fast- or gas-cooled reactors and no operating high-level nuclear waste repository. Further, each year less and less of the nuclear material in

international commerce is of U.S. origin and therefore subject to U.S. consent over its transfer and use."

The United States, must "get back into the commercial business and assume an active role" so that the country can "shape the rules that apply to it."

The United States has one advantage that it can utilize. It has the world's largest number of operating reactors. "Access to our market is itself a form of leverage," says the DOE strategic plan. "However, much international interest in the Global Nuclear Energy Partnership and the resurgence of U.S. leadership is predicated on the assumption and belief that the United States will follow its words with concrete actions. Prospective partners await congressional action on the GNEP budget and will in part gauge the responsiveness of their actions by it."

Getting Congress to appropriate funds for a revitalized nuclear energy program "is absolutely essential," states the plan. "How we spend those funds and how we leverage them to achieve the greatest effect is an equally important issue."

Revitalizing the U.S. nuclear industry cannot be done based on increased research but on the need to build facilities "that have true commercial value in order to succeed," states the Energy Department. "If GNEP ends 15 or

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NIST Seeks Bids For Nanotech Projects

The National Institute of Standards and Technology is seeking proposals for nanotechnology research projects associated with its newly created Center for Nanoscale Science and Technology (CNST). "Researchers interested in working at the facility can now submit proposals for review in any nanotechnology research area," according to Michael Baum of NIST's Office of Public and Business Affairs. "The center will accept both proprietary and non-proprietary research proposals. Non-proprietary research may qualify for a partial waiver of use fees if the project falls within CNST's mission. Non-proprietary proposals are expected to lead to publication of research results in the open scientific literature."

The new center includes a 16,000-square-foot Class-100 clean room fabrication facility with more than 30 state-of-the-art tools, such as photolithography, ion beam and etching equipment. The fab is capable of "creating, measuring and inspecting nanoscale devices with dimensions as small as 10 nanometers," notes Baum. For more information, go to http://www.nist.gov/public_affairs/releases/cnst050107.html.

RAMPING UP:

Offshore Outsourcing Engulfs High-Value Corporate Functions

Offshoring is entering a new high-growth era, one that is encompassing core business functions such as research and development, engineering and product design, according to a report from Duke University's Fuqua School of Business's Offshoring Research Network and Booz Allen Hamilton. Companies are quickly growing their offshoring functions associated with innovation activities because of growing demands for highly skilled personnel.

"Relocating core business functions such as product design, engineering and R&D represents a new and growing trend," says the university. "Although labor arbitrage strategies continue to be key drivers of offshoring, sourcing and accessing talent is the primary driver of next-generation offshoring."

The reason for this: a looming shortage of skilled scientists and engineers in the United States. Companies dependent upon such talent are being driven to outsource skilled functions to offshore locations. The shortages are impacting all industrialized countries and are "creating a global race for talent," says Duke, which surveyed 537 firms in the U.S., UK, Germany, Netherlands and Spain.

"Until recently, offshoring was almost entirely associated with locating and setting up IT services, call centers and other business processes in lower-cost countries. But IT outsourcing is reaching maturity and now the growth is centered around product and process innovation," says the study entitled "Next Generation Offshoring: The Globalization of Innovation."

From 2005 to 2006, offshoring of product development projects increased by 40 to 50 percent "from an already significant base," says the report. "Over the next 18 to 36 months, growth in offshoring of product development projects is forecast to increase by 65 percent for R&D and by more than 80 percent for engineering services and product-design projects."

Small companies are now on board, with 48 percent of those responding to the Duke survey reporting that their first offshoring initiatives involve product development projects. "Small companies discover that offshoring of innovation projects can significantly leverage limited investment dollars and greatly increase speed to market. Also, in contrast to large companies, small players make extensive use of Web-based technologies in coordinating and collaborating across the globe...Offshoring is no longer about moving low-paid jobs elsewhere, but about sourcing highly skilled talent everywhere."

This trend is not leading to the loss of jobs in

industrialized nations, however. "Contrary to various claims, fears about loss of high-skill jobs in engineering and science are unfounded," says the study. As companies hire more engineers and scientists offshore, "fewer jobs are being eliminated onshore. The percentage of offshore projects resulting in onshore job losses has decreased by 48 percent since 2005," says the study. "More significantly, the number of jobs lost onshore per offshore projects has dropped by 70 percent. In particular, 90 percent of all R&D offshore implementations created no job losses onshore."

As companies hire more specialists offshore, those who remain will have to "rethink their roles, learn to cross institutional and cultural boundaries, communicate and collaborate within international teams and compete with remote counterparts," says the study. "In effect, although fewer high-skill jobs will become redundant, the very essence of jobs will change as innovation activities are reorganized globally."

China is the preferred location for offshoring procurement and product-development projects, mainly in support of manufacturing operations that have been established there.

Among other trends:

- More than 50 percent of companies are now engaged in offshoring, "following an exponential growth pattern," says the study.
- Offshoring accelerates during economic slowdowns because companies use the technique to cut costs.
- Offshoring of information technology projects increased by an average of 27 percent per year between 2001 and 2005.
- Product development, including software product development, is the second largest function being offshored by companies.
- Offshoring of finance, accounting, human resources and other business processes is growing by 35 percent per year.
- Double-digit growth continues for offshoring call centers and help desks.
- The offshoring of finance, accounting, marketing and sales functions is growing at approximately 50 percent per year. "The high growth rates for the offshoring of core functions of value creation with companies is a remarkable development," says the study.
- Offshoring of product design functions grew by 50 percent in 2006; engineering services and R&D grew by 50 percent.

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Town Hall Meetings... (Continued from page one)

past three years by Nucor Corp. Those events, held in locations near the company's steel mills, attracted thousands of attendees and helped change control of Congress by ousting free-trade politicians, most of whom were Republicans.

"Nucor championed it for a long time and they want somebody else to step up, so we're the driver on a lot of this stuff," says ~~Fred Stokes~~, president of the Organization for Competitive Markets, an agricultural group and one of the directors of the new coalition.

"We're going to be doing everything that we can to get turnout" at the Ames, Iowa, event. "I'm hopeful to have people from surrounding states with vans and busses coming into town — farmers for trade reform — and create a little clamor and catch some press. The whole idea is to take these people who aspire to be president to tell us where they are on this."

The coalition seems to be picking up steam. It has received solid financial backing from undisclosed corporate sponsors that will provide it with the finances needed to run a full-fledged grass roots campaign during the coming election cycle. It will press the case for fair trade in congressional districts whose incumbents have supported current free trade policies. "That little group of freshmen representatives who see things our way needs some company in Congress," says Stokes.

There is a sense among sponsors that the Washington establishment of multinational companies and retailers, along with the politicians and think tanks they provide with funding, have little intention of changing current trade policies. The only way for that to change is through the ballot box, and changing the makeup of Congress with new members willing to overhaul current policies. "If we do this right, 80 percent of the country is on our side," says Stokes. "We just have to motivate them."

Members of the board of

directors of the new group include Rob Dumont, president of the Tooling, Manufacturing & Technologies Association; Fred Stokes, executive director of the Organization for Competitive Markets; Jock Nash of Milliken & Company's Washington, D.C. office; Bob Johns, recently retired from Nucor; Charles Blum, president of International Advisory Services in Washington; David Anderson of the Colorado Springs Manufacturing Task Force; and ~~John Dittich~~, a Nebraska farmer with 4,500 acres of corn and soybeans and a leader in the American Corn Growers Association.

The board has been meeting regularly and has recently created a membership charter that allows

for one member, one vote, thereby reducing the influence of high-paying members over individuals and trade groups wanting to get involved. Individuals will be able to join for \$200. "Other coalitions, ad hoc groups, trade associations and the grass roots organizations have heard about us and we're hearing from them," says Stokes. "I'm very optimistic that we're going to be the rallying pole for a lot of folks," including the 200 organizations that were involved in lobbying for changes in country-of-origin labeling rules. "As we go down this road, we keep bumping into people who say 'I've been touched by this thing. I have a dog in this fight,'" says Stokes. "I want to join you guys. I think we're going to be pretty formidable before it's all over with and we're going to be very hard to ignore."

Nuclear Renaissance... (From page two)

so years from now with nothing but test facilities in use at our national universities, then how do we make international 'cradle to grave' fuel cycle services" available to the global nuclear community? "In another sense, it is the responsibility of *government* to demonstrate for industry the feasibility of closing the fuel cycle in a time frame and manner that can achieve the GNEP vision. The challenge is to design the incentives and controls to implement our technology pathway that can reconcile these competing imperatives."

The Energy Department proposes construction of three major facilities: a nuclear fuel recycling center to separate the components of spent fuel; an advanced recycling reactor to burn actinide based fuel to transform the actinides "in a way that makes them easier to store as waste and produces electricity"; and an advanced fuel cycle research facility to serve as an R&D center of excellence for developing transmutation fuels and improving fuel cycle technology.

The plan calls for the creation of a "decision package" to be delivered to the Secretary of Energy no later than June 2008 for the creation of a government-industry partnership to build a nuclear fuel recycling center and a prototype advanced recycling reactor that would consume plutonium and produce fuel for a new generation of reactors.

"Once the nuclear fuel recycling center is approved to accept spent fuel, shipments of fuel could begin from utilities, which would be a significant step in providing confidence in our nation's ability to meet its nuclear waste management responsibilities," says the plan.

R&D would continue in parallel with construction, thereby allowing the United States to "save nearly a decade in time and a substantial amount of money while still engaging and reinvigorating the nuclear community with new facilities," says the plan. "Development by the U.S. of a credible program for construction of commercial fuel cycle facilities is a critical element of a strategy to convince any other nation considering beginning a nuclear energy program that they can rely on the U.S. for any of their fuel cycle needs. Making the U.S. a player in fuel cycle technology is vital to fulfilling the GNEP vision."

Economic Issues Take Back Seat In First Presidential Campaign Debates

The economic security of the nation was not much of a debating point among the eight Democrats and 10 Republicans vying for the 2008 presidential nomination. In two recent debates hosted by MSNBC, many dozens of questions were asked, with less than a handful focused on issues related to the economy. There was not a single question asked about trade or the potential impact of China or offshore outsourcing.

For the moderators from MSNBC, issues concerning economic security, trade, research and development and manufacturing were not worthy of time. The primary focus was on war and abortion.

Economic issues, however, did raise their head briefly.

In response to a question about Bush administration scandals, corruption and cronyism, former Republican Arkansas Gov. Mike Huckabee answered in this manner: "The most important thing a president needs to do is to make it clear that we're not going to continue to see jobs shipped overseas, jobs that are lost by American workers, many in their 50s who, for 20 and 30 years, have worked to make a company rich, and then watch as a CEO takes a \$100-million bonus to jettison those American jobs somewhere else. The worker not only loses his job, but he loses his pension. That's criminal. It's wrong. And if Republicans don't stop it, we don't deserve to win in 2008."

The only presidential contender among the 18 who mentioned manufacturing was Rep. Duncan Hunter (R-Calif.), in response to a question concerning taxes. He said: "Right now our manufacturers are getting killed.

We're seeing manufacturing move offshore because a dumb trade deal that we signed with the rest of the world allows all of our exports to be taxed twice while their exports to us are not taxed at all. The only way that we can even come close to leveling that playing field is to eliminate manufacturing taxes. So eliminate all taxes on American [companies] who will stay in the United States and make products and hire American workers."

Former Republican Massachusetts Gov. Mitt Romney responded to a question about Bush by stating: "We have to strengthen our economy and make sure that somebody who has been in the private sector all his life can protect American jobs." That sentence was one of seven in his response to a question about Bush's character and values. The others being protecting Americans against terrorism, adding 100,000 more troops to the military and strengthening the family.

When the moderator asked Sen. John McCain (R-Ariz.) about comments he has made concerning appointing prominent Democrats to a cabinet-level post if he is elected, McCain responded by saying: "The first three are Joe Lieberman and Joe Lieberman and Joe Lieberman." When pressed he said that he would ask Cisco Systems CEO John Chambers to serve in his administration. "I'd go to corporate America, I'd go to Silicon Valley and I'd say to John Chambers, who's a billionaire, 'You've made your money. Now come. Come and serve. Come and serve this country.'" McCain might not know that Chambers has said that Cisco is "trying to outline an

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A LOT OF ISSUES OTHER THAN ECONOMIC SECURITY

On May 3, 2007, MSNBC hosted the first debate of 10 Republican presidential nominees. Here are the issues that were discussed in chronological order:

- Iraq, Kurds, Muslims
- Don Rumsfeld
- Iran
- Cold War
- Jihadists, Osama bin Laden
- Gov. Arnold Schwarzenegger
- Crime
- Ronald Reagan
- Global Warming
- Organ Donations
- Compassionate Conservatism
- IRS
- Values
- Roe vs. Wade,
- Out-of-Wedlock Births
- Leadership
- Great Soldiers
- Great Americans
- National Defense
- Nuclear Weapons
- North Korea
- Ronald Reagan
- Moral Leadership
- Homosexuality
- Catholic Bishops
- Faith, In God We Trust
- Immigration, Border Fences
- Karl Rove
- Christian Conservatism
- Lower Taxes
- Republican Scandals, Corruption
- Family Structure, Ethics
- Ronald Reagan
- Special Interests
- Government Spending
- Budget Deficits, Pork
- Pro Life
- Racism
- Immigration
- Global Warming
- Decision-Making Skills
- Women in Prison
- Embryonic Stem Cells
- Tax Cuts, AMT, Capital Gains
- Potential for Democratic Cabinet Appointees
- Precision Weapons
- Sunni-Shia Differences
- True Conservatives
- Mainstream Media, Internet
- Women's Rights
- Iraq War Soldier Casualties
- National ID Card
- Scooter Libby Pardon
- Terri Schiavo
- Bill & Hillary Clinton
- Justices Alito and Roberts
- Islamic Fundamentalist Terrorists
- President Bush
- Ronald Reagan
- National Security
- War on Terror
- Energy Independence
- Kurdish State
- No Child Left Behind
- Health Care

Currency Debate... (Continued from page one)

said that continuing with the status quo could lead to an economic situation equal to what occurred in the 1930s.

Things got especially dicey in the afternoon when Bush administration political appointees from the Departments of Treasury and Commerce and the USTR made an appearance that frustrated committee members. Congress had invited Commerce Secretary Carlos Gutierrez, Treasury Secretary Henry Paulson and United States Trade Representative Susan Schwab to testify, given that the three committees calling the hearing — Energy & Commerce, Ways and Means and Financial Services — have jurisdiction over those agencies. Instead, the people sent to answer questions (or not answer them) were assistant deputies. Sources involved in the hearings said sending unknown political appointees before an historic hearing amounted to a snub by the Bush administration and one that will not soon be forgotten. Compounding the faux pas was the fact that the three invited Bush cabinet members met privately the previous day with representatives from the National Association of Manufacturers, a fact that was made known in a press release handed out at the hearing.

"I hope that our subcommittees from three exclusive House committees coming together today will send a powerful message to the administration that Congress is serious about the problem of currency under-valuation in Asia and that we intend to put turf battles aside and focus on resolving this matter most important to our economy and the well-being of our workforce," said Rep. **Luis Gutierrez** (D-Ill.). "Even more, I hope this hearing will send a strong message to U.S. manufacturers and American workers — we hear you and we're serious about tackling this problem."

Rep. Barney Frank (D-Mass.) said there is a growing disconnect between strong economic growth and workers "who are not profiting from it." Addressing currency manipulation will be one way of increasing the wellbeing of the

average American worker, he added. "We are going to act. Those of you who don't think this is the way to deal with it, in your own interest you ought to come up with another."

John Dingell, chairman of the House Commerce Committee, said that Japan's currency manipulation amounts to an export subsidy that is providing Japanese automobile makers with a price advantage that amounts to \$2,400 for a \$20,000 vehicle. The situation "must be dealt with decisively," said Dingell. Mustafa Mohatarem, chief economist at General Motors, said later that the subsidy amounts to as much as \$14,000 on a full-utility vehicle.

The morning hearing pitted two manufacturing company CEOs being adversely harmed along with representatives from labor and GM against Roach, who was in the unenviable position of throwing cold water on Congress's desire to act. C. Fred Bergsten, director of the Peterson Institute for International Economics, came down on the side of action — at least in the case of China, if it doesn't move on its own quickly. Former Commerce Secretary Don Evans, now CEO of the Financial Services Forum said the real issue is China's unwillingness to open its market to financial services, noting that **500 million Chinese have cell phones while only 1 million have credit cards.**

Roach insisted that U.S. economic problems rest squarely on America's shoulders, reflecting the country's unprecedented shortfall of savings, which averaged only 1 percent over the past three years, "the lowest in the history of any leading nation in the modern-day world economy."

Other panelists weren't buying it. It's wrong to insist "that the United States is doing something wrong and that we're at the mercy of Japan and China," countered Mohatarem of General Motors. Asia's strategy of export-based growth "produces the excess savings, which are being invested in the U.S. at very low rates. Why are foreigners earning a much lower rate of return on the investments in the U.S. than Americans earn abroad? The answer

is that the driver of the Japanese, Chinese and other Asian investment in the U.S. is not a desire to earn a higher rate of return but to support their exports. So a change in policy necessarily will mean a change in their export-based growth strategy. It's not necessarily our problem. It will cause some changes in the U.S., but let's face it — we are letting foreign countries distort our economy."

William Hickey, president of Lapham-Hickey Steel of Chicago, took issue with Roach's analysis that a big part of the problem is the U.S. budget deficit. Over the past 10 years, U.S. fiscal policy has produced deficits, surpluses and deficits. Yet every year, the trade deficit with China has worsened. "So the theory is great, but the theory doesn't work when other countries intervene," he said. "We are now importing 8 or 9 percent of Chinese GDP. This is a rigged game. Anybody who doesn't understand this has to have their head examined."

Hickey said he discovered six years ago that Chinese competitors were selling finished products to his customers for the same price his customers were paying for raw materials, and that currency was one of primary reasons for this discrepancy. He started raising the issue with politicians. "Every time this administration was pressed for some action on the currency, those pushing for action were either insulted or ignored," he told members of the three committees. "Now that the control of Congress has changed parties, we have a Department of Commerce that has conceded that non-market economies employ massive domestic and export subsidies. Now that the control of Congress has changed parties, we have a USTR that starts trade cases in the WTO against China. If control of this body had not changed, does anyone in this room believe that the administration would have taken any of these recent actions? We as a country need laws that ensure our companies and employees are not going to be destroyed by a policy of neglect by any administration at any time."

After listening to the testimony, Rep. Gutierrez described the

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Currency...*(Continued from page six)*

discussion as being a “dichotomy” between Roach representing the financial interests of Wall Street and Hickey and Brian O’Shaughnessy, president of Revere Copper Products, as representing employers manufacturing goods. “I think we’re going to have to make a decision of who we’re going to listen to — Wall Street or Main Street — those who actually develop and produce jobs for people” versus those who provide financing, Gutierrez said.

Roach countered that this is a false choice. Consumption has reached 71 percent of the U.S. GDP. “There has never been an example of a major economy that has consumed more of its national output than we’re doing in the United States right now,” he said. “So the idea of Wall Street versus Main Street misses the basic point. This economy is enjoying a consumption excess, the likes of which we have never had. We don’t save, and then we’re demanding that others who provide us with the saving play by our rules. Something is wrong with this movie.” The way to solve this problem is by reducing the budget deficit and by adopting a consumption tax, Roach insisted.

Roach’s comments raised the ire of Rep. Don Manzullo (R-Ill.), a champion of manufacturing interests in Congress over the past six years and a self-described “free trader.” “With all respect Dr. Roach, questioning a country’s monetary policy is not bashing that country any more than questioning the United States’s approach to China, and what we think may be a mistake or improper is not bashing the United States,” Manzullo said when he finally had his five-minute period for questioning. “We represent millions of people, thousands in my congressional district, who have lost high-paying manufacturing jobs. I don’t bash any country. I’m in pursuit of the truth and I think Dr. Roach, you should remove from your remarks the fact that you accuse us of bashing China. That’s not correct. We’re just trying to seek the truth and do the best for the people that we represent.”

Manzullo then scolded former Commerce Sec. Evans for characterizing China’s economy as being “underdeveloped” and too fragile to withstand a substantial adjustment of its currency. “I think when you say that, you encourage the Chinese to do absolutely nothing and not to grow up,” Manzullo said. “I’ve met a lot of Chinese and they’re graduates of the same colleges you guys went to. They know the system better than we do. In fact, they’re investing in our markets and making more money than we are. They understand the system. But at the same time, if they can develop a sophisticated rocket so precise that it can knock a satellite out of the sky then they cannot say their economy is underdeveloped. We have to realize we are actually dealing with a very sophisticated country.”

Brian O’Shaughnessy of Revere Copper Products Inc. said there is nothing theoretical about undervaluing a currency in order to subsidize manufacturing. “That’s what nations do in order to gain a competitive edge, to employ their people, to build up the kind of manufacturing infrastructure — that base, that strength,

that national security,” he said. “In my dealings in international business, any time I was involved with a customer or a competitor and their nation’s currency was valued lower, they were really excited. Manufacturing companies in countries that have that happen get really excited because they know it gives them a competitive edge.”

The afternoon session with three Bush administration officials was a testy affair, with numerous members of Congress voicing displeasure with the Treasury Department’s unwillingness to designate China as being a manipulator of its currency.

“It has not been our view that the Chinese policies are designed for the purposes of gaining unfair competitive advantage,” said Mark Sobel, deputy assistant secretary for international monetary and financial policy at the Treasury Department after being blistered by questions about the agency’s bi-annual report on the subject. “Our view is that China is part of a highly competitive East Asian economy, and that a Chinese upward movement in the currency may not have much impact in affecting the bilateral deficit.” China has an unusually high surplus with the United States because it has a high savings rate, Sobel told leery members of Congress.

But it doesn’t mean that the Treasury Department is happy with China, either. Far from it. “We’re totally frustrated with the pace of reform in China,” said Sobel. “We are not satisfied at all with the movement — the upward movement in the RMB, nor are we satisfied with the degree of currency flexibility that exists in the exchange system. And I can assure you Sec. Paulson pushes extraordinarily hard on this issue.”

Rep. Tim Ryan (D-Ohio), who has sponsored legislation addressing currency manipulation, said that his legislation has strong bipartisan support and is intended to give the administration a tool it needs to more effectively deal with China. “We’re trying to help you,” Ryan told Sobel. “We’re on the same team.”

But thousands of people in America are losing their jobs. School systems “can’t pass levies because of this,” Ryan said. “This is what this is coming down to. This isn’t a theory....It’s gotten to the point where we’re going to need congressional action.”

Rep. Sander Levin (D-Ill.), chairman of the Ways and Means Committee’s trade subcommittee and chairman of the hearing, said the day’s event sent a “clear message” to both the Bush administration and those countries manipulating their currencies. “I think there is movement here. I think there’s a growing awareness that the status quo won’t work....This testimony is going to accelerate the consideration of legislation.”

“Now that the control of Congress has changed parties, we have a USTR that starts trade cases in the WTO against China. If control of this body had not changed, does anyone in this room believe that the administration would have taken any of these recent actions?”

iNEMI's Latest Technology Roadmap: What's Hot In Global Electronics Sector

The global electronics industry is being transformed by technology, pressures on costs and prices, environmental and energy demands and the rapid migration of manufacturing and research and development to low-cost regions of the world.

That is the overall assessment of the latest technology roadmap produced by the International Electronics Manufacturing Initiative (iNEMI).

The roadmap is the result of two years of studying areas of potential growth in the electronics industry. With the engagement of 500 participants from 265 companies and organizations from 17 countries, the group concentrated on 19 technology areas to produce its 1,300-page roadmap.

Though it's difficult in such an exercise to predict the next big thing, the roadmap does highlight potential breakthrough opportunities for investment for companies engaged in one of the world's largest industries. One new area that shows promise is "printed" electronics. By using organic materials and a new generation of desktop graphics arts printers, technologists believe they can build very low-cost electronics.

"It would be a crude device in terms of feature sizes, but for very simple electronic devices like RFID tags, you can make them very low cost," says iNEMI executive director Jim McElroy. The electronic devices made out of electronic inks would not need to be created in multi-billion-dollar fabrication plants with complex equipment, clean rooms and fine feature sizes.

Other applications are magazine pages that change, pictures on walls that can change depending on your mood, or a purse that changes colors to match an outfit. "A supply chain is beginning to emerge," says iNEMI. "By building a printing infrastructure that uses organic and plastic materials instead of silicon, you can formulate materials that would have semiconductor properties. It's a whole new field because the infrastructure isn't there to do that." There is already a fair bit of investment being made in the technology, and a new effort has been initiated at the U.S. Display Consortium.

Other important trends outlined in the new iNEMI roadmap include having to meet growing regulatory requirements and market demands for more energy efficient, lighter, less environmentally destructive products. There are greater demands for reliable electronic systems used in medical devices, and electro-mechanical implants. There are growth industries associated with the rapid movement to home diagnostics and in big-iron types of systems such as medical imaging.

The development of environmentally benign

products is also a growth area. "People in our industry are beginning to realize that the positions we took five or 10 years ago were pretty defensive," says McElroy. "We weren't doing much and that is coming back to hurt us."

The industry is now "driving like mad to meet the European requirements" as well as similar restrictions in China. There is also a growing desire among companies for the United States to adopt federal environmental standards due to the growth of different requirements among individual states and localities.

There is also a "growing storm" with regards to energy consumption, McElroy notes. Nanotechnology holds great promise, and has helped iNEMI become more than a roadmapping organization. The group has created research projects in nanoparticles to depress reflow temperatures of lead-free solder. It just started a project on a nano-attach, looking at new ways to do electronics assembly at or near room temperatures.

These projects "are a change for us, moving to a more speculative type of collaborative activity," says McElroy. "It's a reflection of the fact that people are beginning to take to heart this idea that we have to have more innovation in order to survive."

For the first time in its history, iNEMI went to Asia to solicit input into its roadmap. The group's board of directors has also approved establishing an office in China, likely in conjunction with the IPC. Doing so will allow it to follow the migration of manufacturing and research and development to Asia that continues at a rapid pace. This shift "is more than just chasing low-cost labor," says McElroy. "China will be the workshop of electronics for some time to come, but we're seeing investment in Vietnam and India."

Even smaller electronics companies are moving production from high-cost areas to Asia. "It's a migration that doesn't stop," says McElroy. "It just keeps going."

Driving companies there is the need to innovate in order to enjoy higher margins and reap more profits. Product cycles are being compressed because of globalization, but it's still true that innovation provides a competitive advantage.

Also aiding that migration, McElroy notes, are the large numbers of students receiving technical degrees in developing nations.

McElroy says the United States is not adequately responding to the rapid growth of new centers of excellence in manufacturing and research and development overseas and that the U.S. has slipped behind the emerging countries in investment. "This is a long-term worry," he says. "We're still a tremendous source of talented people from universities, but others are going faster with much more intensity than we are."

The roadmap is available for \$250 for non members at <http://www.inemi.org/cms/roadmapping/roadmaporder.html>.

Those Complaining About Globalization Are Losers, Says Chicago Fed Scholar

The media is overblowing the negative effects of international trade, according to Robert Thompson, a professor at the University of Illinois at Urbana-Champaign and visiting scholar at the Federal Reserve Bank of Chicago. "Any time an employer closes up shop in a community — large or small — it is traumatic to the community and to the individuals involved," he writes in a recent "Chicago Fed Letter." With plant closings receiving high-profile media coverage, "Americans are under that false assumption that millions of jobs are moving offshore"

But the number is actually quite small — 55,000 per quarter — and the "problem is not nearly as large as it appears in the media," writes Thompson. Seven million Americans change jobs every three months.

"Economic theory tells us that when trade liberalization occurs, the gains of the gainers exceed the losses of the losers and the country as a whole ends up better off. It does not say there are no losers, but it does say that because the gains of the gainers exceed the losses of the losers, it should be possible to compensate the losers for their losses and still end up with a net gain to society."

The problem arises when industries that have lost their competitiveness start using protectionist arguments to keep a capability in the United States, when in fact cheaper imports provide increased consumer purchasing power and greater growth in GDP. "As a last resort, many petitioners for protection from lower-cost imports make the case that we need to protect a given industry because in a time of war it would be essential to have production capacity in that sector inside our country," writes Thompson. "Labor groups often argue that it is unfair for them to have to compete with 'cheap labor' in less developed countries. But that is exactly the point. In industries that are inherently labor intensive, there is no way we can be competitive and bidding up

wages (reducing poverty) in presently low-income countries is what economic development is all about. Unless they can sell us the products that use their most abundant, and therefore lowest-cost, resource — their labor — their wages will never rise. And they will never become good markets for the products in which we have a comparative advantage."

U.S. industries that are successful in receiving temporary protection for low-cost imports rarely want to give up this protection. "More often than not, the assistance is used as a subsidy to keep producing in the same manner as always with no adjustment occurring," writes Thompson. "Delaying adjustment in this way usually makes it more costly later on. This appears to be the case in many parts of the U.S. textiles and steel industries. There is also the situation in some parts of the agricultural sector, e.g. sugar, rice and cotton, which have received the largest production subsidies and/or highest import protection."

Thompson does not mention the fact the industries he cites are far more efficient in the United States — and pollute far less — than those in developing nations. Nucor president Dan DiMicco points out that it takes 15 man hours to produce a ton of steel in the United States versus 110 man hours to produce a ton of steel in China.

Offshoring Trends... (Continued from page three)

- Offshoring of procurement functions remains relatively low, about 10 percent per year, but is projected to be a major growth area in the future. "Whereas in 2005 marketing and sales were not even on the map, in the 2006 survey respondents expect to increase the offshoring of this function by up to 75 percent."

- Over the course of the next year, offshoring of engineering projects is expected to grow by 85 percent from 2006; product design offshoring is expected to grow by 82 percent; and growth of outsourcing of R&D projects is projected to be 65 percent.

"The 'core' activities of a company may be entirely redefined," says the study. "Significant growth in the offshoring of business functions that were previously considered core and unoffshorable indicates a shift in the underlying rationale for offshoring: companies are beginning to approach offshoring more strategically."

Companies are going to where there are the greatest enticements. When asked the top reasons for selecting an offshore location, 55 percent said that "government incentives" were the most important reason, followed by political stability (49 percent), location of best service providers (35 percent), language requirements (14 percent) and quality of infrastructure (9 percent).

"The sharp rise in the importance of government incentives indicates that incentives such as tax breaks, special economic zones and favorable investment policies make an impact on where offshoring investments are made," says the study.

The study found that the location choice for a manufacturing operation "is driven by a set of very different factors that may not match the drivers of location choice for the offshoring of services."

Companies find it to be more important "to offshore where talent is available at low cost versus where they may have a manufacturing operation," says the \$495 report, located at <http://offshoring.fuqua.duke.edu>.

Presidential Debate...

(Continued from page five)

entire strategy of becoming a Chinese company.”

On the democratic side, Sen. Joe Biden (D-Del.) received a question about how he intends to “reverse the brain drain” caused by the paltry number of students seeking advanced degrees in science and engineering compared to China and India. The country needs smaller class sizes and teachers who should be making as much money as engineers, he replied.

Sen. Barack Obama (D-Ill.) mentioned China in one answer, saying that country “is rising and it’s not going away,” adding: “They’re neither our enemy nor our friend. They’re competitors. But we have to make sure that we have enough military-to-military contact, and forge enough of a relationship with them that we can stabilize the region. That’s something I’d like to do as president.”

Sen. Hillary Clinton (D-N.Y.) was asked if Wal-Mart is a good thing or a bad thing for the United States. She replied: “Well, it’s a mixed blessing because when Wal-Mart started, it brought goods into rural areas, like rural

Arkansas where I was happy to live for 18 years, and gave people a chance to stretch their dollar further. As they grew much bigger, though, they have raised serious questions about the responsibility of corporations and how they need to be a leader when it comes to providing health care and having safe working conditions and not discriminating on the basis of sex or race or any other category. This is all part, though, of how this administration and corporate America today don’t see middle class and working Americans. They are invisible. They don’t understand that if you’re a family that can’t get health care, you are really hurting. But to the corporate elite and to the administration in the White House, you’re invisible. If you can’t afford college, you’re invisible. So I think we need to get both public sector and private sector leadership to start stepping up and being responsible and taking care of people.”

Sen. Chris Dodd (D-Conn.) proclaimed himself to be a “pro-growth Democrat serving on committees that deal with economic growth in this country.” He said that that experience will allow “us to go forward, create jobs and create prosperity.”

That was the extent of the discussion on economic issues after a total of three hours of debate.

A LOT OF ISSUES OTHER THAN ECONOMIC SECURITY

On April 26, 2007, MSNBC hosted the first debate of eight Democratic presidential nominees. Here are the issues that were discussed in chronological order:

- Iraq War is Lost, Dumb War
- Congressional War Vote
- War Funding, \$8 Billion per Month
- Heroic Troops
- Vietnam
- Mission Accomplished?
- Stay the Course?
- Kickbacks, Political Donors
- Poverty, \$300 Haircut
- Hedge Funds
- Lack of Health Care
- Attorney Gen. Gonzales
- Lobbyists, Money in Politics
- War Casualties
- Gaff Machine, Verbosity
- Preemptive War
- Soldiers Dying in Vain
- Negative Views of Hillary
- Universal Health Care
- Abortion, Roe vs. Wade
- Partial Birth Abortion
- Living Wage
- Supreme Court Nominees
- Virginia Tech Massacre
- NRA, Gun Control
- Health Care
- Repealing Tax Cuts for Wealthy
- NAACP, Poverty
- Political Mistakes
- Terri Schiavo
- Immigration
- Science Engineering Degrees
- Drug Tests
- Oil Company Profits
- Energy, Alternative Fuels
- Medical Insurance
- American Allies, China
- Israel, Palestine
- N. Korea, U.S. Enemies
- Russia
- Darfur
- War On Terror, 9/11
- Democrats Soft on Defense
- Al Qaeda, Terrorist Attacks
- Afghanistan
- Gay Marriage
- Global Warming, Flexible Fuel Vehicles
- Fidel Castro
- Nuclear Energy
- Earth Day
- Terrorism
- Iran
- Wal-Mart
- Democrats Losing the 2008 Presidential Bid

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Worldwide Shift From Incandescents To Compact Fluorescents Could Close 270 Coal-Fired Power Plants

BY LESTER R. BROWN

On February 20, 2007, Australia announced it would phase out the sale of inefficient incandescent light bulbs by 2010, replacing them with highly efficient compact fluorescent bulbs that use one fourth as much electricity. If the rest of the world joins Australia in this simple step to sharply cut carbon emissions, the worldwide drop in electricity use would permit the closing of more than 270 coal-fired (500 megawatt) power plants. For the United States, this bulb switch would facilitate shutting down 80 coal-fired plants.

The good news is that the world may be approaching a social tipping point in this shift to efficient light bulbs. On April 25, 2007, just two months after Australia's announcement, the Canadian government announced it would phase out sales of incandescents by 2012. Mounting concerns about climate change are driving the bulb replacement movement.

In mid-March, a U.S. coalition of environmental groups — including the Natural Resources Defense Council, the Alliance to Save Energy, the American Coalition for an Energy-Efficient Economy, and the Earth Day Network — along with Philips Lighting launched an initiative to shift to the more-efficient bulbs in all of the country's estimated 4 billion sockets by 2016.

In California, the most populous state, Assemblyman Lloyd Levine is proposing a phase out the sale of incandescent light bulbs in California by 2012, four years ahead of the coalition's deadline. Levine calls his proposed law the How Many Legislators Does It Take to Change a Light Bulb Act. On the East Coast, the New Jersey legislature is on the verge of requiring state government buildings to replace all incandescent bulbs with compact fluorescents by 2010 as part of a broader statewide effort to promote the shift to more-efficient lighting. New York and Illinois are also considering similar laws.

The European Union, now numbering 27 countries, announced in March 2007 that it plans to cut carbon emissions by 20 percent by 2020. Part of this cut will be achieved by replacing incandescent bulbs with compact fluorescents. In the United Kingdom, a nongovernmental group called Ban the Bulb has been vigorously pushing for a ban on incandescents since early 2006. Further east, Moscow is urging residents to switch to compact fluorescents. In New Zealand, Climate Change Minister David Parker has announced that his country may take similar measures to those adopted by Australia.

In April, Greenpeace urged the government of India to ban incandescents in order to cut carbon emissions. Since roughly 640 million of the 650 million bulbs sold each year in this fast-growing economy are

incandescents, the potential for cutting carbon emissions, reducing air pollution and saving consumers money is huge.

At the industry level, Philips, the world's largest lighting manufacturer, has announced plans to discontinue marketing incandescents in Europe and the United States by 2016. More broadly, the European Lamp Companies Federation (the bulb manufacturers' trade association) is supporting a rise in EU lighting efficiency standards that would lead to a phase-out of incandescent bulbs.

At the commercial level, Wal-Mart announced a marketing campaign in November 2006 to boost its sales of compact fluorescents to 100 million by the end of 2007, more than doubling its annual sales. In the U.K., Currys, Britain's largest electrical retail chain, has announced that it will discontinue selling incandescent light bulbs.

Switching light bulbs is an easy way of realizing large immediate gains in energy efficiency. A study for the U.S. government calculated that the gasoline equivalent of the energy saved over the lifetime of one 24-watt compact fluorescent bulb is sufficient to drive a Prius from New York to San Francisco. While a worldwide phase out of the inefficient incandescents would reduce world electricity use by more than 3 percent, shifting to more-efficient street lighting and replacing older fluorescent tubes with newer, more-efficient ones might double this reduction in power use.

Although highly efficient compact fluorescent bulbs have been around for a generation, they have until recently been on the fringe, used only by environmentally-minded consumers and typically sold in hardware stores, but not in supermarkets.

One reason consumers lacked interest was that the new bulbs can cost five times as much as incandescents. Only the more knowledgeable consumers knew that a compact fluorescent bulb uses only one-fourth as much electricity, lasts 10 times as long, and easily saves \$50 during its lifetime.

One disadvantage of compact fluorescents is that each bulb contains a small amount of mercury, roughly one-fifth the amount in a watch battery. This mercury is only a small fraction of that released into the atmosphere by the additional coal burned to power an incandescent.

Mercury released by coal-fired power plants is the principal reason why 44 of the 50 states in the United States have issued mercury intake advisories limiting the consumption of fish from freshwater streams and lakes. Nonetheless, worn-out compact fluorescents, watch batteries, and other items that contain mercury still need to be recycled properly.

Fortunately, this is possible, whereas the mercury

(Continued on next page)

PEOPLE:

The United States will soon have a new manufacturing “czar.”

President Bush has announced the nomination of Woody Sutton for the position of Assistant Secretary for Manufacturing and Services at the Department of Commerce. He replaces Al Frink who left the job earlier this year.

Sutton is a former U.S. Navy rear admiral and was most recently at the Air-Conditioning and Refrigeration Institute where he served as president for five years. Sutton has also been an officer of the National Association of Manufacturers' Council of Manufacturing Associations and served on the board of directors for the American National Standards Institute. While in the Navy, Sutton was an aide to President Ronald Reagan and director of programs in the Navy Office of Legislative Affairs. He holds a masters degree in naval architecture and marine engineering from MIT and a BS degree in naval engineering from the United States Naval Academy.

Rep. Marty Meehan (D-Mass.), one-time chair of the House Manufacturing Caucus, is resigning from Congress effective July 1. Meehan has decided to take a new job, as chancellor of the University of Massachusetts, Lowell. Meehan says that as head of the university, he will concentrate on bringing jobs to Lowell through training a new generation of skilled workers.

The National Association of Manufacturers is losing one of its top lieutenants. Patrick Cleary, senior vice president of communications, has announced his departure after 10 years at NAM. He has taken a job as director of digital public affairs for Fleishman-Hillard in Washington, D.C. Cleary says he will be doing on-line advocacy and corporate positioning for associations and manufacturers. NAM is expected to recruit a new person from outside the organization to fill Cleary's position.

The Specialty Steel Industry of North America has a new chairman. Douglas Kittenbrink, an executive with Allegheny Technologies Inc., has stepped in to replace Jack Shilling, also of ATI, who has recently retired. Kittenbrink is ATI's executive vice president of corporate planning and international business development.

The nomination of Michael Baroody, vice president of the National Association of Manufacturers, to head of the Consumer Product Safety Commission has run into opposition. A group of nine organizations including the Consumer Federation of America, the Center for Environmental Health, Public Citizen and the Consumers Union, claims that Baroody, in his position of overseeing NAM's public policy agenda, has “sided against consumers...time and time again,” says Joan Claybrook, president of Public Citizen. “His work has degraded safety and eroded hard-won public health protections.”

The groups claim that they “could find no evidence that NAM or Mr. Baroody have ever advocated for stronger regulatory safeguards.” NAM's CPSC Coalition has worked to oppose safety standards for such things as baby walkers, fire-safe cigarettes, guidelines for reporting product hazards, and improving the way consumers find out about recalls of dangerous children's products, they claim.

“Michael Baroody's nomination is putting the fox in the henhouse and that's the wrong decision for America's safety,” says Ed Mierzwinsky, consumer program director with U.S. PIRG.

A nomination hearing for Baroody is scheduled for May 24 before the Senate Commerce Committee's subcommittee on consumer affairs chaired by Sen. Mark Pryor (D-Ark.).

Light Bulbs...

(Continued from page 11)

spewing from coal smokestacks blankets the countryside, ending up in the water and food supply.

Shifting to the highly efficient bulbs sharply reduces monthly electricity bills and cuts carbon emissions, since each standard (13 watt) compact fluorescent over its lifetime reduces coal use by more than 210 pounds. Such a shift also substantially reduces air pollution, making it obviously attractive for fast-growing economies plagued with bad air like China and India.

In the United States, an ingenious Web site called 18seconds.org (the name derives from the time it takes to change a light bulb), provides a running tally of compact fluorescents sold nationwide since January 1, 2007. As of early May, it totaled nearly 37 million bulbs, yielding a reduction in carbon emissions comparable to taking 260,000 cars off the road.

Sponsored by Yahoo! and Neilson, the site also provides data on how many dollars are being saved and how much less coal is burned. Data are available on the Web site for each state, providing a convenient way of monitoring local progress in replacing incandescents.

The challenge for each of us, of course, is to shift to compact fluorescents in our own homes if we have not already. But far more important, we need to contact our elected representatives at the city, provincial, or state level and at the national level to introduce legislation to raise lighting efficiency standards, in effect phasing out inefficient incandescent light bulbs. Few things can cut carbon emissions faster than this simple step.

In a world facing almost daily new evidence of global warming and its consequences, there is a need for a quick decisive victory in the effort to cut carbon emissions and stabilize climate. If we can engineer a rapid phase-out of incandescent light bulbs it would provide just such a victory, generating momentum for even greater advances in climate stabilization.

— *Lester R. Brown is President of the Earth Policy Institute.*