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Michigan Professor Questions University's Ties With China

A professor of aeronautics engineering at the University of Michigan says his university is engaged in transferring sensitive military technologies to China and that the practice is encouraged by the university's faculty and administrators.

"We are transferring every bit of knowledge and knowhow that we have to the People's Republic of China," says tenured aeronautics engineering professor William Kauffman. "This has been happening for at least a decade. It is done by having many of [China's] undergraduate, graduate and postdoctoral students, who pay out-of-state tuition, here in Ann Arbor and having University of Michigan campuses staffed by University of Michigan faculty in the PRC."

The University of Michigan isn't happy with Kauffman and his claims. It has had him arrested by campus police; it has tried to revoke his tenure; and it has cancelled all of his classes that he teaches on explosives, internal combustion engines, gas turbine engines, rockets and propellants. He says the university's dean, provost, president and his department chair have placed him in "Siberia," but that he can no longer sit idly by and watch as the university opens campuses in China, allows faculty engaged in Defense Department research to meet with delegations of Chinese defense researchers, and ignores the plight of Michigan's industrial economy and its blue-collar workforce.

"I have decided that I must come forward and discuss what is happening at the University of Michigan and other academic institutions which is endangering U.S. economic and military security," he wrote in an e-mail forwarded to *Manufacturing & Technology News.*

Kauffman says he was astonished by his department's willingness to host a six-person delegation in mid April from China's Harbin Institute of Technology. He claims the group, which included Harbin's vice deans of aeronautics and mechanical engineering, was on a "technology shopping trip seeking to acquire any and all information available which would assist them in the production of better rockets which could be launched at U.S. targets."

The Harbin Institute, which has 60,000 students, has been associated with the production of a solid propellant ICBM factory, according to Kauffman and research he cites from testimony presented to the United States-China Economic and Security Review Commission. "Our

(Continued on page six)

Rudy Giuliani Benefits From Sale Of U.S. Highways To Foreign Companies

The sell-off of American highways to private companies coupled with the controversial plan to build the "NAFTA Superhighway" has become an explosive political subject in many states. The influx of foreign companies involved in becoming owners of public assets has further enraged the public, as have details about their financial ties with some of the country's most well-known politicians.

One of the biggest whoppers in the whole debate about political patronage and the sell-off of public infrastructure concerns the $100-million buyout of the firm owned by Republican presidential contender Rudy Giuliani by Macquarie, the big Australian investment banking firm.

Macquarie Infrastructure has partnered with the Spanish firm Cintra

(Continued on page four)

Commerce COO Spends Most Time On Trade

There aren't many people who, over the course of a year, can account for every minute they spend on the job. But David Sampson, the Deputy Secretary of the U.S. Department of Commerce, has done just that. As chief operating officer for the $4.5-billion agency Sampson has tallied his considerable workload.

Sampson is a busy guy.

The average American works 1,777 hours each year, but Sampson logged 2,236 hours. That's many more hours than working a 40-hour week, 52 weeks a year, which would be 2,080 hours.

Sampson spends less than 3 percent of his time on the National Institute of Standards and Technology, and only 1.23 percent of his time on the Technology Administration, which is tasked with creating the federal government's technology policy.

Fifty-six percent of his travel — 26,310 minutes or 430.5 hours a year — is dedicated to the International Trade Administration promoting U.S. exports, negotiating and enforcing trade agreements and regulating military goods and technology exports. His next most busy travel duty is as the agency lead for the National Oceanic and Atmospheric Administration, for which is spent 152 hours (or 19.51 percent of his travel time) on the road. Sampson has not taken a single trip on behalf of the Minority Business Development Agency, the Office of International Labor Affairs, Economics and Statistics Administration, the Patent and Trademark Office, the National Telecommunications and Information

DEPUTY SECRETARY TIME DISTRIBUTION (WITH TRAVEL)

Agency	Minutes	Hours	Percentage
NOAA	19,005	308.75	13.97%
BIS	3,240	54	2.38%
ITA	44,215	721	32.49%
EDA	6,610	110	4.86%
MBDA	510	8.5	0.37%
DepSec	32,225	517	23.68%
OLIA	1,905	31.75	1.40%
Census Bureau	1,140	19	0.84%
NIPLECC	210	3.5	0.15%
ESA	710	12	0.52%
PTO	1,695	28.25	1.25%
NTIA	1,195	20	0.88%
TA	1,675	28	1.23%
NIST	3,725	62	2.74%
CFO/ASA	10,480	174.75	7.70%
CIO	2,010	33.5	1.48%
Misc.	5,520	104	4.06%
TOTALS	136,070	2,236	100.00%

DEPUTY SECRETARY TIME DISTRIBUTION (WITHOUT TRAVEL)

Agency	Minutes	Hours	Percentage
NOAA	9,885	164.75	10.91%
BIS	1,740	29	1.92%
ITA	17,905	298.5	19.77%
EDA	3,385	56.5	3.74%
MBDA	510	8.5	0.56%
DepSec	27,575	459.5	30.44%
OLIA	1,905	31.75	2.10%
Census Bureau	1,020	17	1.13%
NIPLECC	210	3.5	0.23%
ESA	710	12	0.78%
PTO	1,695	28.25	1.87%
NTIA	1,195	20	1.32%
TA	1,105	18.5	1.22%
NIST	3,725	62	4.11%
CFO/ASA	10,480	174.75	11.57%
CIO	2,010	33.5	2.22%
Misc.	5,520	92	6.09%
TOTALS	90,575	1,510	100.00%

NOAA: National Oceanic and Atmospheric Adminstration; **ITA**, International Trade Administration; **MBDA**, Minority Business Development Agency; **OLIA**, Office of International Labor Affairs; **NIPLECC**, National Intellectual Property Law Enforcement Coordination Council; **PTO**, Patent & Trademark Office; **TA**, Technology Administration; **CFO/ASA**, Chief Finance Officer & Assistant Secretary for Administration; **BIS**, Bureau of Industry and Security; **EDA**, Economic Development Administration; **DepSec**, Deputy Secretary; **ESA**, Economics and Statistics Administration; **NTIA**, National Telecommunications & Information Administration; **NIST**, National Institute of Standards and Technology; **CIO**, Chief Information Officer.

QUOTABLE...

"By 2030, assuming current policy, China's energy demand will exceed that of the United States and will account for 19 percent of the world's total demand. By 2030 we expect the consumption of oil in China to be about 15 million barrels per day, with imports about 11 million barrels per day. China will introduce more stringent fuel efficiency standards in 2008 to rein in escalating demand for transportation fuels, which is driven by a projected increase in automobile ownership from 27 million cars in 2004 to 200 million to 387 million cars by 2030."

— David Pumphrey, Deputy Assistant Secretary of Policy and International Affairs, U.S. Department of Energy, before the U.S.-China Economic and Security Review

Toyota Has Won The Car Competition, But It Still Could Lose

Toyota has won the global competition for domination in the automobile industry, far surpassing GM in profits years ago, and soon to overtake the company in sales volume in the near future. The question isn't the precise day Toyota outsells GM, expected this year, "but how Toyota can lose," writes Jim Womack, author of the recently re-released "bible" on the Toyota Production System called "The Machine That Changed the World."

"The conventional wisdom is that [Toyota] may fumble on quality (as evidenced by recent recalls) or go soft on costs or stumble in trying to make Lexus a truly elite brand or fail to gain a stable production and sales base in the emerging markets of China and India," Womack writes. All of these things could happen, "but if they do, they will be symptoms, not the root cause" of Toyota's decline, according to Womack, president of the Lean Enterprise Institute. "Toyota's real challenge for the future is to introduce and sustain lean management and lean leadership at every point in a rapidly growing organization."

Toyota's torrid growth rate is producing a situation in which it will be difficult to train lean practitioners from the ground up and have them move into management positions. "There are too many new pupils and not enough mature teachers as Toyota opens new plants, engineering centers and supplier development groups across the world," writes Womack in an e-mail to clients. "Toyota's great risk, the way it can lose, is that its new managers and the managers in its new suppliers will revert to the old, mass-production mentality of the companies or schools they have come from. If this happens, Toyota's management performance will regress toward the mean. Instead of moving the whole world to embrace lean management, Toyota will become just another company, and that will be a tragic failure for all of us."

To avoid this potential failure, Womack says the company needs to teach managers at every level the importance of understanding problems from the source without any pre-conceived notion of fixes until the root cause is identified (a concept called gemba). "This means managing the organization's value-creating processes (value streams) by asking highly informed questions rather than managing results at the end of the reporting period. (The latter is simply another form of end-of-the-line quality inspection)," writes Womack. "Issuing crisp orders is the natural instinct of any boss. Indeed most bosses seem to think that by virtue of their experience and authority, they should be able to solve any problem lower in the organization. But orders from the boss rather than informed questions take away the lower-level managers' responsibility for solving problems. They start a vicious circle in which lower-level managers wait to be told what to do by higher-level managers who are much further from the gemba where value is created and who inherently have less — not more — knowledge of the best thing to do."

Nevertheless, Toyota has an inherent advantage over many companies — its growth is organic and is not generated by mergers and acquisitions, enabling it to train its own management on the Toyota Production System. "If it finds it can't grow lean managers at the same rate as sales, it can simply slow down," says Womack. "And my bet is that Toyota will slow down if it senses that its management values are being diluted. The rest of us face a harder problem. We already own and operate 'brownfields' that urgently need a transformation in their management. Slowing down this transformation simply makes us fail faster!"

Foreign Investors Buy Existing U.S. Companies

Foreigners went on a buying binge in the United States last year, spending $161.5 billion to purchase companies or invest in new production capacity in the United States. The vast majority of that investment ($147.8 billion) was to purchase existing companies, with only $13.7 billion used to establish new U.S. businesses. The total amount of FDI was up from $91.4 billion in 2005 and was the fourth largest amount recorded and the highest since 2000, when new investment outlays by foreigners surged to a historical peak of $335.6 billion.

The manufacturing sector was the target of most foreign investment, increasing from $34 billion in 2005 to $56.6 billion in 2006. "The largest increases within manufacturing were in computers and electronic products [$18 billion] (mostly for acquisitions of communications and equipment manufacturers) and in chemicals [$14.8 billion] (mostly for acquisitions of pharmaceuticals and medicines manufacturers)," says the Bureau of Economic Analysis."

Including all acquisitions and investment, the newly controlled foreign businesses employed 215,300 people in 2006, down 9 percent from the 235,900 people in 2005. "The movement of employment and outlays in opposite directions occurred as new investments became more concentrated in industries with relatively low employment and relatively high acquisition values," says the BEA. "Manufacturing accounted for the largest share of employment with 91,400 employees. The total assets of newly acquired or established businesses were $356.5 billion, up considerably from $181.8 billion in 2005."

Over the past 15 years, the U.S. has received $1.724 trillion in total foreign investment. "The overwhelming preponderance of FDI into the U.S. has long been to acquire existing global assets rather than to create productive new U.S. businesses," writes Charles McMillion of MBG Information Services. Of the total investment since 1992, $1.544 trillion has been to acquire ownership of existing assets and only $18 billion has been spent to create new U.S. businesses. "This investment was to buy the world-wide assets (stock) of manufacturing companies, not merely to change the ownership of U.S. plants," says McMillion. "For the most part, foreign buyers could care less about U.S. manufacturing plants; they want the brands, the marketing channels, etc."

Europeans were the biggest investors in the United States last year, by far, accounting for $110 billion of the $161 billion total. The report is located at: http://www.bea.gov/newsreleases/international/fdi/2007/fdi06.htm.

Giuliani Cashes In...

(From page one)

Concesiones de Infraestructuras de Transporte in the controversial purchase of the Indiana Toll Road. The two companies are also part of a major political uprising in Texas concerning the privatization of State Highway 121 outside of Dallas. A Macquarie division has spent $110 million buying up 42 local newspapers along the Trans-Texas Corridor (the NAFTA Superhighway corridor).

Pat Choate, who was Ross Perot's running mate on the 1996 presidential ticket, has spent the past year studying the NAFTA Superhighway and state and federal governments' desire to privatize America's highways. Choate is known as one of America's foremost economic experts on infrastructure. Twenty-five years ago, he wrote two influential books —"America in Ruins" and "Bad Roads." He alerted America that there was an "infrastructure crisis" coming. It is now squarely upon us.

President Reagan appointed Choate to his task force to develop the policy agenda for his second term. Choate wrote the infrastructure section.

Choate is a native Texan whose family has lived in Ellis County for more than 160 years. He is currently director of the Manufacturing Policy Project. He received an M.A. and a Ph.D. in economics from the University of Oklahoma.

He sat down recently with *Manufacturing & Technology News* editor Richard McCormack to discuss the latest developments in the ongoing saga of the privatization of America's infrastructure. He provided documentation for virtually everything he describes in the interview below.

Question: What are the latest developments in the debate over privatizing American highways?

Choate: Texas is the battleground for a major policy shift on who owns and operates America's public infrastructure, including highways. You have the U.S. Department of Transportation trying to get the states to lease public roads to private toll operators and allow these private operators to build new ones. In Texas, there is a budgetary shell game under way. The governor and the legislature beginning with George W. Bush, have diverted $15 billion out of the state highway department and put that money in the general budget. In Texas, they now have 85 percent of their highway transportation money going into maintaining their roads and only 15 percent going into new construction, compared to the national state average of 52 percent going into maintenance and 48 percent into construction.

The Texas legislature and governor have chosen to get big chunks of up-front money — $2-billion to $3-billion per project on 13 projects around the state along with $6 billion or $7 billion on the 600-mile Trans Texas Corridor — by turning public roads over to private interests.

Fundamentally what is happening is Gov. Perry wishes to finance his tax cuts by getting pre-payments on leasing public property. They are turning the public infrastructure over to private entities for 50 years.

Q: How is that playing out in Texas?

Choate: You have a handful of citizens — people who are really extraordinary — who said they're not going to put up with it. The first thing they did was actively participate in the Texas Department of Transportation environmental hearings. They got 14,000 people to show up at those meetings which TxDOT really intended to be perfunctory events.

There was a documentary filmmaker who made "Truth Be Told," which just won the Houston Film Award for best documentary. He filmed the public hearings — it's terrific stuff. The witnesses were passionate and could not believe the governor and legislature intended to convert one of the state's major freeways into a privately-owned toll road.

When the legislature came back in session this year, they had heard from their constituents. They approved a piece of legislation [HB-1892] by a vote of 131-to-1 in the House and 27-to-4 in the Senate that mandated a two-year moratorium on privatization. Yet the governor vetoed it.

When the bill looked like it was going to pass, Perry rushed forward and signed a contract with [Spanish firm] Cintra to complete the privatization of Rt. 121 in Dallas.

Involved in this rush deal on Rt. 121 in Dallas was a very prominent New York lawyer from a Texas firm named Bracewell & Giuliani who was paid very handsome amounts to put together the finance and legal work. In March, Macquarie Bank from Australia bought [Presidential hopeful Rudy] Giuliani's investment division, which had less than 100 people and lost $1.65 million last year. Macquarie paid $100 million for it. Giuliani personally gets $70 million.

Q: Why hasn't there been much reporting or attention paid to this sale, given its controversial nature?

Choate: There has literally been no coverage here, but in the Australian press you got all this reporting about the deal saying, "What is Macquarie doing? They are overpaying for this company."

Well, I can tell you exactly what they're doing. Macquarie can't put money into a presidential campaign, but Rudy Giuliani can. It's a back-door way to finance the Giuliani campaign for 20-million, 40-million, 50-million bucks. Macquarie wants to own a president who will do tolling all over America. It is phenomenal.

Macquarie is a very shrewd corporation. As the opposition to this highway deal heated up in Texas, Macquarie bought 42 little newspapers, virtually all of which are along the route and most of which opposed the deal editorially. Why not? They can take billions of dollars out of Texas if Gov. Perry gets his way.

Q: Why has Gov. Perry been so adamant in pursuing this?

(Continued on next page)

Choate...(Continued from previous page)

Choate: He's diverting the highway funds to the state budget so he can cut taxes. This is how the no-new-tax guys are financing their stuff. Indiana Gov. Mitch Daniels got $3.8 billion from the sale of his toll road so that he can finance everything else. But when that money runs out his successor and the people of Indiana are stuck for 60 years with a foreign-based company controlling a major part of their development rights through the center of their state.

In Texas, Perry got the legislature to change the standards. Instead of awarding to the lowest price bidder it's now the best value. Talk about flexibility. So now Cintra wins all the contracts. He was rushing to do a contract with Cintra on a high-volume bypass road in Dallas that was two-thirds of the way finished and was built with public funds. Cintra would pay the state $2.3 billion and finish the road and have a 50-year lease on it. In the deal, the governor signed a no-compete clause for 10 miles on either side on the road — you can do nothing for 50 years that will take traffic away from the toll road.

The other thing he did was have TxDOT set it up so that the North Texas Toll Authority (NTTA), a very experienced toll authority that has worked in the public interest for decades, could not bid on the project. People were furious.

A state senator named John Carona, who chairs the Senate Transportation Committee asked NTTA to use the same assumptions that Cintra used and asked them what they would have bid. They would have bid $3.5-billion more. The outrage was so great that the governor backed off. But Cintra supporters got the Federal Highway Administration in Washington to send a letter which, in effect, threatens to cut off federal highway funds if they redo the bid because of the "integrity" of the bidding process. Give me a break.

[U.S. Sen.] Kay Bailey Hutchison [R-Texas] then sent a letter to [U.S. Department of Transportation] Secretary Mary Peters to get this out in the open. Peters comes back and says that's not what the letter meant. Then the Federal Highway Administration sent another letter, which said that is exactly what it means if you do it. There is a revolution going on over in DOT.

Then [U.S. House of Representatives] member Nick Lampson (D-Texas) had Sec. Mary Peters up before the Transportation Committee [on May 11]. He had all the letters concerning DOT's interference with the bill passed by the Texas legislature. Peters said to him: "We're not going to interfere. Texas can do what it wants if they can get a better deal on it."

Well, when you go into the DOT Web site, you'll find that DOT has "model" legislation for the states showing them how they can change their constitutions and laws so that they can sell off and lease their public roads to private entities. They call it PPP — Public/Private Partnerships. It's unbelievable.

Mary Peters, a Republican, was transportation director for Arizona. Then she went to work for a large firm that helped states convert and build private roads. The person she brought with her as general counsel, a man named [David James] Gribbins, had worked as a field organizer for Pat Robertson and Ralph Reed for the Christian Coalition. Gribbins then goes to Koch Industries in Wichita where his job is to sell states and communities on PPPs. The Bush administration named him to be the chief counsel at the Federal Highway Administration where he worked with Gov. Mitch Daniels in Indiana doing these deals. He then left to work as the chief lobbyist in Washington, D.C., for Macquarie Bank, one of the largest of these operators in the world. In January, he got nominated to be chief counsel to the Department of Transportation. Macquarie and Cintra work together. It was Macquarie and Cintra that jointly did the Indiana Toll Road and they are doing other projects together. What you wind up with is privateers coming from these beneficiary companies now running the Department of Transportation.

Q: What's the backlash been in Indiana?

Choate: They doubled the toll on that road. If the state re-does the contract, it has to pay the company their lost profits for the balance of the contract. This is not about providing the best transportation at the least cost: it's about making the most amount of money. These companies are only there for the profit and they'll raise the rates even if volume drops until they maximize profit. They plot the curve.

This is a radical departure as to how this country has gone about building and operating roads for the last century. The question voters face is do they want to cut other state taxes and finance state operations by selling concessions to private companies for the operation of public facilities in exchange for a big up-front payment and perhaps some part of the revenues?

Q: What's happening with the NAFTA Superhighway?

Choate: The Trans Texas Corridor is on hold for two years. Seven people in Texas who mobilized the opposition have brought it to a stop. Most of the Mexican toll roads necessary for the long corridor from ports in Southwest Mexico are in place. The rail is in place. The issue is not that there is not going to be a route — there is going to be a corridor, which is Rt. 35, the major north-south route that now exists. A super corridor has congressional approval and it's going to be built, but the question is this: Is it going to be a private or public road?

Rt. 35 was built 50 years ago with enough space to easily double it. It's a major artery and it's very busy. There are four major arteries north-south in the United States. All four are overcrowded. The truth is we need to expand those roads for our own purposes, but the last thing we need do is turn them over to the private operators. If the federal government allows states to toll these interstates, it's a guaranteed money maker. If the country is going to toll this national highway, it should be through a state public authority and the profits should be used to build feeders. Selling or leasing parts of our interstate system is not something that should be left to the governors or state legislatures. These roads are part of a national system, owned by all of us.

Reps. Jim Oberstar [D-Minn.], chairman of the House

(Continued on page 11)

Michigan Professor Worries About China...

(From page one)

Department Chair was obviously complicit in arranging this trip and knowledgeable concerning the members of the delegation," wrote Kauffman. University of Michigan faculty members also take extended lecture trips to China "discussing such subjects as cruise missiles," he added. "It appears as if some members of the UM Board of Regents benefit financially from UM/China ties."

The University of Michigan and Kauffman's department chair Wei Shyy did not respond to phone inquiries and questions submitted by e-mail by *Manufacturing & Technology News* seeking comments concerning his claims. Kauffman says that his department has been "infiltrated" by Chinese interests. He cites numerous U.S government documents concerning China's intention to acquire military technologies, including a 2006 report from DOD's Defense Security Service entitled "Technology Collection Trends in the U.S. Defense Industry." That report says "the globalization of defense business will increase the threat from strategic competitors who will use legitimate business activities as a venue to illegally transfer U.S. technology."

Kauffman's recently appointed department head, Wei Shyy, lists in his bio as being a guest professor at the Chinese Academy of Sciences since 2000, Beijing Institute of Technology since 2003 and the Nanjing University of Aeronautics and Astronautics since 1993. Kauffman notes that some of these institutions were cited as being engaged in China's military programs in an April 2006 report from the Congressional Research Service entitled "China and Proliferation of Weapons of Mass Destruction and Missiles." Shyy is also engaged in aerospace research projects funded by the U.S government.

But Shyy happens to be Taiwanese. He received his Ph.D. from the University of Michigan and worked at General Electric's R&D Center in Schenectady, N.Y., from 1983 to 1988. Before moving to his present position, Shyy was department chair at the University of Florida between 1996 and 2004. He was the leader in creating the seven-university consortium funded by NASA called the Institute for Future Space Transport. He is also the principal investigator of the Michigan/Air Force Research Laboratory Collaborative Center in Aeronautical Sciences.

All of these affiliations bother Kauffman. "How can he be allowed access to USAF [and] NASA technology and be a visiting professor at PRC institutions engaged in the weapons trade?" Kauffman asks. "This must violate 'deemed exports' and ITAR [International Traffic in Arms Regulations]."

Kauffman cites a Nov. 17, 2005 e-mail sent to "aero.faculty @umich.edu" concerning an "Export Control Seminar" that was intended, in part, to "share strategies that would help [faculty and staff] avoid the controls when possible (mostly advice on writing a statement of work in proposals that avoids controls)." About that seminar Kauffman said: "This seems to be flat out deception."

Kauffman claims that Shyy was hired to help the university develop a good relationship with China. "I wrote a memo that aerospace engineering is a dual-use technology and we should not be hiring a Chinese to run the department and I got the crap kicked out of me," he told *Manufacturing & Technology News*. "I said, 'You have a dual-use technology capacity here, why didn't you hire an American?' "

University of Michigan president Mary Sue Coleman is "complicit" in the strategy to make the University of Michigan a "world university" that has sister campuses in China, says Kauffman. Even the University's College of Literature, Sciences and the Arts has declared that the theme for the 2007 - 2008 academic year be "China in the World." An article in the April 3 university newspaper the "Michigan Daily" wrote in its lead: "Come September, students will race down the Huron River in large boats with handcrafted dragon heads up front."

In her Senate Assembly Annual Address on Oct. 30, 2006, Coleman said "the level of our engagement with China is truly astounding and very exciting....We want to test several hypotheses in our work with China: first, that we can build partnerships that will allow our faculty and students — and the University as a whole — to reach their fullest potential in a globalized world. Second, that the lessons of our success as a great public research university can help produce change, not just on one campus, but throughout Chinese higher education. And third, that we can learn much from the ambitious experiment in higher education that is under way in China."

Asked whether he is misinterpreting the university's intentions and that he's making too much of them because he is a disgruntled professor who has lost research funding he obtained and not gotten to teach his preferred courses, Kauffman replies: "I represent the little guy, the native born Americans" who no longer dominate the science and technology communities at major research universities. What makes him unique, he says, is having been born in Waynesboro, Penn., working his way through college in a machine shop and receiving his Ph.D. in aeronautics. His views on the world were formed by his work in the aeronautics field during the Cold War when the Untied States guarded its technology from the Soviet Union, by the time he spent working for the Air Force and his two years living in Moscow.

"What troubles me is that we're treating the Chinese much differently than the way we dealt with the Soviets," he says. "When you look at the Pentagon's 2007 Military Threat report, they don't exactly say they're nice guys."

Kauffman is scheduled to make a presentation on his situation at a "Trade and Globalization" conference sponsored by the recently created Coalition for a Prosperous American, in Ames, Iowa, from June 19 - 21. Kauffman can be reached via e-mail at cwkauff@charter.net

China Entry In The WTO Is Not What Promoters Promised

China's entry in the World Trade Organization has not worked out the way proponents promised, according to a report from the Economic Policy Institute.

Kenneth Liberthal, special advisor to President Clinton and senior director for Asia affairs at the National Security Council said at the time of China's entry: "Let's be clear as to why a [U.S.] trade deficit might decrease in the short term. China exports far more to the U.S. than it imports [from] the U.S....It will not grow as much as it would have grown without this agreement and over time clearly it will shrink with this agreement."

That has not happened, as the trade deficit with China continues to reach new records every month and thousands of U.S. manufacturing jobs continue to disappear.

EPI estimates that since 1997, 2,166,000 production jobs have been displaced due to the trade deficit with China. Between 1997 and 2001, upon China's entry into the WTO, about 100,000 jobs were being displaced per year. But the number of jobs displaced accelerated after China's entry into the WTO in 2001. Since then, the trade deficit with China has displaced 1,800,000 workers, or 441,000 per year.

In a report entitled "Costly Trade With China," EPI says China's entry into the WTO came without any requirements to curb its illegal subsidies to industry; to eliminate labor repression which reduces its labor rates by 47 percent to 85 percent; to stop manipulating its currency by purchasing $200 billion in U.S. Treasury Bills and other securities in 2006; and to reduce its non-tariff barriers to imports.

"The growing U.S. trade deficit with China has displaced huge numbers of jobs in the United States, and been a prime contributor to the crisis in manufacturing employment over the past six years," says the study. "The current U.S.-China trade relationship is bad for both countries. The United States is piling up foreign debt, losing export capacity, and facing a more fragile macroeconomic environment. Meanwhile, China has become dependent on the U.S. consumer market for employment generation, has suppressed the purchasing power of its own middle class with a weak currency, and, most importantly, has held hundreds of billions of hard-currency reserves in low-yielding, risky assets, instead of investing them in public goods that could benefit Chinese households. Its repression of labor rights has suppressed wages, thus subsidizing its exports and making them artificially cheap. This relationship needs a fundamental change: addressing the exchange rate policies and labor standards issues in the Chinese economy are important first steps."

The report, which breaks down job displacement by state, is located at http://www.epi.org/content.cfm/bp188.

Currency Manipulation: Congress Must Step In

The U.S. Department of Treasury has "failed" in its legal responsibility to hold foreign governments accountable for manipulating their currencies. Congress has also either forgotten or ignored its fiduciary duties regarding unfair trade as they were specifically stated in the United States Constitution and more recently in the Omnibus Trade and Competitiveness Act of 1988, according to Patrick Mulloy, Washington representative of the Alfred Sloan Foundation and a former member of the U.S.-China Economic and Security Review Commission.

"Despite very evident practices of exchange rate manipulation by a number of Asian nations including China, the Treasury Department had read the relevant provisions of the 1988 Trade Bill in a tortured manner in order to avoid carrying out the important task given it by Congress regarding the policing of currency manipulation," said Mulloy, who helped write the 1998 trade bill when he was general counsel of the Senate Finance Committee.

Speaking before that committee's subcommittee on international trade and finance on May 23, Mulloy said the Treasury Department's unwillingness to use specific provisions in the Trade and Competitiveness Act are "difficult to fathom" given the harm that currency manipulation is having on U.S. industry and workers. "Perhaps its officials are closer to certain interests which would consider naming manipulators a 'protectionist' practice,' " he said in his prepared testimony. The Treasury Department could not bring itself to label China as a manipulator of its currency in its latest report issued on June 13.

In the early 1990s, the first Bush administration used specific provisions in the act to go after countries that were manipulating their currencies. "That administration had no difficulty identifying and reporting to Congress that at various times, Korea, Taiwan and China were currency manipulators," Mulloy reminded the committee. "It negotiated with each to put an end to the cited practices it then found objectionable."

Specific language in the law stated that "a pattern of exchange rates has at times developed, which contribute to substantial and persistent imbalances in the flow of goods and services between nations imposing serious strains on the world trading system...Policy initiatives of some major nations that manipulate the value of their currencies in relation to the U.S. dollar to gain competitive advantage continue to create serious competitive problems for United States industries."

Section 3004 of the bill directed the president to engage in multinational negotiations to achieve "more appropriate and sustainable levels of trade and current account balances and exchange rates for the dollar and other currencies consistent with such

(Continued on page 11)

Factories Closing And Opening

PLANTS CLOSING IN THE UNITED STATES

Whirlpool has announced plans to stop manufacturing dehumidifiers and purifiers at its plant in La Vergne, Tenn., laying off 330 workers out of 600 at the facility. It will also stop making cooking ranges at its plant in Cleveland, Tenn., and lay off an additional 400 people, out of a workforce of 1,200 employees. The company will shift production of the appliances to factories in Tulsa, Okla., and Celaya, Mexico. Whirlpool is also negotiating a licensing agreement with overseas partners to manufacture, market and distribute air control products that will carry the Whirlpool brand name, according to a report from the Associated Press. The Benton-Harbor, Mich.-based company purchased Maytag last year and is in the process of eliminating 4,500 jobs by closing Maytag's laundry washer and dryer plants and by consolidating corporate offices.

Hanesbrands, maker of apparel under the brand names Hanes, Playtex and Wonderbra, has announced plans to close its Stratford Road textile manufacturing plant in Winston-Salem and move production to lower-cost plants in the Caribbean basin and Central America. Six-hundred and ten workers will be let go and the 27-acre property will be sold off after the equipment is removed. Production at the Stratford Road plant, which makes underwear and panty fabric, will end by the end of June. The company has applied to the federal government's Trade Adjustment Act assistance to help impacted employees.

"Determining that we need to close our hometown Stratford Road textile manufacturing plant to remain competitive was a very difficult decision, although the closure is absolutely necessary," said Gerald Evans, Hanesbrands' chief global supply chain officer. "We have great employees at the Stratford Road plant and this decision is not reflective of their skill, dedication and capabilities. This move is an economic necessity in today's competitive global market and gives us the opportunity to generate growth that allows our overall organization to thrive." The company has approximately 50,000 employees in 24 countries.

Gildan has announced plans to close two sock manufacturing plants in Mt. Airy, N.C., and move its equipment and production to Honduras. The 8,500-population town, the childhood home of American icon Andy Griffith and the basis for his show based in the fictional town of "Mayberry," will see 520 employees laid off at the plants due to outsourcing. "Gildan regrets the impact of this announcement on its affected employees and their communities," the company said. "However, the relocation of capacity to modern large-scale facilities offshore is necessary in order to be globally competitive with imports from Asia."

Gildan purchased the two plants when it acquired Kentucky Derby Hosiery in 2006. It closed two of the company's smallest plants, laying off 275 people. "It's a shock," said Mt. Airy city manager Don Brookshire. "But we knew at some time they would do this. It's their modus operandi to move things offshore." It is the fifth textile plant-closing announcement in Mt. Airy so far this year, Brookshire told the CanWest News Service.

Gildan said it will continue sock production at its nearby plant in Hillsville, Va., which employs 165 people. Gildan has been shifting production to Honduras, Haiti, Nicaragua and the Dominican Republic. Its stock recently split and reached a record high of $39.91 in May. It is up by more than 50 percent in the past year. The company has announced plans this year to close two plants in Montreal, two in Mexico and one in Bombay, N.Y., eliminating a total of 1,830 jobs.

EGS Easy Heat Inc. has announced plans to close its New Carlisle, Ind., manufacturing facility and shift production to Mexico. The company will lay off 47 people. By closing the factory, EGS will be able to "compete in the global market for our heating cable systems," said EGS spokesman Dave Baldridge. "This decision is no reflection on the employees at our New Carlisle location, who have performed well for many years. It was a difficult decision. We manage our business to stay competitive."

Magna International of Ontario, Canada, has announced plans to close its Traer Manufacturing facility in Traer, Iowa, laying off 150 employees. The plant, which makes parts for the automobile industry, is the city's largest employer. "The closing of Traer reflects the difficult economic condition facing the auto industry due to reduced domestic production and customer demands," according to a statement issued by Magna, a company with sales last year of more than $24 billion.

Workers and residents of the town "expressed shock, dismay —- and some acceptance —- following the announcement at 7 a.m. when first-shift employees arrived at the plant," according to a report in the Waterloo-Cedar Falls Courier. "The news then filtered through the community, hitting residents and business owners hard. Many wondered about the economic impact the loss of jobs will have on the town, which has about 1,600 people. 'It's like a death in the family,' said Joan Reuman, owner of a clothing store downtown."

Furniture Brands International of St. Louis, Mo., one of the country's largest residential furniture companies, has announced plans to close three manufacturing plants in North Carolina, resulting in the elimination of approximately 150 employees along with the elimination of approximately 100 other employees involved in manufacturing operations across the company. Closing the plants will generate annual savings of $13 million.

The company will close its 325,000-square-foot case

(Continued on page nine)

Plant Openings...*(Continued from page*

goods plant in Thomasville, N.C., and shift production to its Lenoir, N.C., facility. The plant will cease manufacturing operations in July, 2007 and 100 employees will be gone. It will also close two upholstery plants in Troutman, N.C., with a total of 240,000 square feet and 200 employees, and shift production to a plant in Hickory, N.C. Half of the positions will be eliminated, with the remaining workers transferring to other manufacturing locations.

"We are obligated to bring our costs in line with revenues to drive better earnings performance at Furniture Brands," said company CEO Mickey Holliman. "We regret the hardship this will cause the affected employees and we appreciate the dedicated and energetic service these employees have shown the company." The company has hired Right Management to assist its severed employees with their career transition

Southern Tool Manufacturing in Winston-Salem, N.C., is going out of business. The 50-year-old company sold hardware to the furniture industry and had 60 employees when the furniture industry was healthy. It's now down to 19 workers and those will be let go. The company has been struggling since Broyhill Furniture and Thomasville Furniture both shut down. The Winston-Salem area has lost more than 45,000 manufacturing jobs in the last five years.

Modine Manufacturing Co. has announced its fourth U.S. manufacturing plant closing in the past year. The Racine, Wisc.-based maker of automotive parts told its work force in Jackson, Miss., that its factory there will be closing as part of the company's global "strategic repositioning" aimed at reducing its manufacturing costs. The factory makes copper and brass truck radiator components, which are being replaced by aluminum. About 120 people will be laid off. "Although this was a very difficult decision to make, we believe it is in the best long-term interest of the company," said Modine CEO Tom Burke, "We must maintain a competitive cost structure to stay profitable and meet our responsibilities to our customers, our shareholders and our employees." In the past year, the company has announced plans to close plants in Toledo, Ohio; Richland, S.C.; and Clinton, Tenn.; as well as one in Taiwan. It has announced new plants in China, India and Mexico. The company, which has 7,900 employees at 34 facilities in 15 countries, had revenues last year of $1.6 billion

PLANTS OPENING IN THE UNITED STATES

The Bilco Co., has opened a 77,000-square-foot factory in Zanesville, Ohio, making polyethylene products including basement doors and window wells. The New Haven, Conn.-based company was previously making the equipment through an outsourcing arrangement with a company in Buffalo, N.Y. Its new plant will initially employ 25 workers. "At a time when many companies are taking manufacturing operations overseas, we are proud to bring jobs to the Midwest," said Bob Lyons, president of Bilco. "This new operation will provide us the opportunity to grow our business and serve our customers in the region more cost effectively and efficiently."

Murphy Engineered Wood Products is building a new $61-million veneer lumber plant in Sutherlin, Ore., at the site of a former Murphy facility that was destroyed by fire in 2005. The 215,000-square-foot plant will employ 80 employees, far less than the 300 employed at the former facility, due to automated processes.

"It's been a long time since a new wood products plant has been built anywhere in the Northwest," said company president John Murphy. "It was a big decision" to rebuild. "I couldn't have even considered rebuilding without the support and encouragement from local and state economic development officials. There were simply no hurdles that these folks would not help us tackle." State and local government agencies helped the company obtain permits, receive economic incentives and coordinate workforce training. The plant is located in an enterprise zone enabling the company to receive tax exemptions through the newly created Oregon Investment advantage program. The Oregon Governor's Strategic Reserve Fund provided a $100,000 grant for relocation of a rail spur, improved vehicle access and site preparation work.

Roche Carolina Inc. has announced plans to invest $60 million in expanding its Florence, S.C., pharmaceutical manufacturing facility. The company expects to add 25 to 30 new positions. "The decision to invest in Florence is a reflection of our past success and the willingness of Florence and South Carolina to encourage the growth of existing industry," said Dr. Frank Cox, president of the company. Roche Carolina is a division of Roche Holding Ltd. of Basel, Switzerland.

PLANTS OPENING OVERSEAS

Polatis Inc., of Billerica, Mass., has announced plans to open a new factory to produce ultra-low loss optical switches in Poland. The plant will produce high-volume "standard products" for the telecommunications and instrumentation markets, while the company's Cambridge and Boston, Mass., factories will focus on defense products and technology development. The Poland facility will employ 100 people. "We selected Poland as an ideal location for expansion due to its combination of a highly talented workforce and excellent cost advantages," said company CEO Dave Lewis.

Alcoa has completed expansions at 10 manufacturing facilities worldwide for products used in aerospace propulsion, fastening and structures. The company has increased capacity of its heat-treated sheet and plate manufacturing by 50 percent in Davenport,

(Continued on page 10)

Plants Opening...

(From page 9)

Iowa; Kitts Green, UK; Fusina, Italy; and Belaya Kalitva, Russia. Expansion of Alcoa's Power and Propulsion Systems' global manufacturing capabilities have included a new airfoil post-cast operation in Szekesfehervar, Hungary; in Acuna, Mexico; and Whitehall, Mich.; and additional turbine airfoil core capacity in Morristown, Tenn. Alcoa Fastening Systems has expanded manufacturing capacity with new facilities in Suzhou, China; and Acuna, Mexico; and with the addition of new manufacturing capacity in Nemesvamos, Hungary.

Brady Corp., a Milwaukee-based manufacturer of identification, specialty tapes, graphics and safety products, has expanded its operations in Southern China with a new manufacturing, warehouse and office facility in Dongguan, Guangdong Province. The 62,640-square-foot facility, located in the Guangcheng Technology Park, will provide labels for the electronics industry, and die cut materials for telecommunications companies and hard disk drive manufacturers. "Dongguan is an area with strong momentum for economic growth, and all of our staff in Southern China look forward to contributing not only to Brady's growth but to the overall future development of Dongguan," said Welson Zhou, Brady's managing director for North Asia. The Asia-Pacific region now accounts for more than 25 percent of company sales, which were in excess of $1 billion in 2006.

Kyocera Corp., will invest $250 million to expand its global annual solar module manufacturing capacity from 240 megawatts to 500 megawatts by the end of March 2011. The company has secured supply contracts with silicon producers that will allow it to expand capacity at plants in Japan (to 110 megawatts), Mexico (to 150 megawatts), the Czech Republic (to 150 megawatts) and China (to 90 megawatts).

Flowserve Corp. has announced plans to build a 100,000-square-foot manufacturing plant in Coimbatore, India, to make pump products for the chemical, power, oil and gas industries. The facility will be built on 14 acres and employ 200 people. "Expanding our footprint in the Asia-Pacific region continues to be a key part of Flowserve's growth strategy," said Flowserve president and CEO Lewis Klong. "With the industries we serve growing significantly in the region, this new facility is designed to serve our customers more effectively."

India-based **Larsen & Toubro** has announced plans to build a new super-critical boiler manufacturing facility and engineering design center with Japan's Mitsubishi Heavy Industries in New Delhi. The facility will produce boilers for electric generation stations of between 500 megawatts and 1,000 megawatts. "We have been scouting for an equipment partner possessing advanced technologies while Mitsubishi has been seeking a foothold in power generation operations within India's rapidly growing market" L&T said.

The company has also completed construction of manufacturing plants in Coimbatore, India, that will produce industrial valves and switchboards in a joint venture with Flowserve called Audco. The facilities "are building blocks in our larger strategic goal of enhancing capacities to meet global demand for high precision manufacturing," said AM Naik, chairman of L&T.

Abbott has opened a new $450-million manufacturing facility in Puerto Rico to produce biologic agents. The company received FDA approval in February to sell its HUMIRA human monoclonal antibody for the treatment of rheumatoid arthritis in the U.S. market. The drug has also been approved to treat Crohn's disease. The new 330,000-square-foot plant is Abbott's single largest capital investment to date. "Abbott is committed to Puerto Rico and proud to help the commonwealth emerge as a world-class base for biotechnology innovation," said Neil Aylward, Abbott vice president of Puerto Rico operations.

Hynix Semiconductor has broken ground on a new $4-billion wafer fabrication facility in Cheongju, North Chungcheong Province, Korea. The company will produce 12-inch, high-density NAND Flash memory devices using a sub-48 nanometer processes at the facility.

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Selling Off Roads...

(From page five)

Transportation Committee and Peter DeFazio [D-Ore.], chairman of the subcommittee on highways and transit, sent a letter to all of the governors on May 10 telling them not to do any of these deals. They said: "We strongly discourage you from entering into public-private partnerships ("PPP") agreements that are not in the long-term public interest. Although Bush administration officials have lauded PPPs at every turn, the Committee on Transportation and Infrastructure of the U.S. House of Representatives believes that many of the arrangements that have been proposed do not adequately protect the public interest." They said that the committee will work to "undo any state PPP agreements that do not fully protect the public interest."

Q: If there is so much public resentment over these deals, then why are they still happening?

Choate: What I think has happened is that "read-my-lips" George Bush Sr. couldn't figure a way to operate government without raising taxes. His son solved the problem by radically increasing the national debt, borrowing primarily from the central banks of other nations. Now, we have a new generation of Republicans who say I'll cut taxes, and I'll never raise taxes. They intend to finance their promise by selling off the public infrastructure. What the public doesn't understand and what the media is not explaining is that the private operations of our public infrastructure represents the highest tax you can possibly have because those investors are going to run up the prices they charge to the limit and under the binding contracts these "no-new-tax" governors are signing, we have no democratic alternative for dealing with these contracts.

The other thing that happens is that Perry has found a fantastic way to finance his political career. In his last race for governor, he got $2.5 million in donations from the sponsors of these deals. That is a lot of money. No wonder he is being talked about as a possible GOP vice presidential candidate in 2008. You have engineers, lawyers, investment bankers and construction companies who are happy to keep their champion in there. What other governor would look at the 131-to-1 vote against him and say I cannot be overridden in a veto?

This Texas fight is really important because you have a popular uprising. This was the number-one issue in the Texas legislature this year.

Q: What other private companies are involved?

Choate: Fluor, Bechtel, and Koch Industries, which is a $30-billion corporation. Goldman Sachs and Morgan Bank are willing to raise the money for these kinds of deals. If you are a governor and you need $3 billion, $4 billion or $5 billion to finance state government and you have a heavily trafficked route, these private companies will come in and pay the state the money and you're all of a sudden flush with cash. They will put together a package and their teams of lawyers will come in to work with you on what you need to do to change your state constitution and change your laws.

If you need to do a referendum, they will help you finance and run the referendum. They'll lobby the state legislature and the local media. To streamline all of this, the U.S. Department of Transportation is working with them state by state on privatizing public roads. The Department of Transportation is flacking for Wall Street and a couple of foreign corporations. This recent exchange of letters with the Federal Highway Administration, Congress and TxDOT shows how they are extorting the states that want to take a more responsible approach. Congress needs to do hearings and put some sunshine on this transfer of our public assets to private buccaneers.

Currency...

(From page seven)

balances." In the next section of the bill titled "Bilateral Negotiations," Congress directed the Secretary of Treasury to analyze on an annual basis "the exchange rate policies of foreign countries in consultation with the IMF and consider whether countries manipulate the rate of exchange between their currency and the United States dollar for purposes of preventing effective balance of payment adjustments or gaining unfair competitive advantages in international trade."

If a country has large trade surpluses with the United States, it says, the "Secretary of the Treasury shall take action to initiate negotiations with such foreign countries on an expedited basis, in the International Monetary Fund or bilaterally, for the purpose of ensuring that such countries regularly and promptly adjust the rate of exchange between their currencies and the United States dollar to permit effective balance of payment adjustments and to eliminate the unfair advantage."

The leaders of the Senate Finance Committee over recent years have asked the Treasury Department to carry out its statutory duties under the Trade and Competitiveness Act of 1988. Treasury has not responded. Even Congress's United States-China Economic and Security Review Commission said in its first report to Congress five years ago that China was manipulating its currency.

"Instead of taking action in a timely manner to stop the practice, the Treasury has permitted this problem to metastasize creating a much more difficult issue with China, giving China increasing leverage over our economy, and doing great harm to the U.S. manufacturing base, including the defense manufacturing base," Mulloy said.

As a result, Mulloy told the committee that it should consider changes to the current law "that would give the Congress a greater role in policing currency manipulation as an illegal and unfair trade practice. It is the Congress, after all, that has the authority under the Constitution to take the lead in foreign commerce matters."

The Truth Comes Out About Outsourcing

BY PAUL CRAIG ROBERTS

On January 6, 2004, Senator Charles Schumer (D-N.Y.) and I scandalized the economics profession and Washington policymakers with our *New York Times* article, "Second Thoughts on Free Trade." We noted that the two conditions on which the case for free trade rests no longer exist in the present-day world and that there was no basis for the assumption that offshoring of U.S. jobs was beneficial overall to Americans.

The Brookings Institution in Washington, D.C., organized a conference, televised by C-Span, to subject our argument to peer review, and we easily dominated the conference. *Business Week* (March 22, 2004) was receptive to a column from me explaining the adverse effects of offshoring, and Tim Aeppel at the *Wall Street Journal* organized an online debate between myself and Columbia University trade theorist Jagdish Bhagwati.

Aeppel hoped to test the validity of my points in the crucible of debate with a leading academic proponent of offshoring. However, Bhagwati evaded my argument and threatened to withdraw his participation if my reference to the latest work in trade theory by Ralph Gomory and William Baumol was included in the edited version of our debate in the *Wall Street Journal* (May 10, 2004). "In Global Trade and Conflicting National Interests" published in 2000 by the MIT Press, Gomory and Baumol show that the case for free trade is a special case and had never been one of general validity. Their criticism is more far-reaching than the one made by me and Senator Schumer.

Professor Bhagwati's skill in evading my argument told most people who read the edited version of our debate that he could not answer me. Obviously, all was not well with the establishment's contentment with offshoring and "globalism."

Paul Samuelson, in many respects the dean of American economists, wrote an article supportive of Gomory and Baumol's work. But nothing happened. Economists simply closed ranks and ignored the points that I brought to their attention as well as the latest work in trade theory. Libertarian free trade ideologues got upset with me. Unable to deny that the case for free trade had lost its necessary foundations, libertarians reduced the issue to one of economic freedom and concluded that I was impure.

Since 2004 I have written a number of articles pointing out that offshoring is really labor arbitrage and that if offshoring had the mutual economic benefits associated with free trade, there would be U.S. employment growth in export and import-competitive industries. Instead, employment in these industries has declined in the U.S. but grown remarkably in Asia.

In the 21st century, the U.S. economy has been able to create net new jobs only in non-tradable domestic services, such as waitresses and bartenders and health and social services. Moreover, the growth in productivity and GDP attributed to the U.S. economy were inconsistent with the stagnant real incomes of Americans. Somehow productivity and GDP were growing strongly, but it wasn't showing up in the incomes of Americans.

Economists have found it difficult to think about the issues that I have raised. Economists are taught that free trade is a good thing and that anyone who disputes it is a protectionist in the pay of some industry scheming to raise prices that consumers have to pay. The notion that there could be any problem with free trade is beyond the imagination of most economists.

In addition to their unexamined commitment to free trade, economists disbelieved my analysis because they thought it was inconsistent with statistics indicating high U.S. productivity and GDP growth. They thought GDP and productivity statistics trumped my use of job data.

All of this may be about to change. Susan Houseman, a good but previously obscure economist with the Upjohn Institute, has discovered a problem in the statistical data that produces phantom U.S. GDP. Phantom GDP results when cost reductions achieved by U.S. firms shifting production offshore are miscounted as U.S. GDP growth. Phantom productivity increases occur when gains from moving design, research and development offshore are counted as increases in U.S. productivity. Obviously, production and productivity that take place abroad are not part of our domestic economy.

Business Week's June 18 cover story by Michael Mandel explains the problem identified by Houseman. Economist Matthew Slaughter, a proponent of offshoring, says: "There are potentially big implications. I worry about how pervasive this is." *Business Week* says the implications are big. The cover story estimates that 40 percent of the gain in U.S. manufacturing output since 2003 is phantom GDP.

Most likely, that estimate is low. Consider, for example, that furniture imports have doubled in the past few years (offshored production counts as imports) while U.S. jobs in furniture manufacture have declined 21 percent. U.S. statistics, however, show that U.S. output and productivity rose even as U.S. manufacturers closed their plants and no new investment went into the industry.

My hat is off to *Business Week*. It requires courage for a publication dependent on advertising from global corporations to tell the truth about offshoring.

— Dr. Roberts is an economist who has held numerous university appointments and served as Assistant Secretary of the U.S. Treasury.