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WILL FEDS ACQUIESCE TO PRESSURE FROM IMPORTERS?

Little Publicized Customs Proposal Would Lead To Big Increases In Duties

Importers, foreign companies selling products into the United States, law firms that represent them in trade cases, retailers, trade associations and members of Congress have reacted with vigorous opposition to a proposal by U.S. Bureau of Customs and Border Protection (CBP) to change the way it determines the value of imports.

BY RICHARD McCORMACK

The Customs proposal would lead to an increase in duties paid on imports by requiring companies to value products based not on the "first sale" of the product in the country in which it is being produced for export to the United States, but on the value of the last sale of the product made prior exportation.

"Under this proposal, transaction value will normally be determined on the basis of the price paid by the buyer in the United States," said the Bureau of Customs and Border Protection in a January 24, 2008, Federal Register notice announcing its desire to make the change. Currently, the duty is assessed on the value of the product as it leaves the factory — the "first-sale" price — in the country in which it is produced.

In comments submitted on the proposal, only a few domestic manufacturers who knew anything about the change came out in favor of the idea, along with the AFL-CIO. The overwhelming number of responses submitted by the trade community during the public comment period ending April 24 were adamantly opposed.

"From the day CBP first published its intent to radically alter [its import duty rules], broad based and well-respected segments of the importing community in the United States have been marshalling their efforts and expertise to prepare comments in an attempt to dissuade CBP from pursuing this ill-conceived course of action," notes the New York City-based law firm of Sharretts, Paley, Carter & Blauvelt.

The proposal "is not only flawed and highly objectionable but is also

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On China Trade, English Has Heard Enough Excuses From Democrats

After being in power for 16 months, House Democrats have not introduced a single piece of legislation aimed at China's unfair trade practices, "a dismal record," says Rep. Phil English (R-Penn.), a member of the House Ways and Means Committee. "I am frankly stunned. Given that House Democrats campaigned on this issue two years ago and they're probably going to try to campaign on it again, I think it's absolutely outrageous that we haven't at least had a limited bill move out of the House and into the Senate. I've heard a lot of dumb excuses [from Democrats] on trade policy."

The latest development from Democrats on China was another letter sent to President Bush, asking that he pursue currency manipulation through the World Trade Organization and the IMF, and warning that if he is "unable or unwilling" to address the issue, then "Congress will take action, if necessary, to ensure the integrity of the international economic system..." Only 15 of the 24 Democrats on the Ways and Means

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Lack of R&D On Health Impacts Of Nanotech Could Stunt Industry

The European Union is spending twice as much as the United States on assessing the potential health, safety and environmental risks of nanotechnology. The U.S. spent $13 million in 2006 on risk-related analysis of nanotechnologies, versus $24 million being spent in Europe, according to the Project on Emerging Nanotechnologies, a venture between the Woodrow Wilson International Center for Scholars and the Pew Charitable Trusts.

But the U.S. federal government disputes the findings, claiming that it spent almost $38 million on such research. "It appears the U.S. is guilty of wishful thinking in its assessment of research that will lead to the development of safe nanotechnologies," says Andrew Maynard, chief scientist for the Project on Emerging Nanotechnologies (PEN). "Both the U.S. government figure and the results of the PEN assessment show that less than 3 percent of the $1.4-billion federal nanotechnology research budget was spent on environment, health and safety research."

A bill proposed by House Science Committee chairman Bart Gordon (D-Tenn.), would amend the National Nanotechnology Initiative Act to include a minimum of 10 percent be spent on environmental health and safety research, or about $150 million a year. "Public trust is the 'dark horse' in nanotechnology's future," says PEN director David Rejeski. "If government and industry do not work to build public confidence in nanotechnology, consumers may reach for the 'No-Nano' label in the future and investors will put their money elsewhere."

Meanwhile, new nanotechnology products are being introduced to the market at a rate of three to four per week. "The number of consumer products using nanotechnology has grown from 212 to 609 since PEN launched the world's first online inventory of manufacturer-identified nanotech goods in March 2006," says the group. Health and fitness items including cosmetics and sunscreens represent 60 percent of the nanotechnology products introduced. Others include golf clubs, diamonds, cooking oil, the iPhone and automobiles, including the Hummer H2, which has a seven-pound cargo bed made out of nanocomposites.

"Nanotech silver is the most cited nanomaterial used," says the Project on Emerging Nanotechnologies. It is found in 143 products or over 20 percent of the inventory. Carbon, including carbon nanotubes and fullerenes, is the second highest nanoscale material cited. Other common nanoscale materials including zinc, titanium, silica and gold.

"While polls show most Americans know little or nothing about nanotechnology, last year nanotechnology was incorporated into more than $88 billion worth or products," says the project. It is estimated that by 2014, $2.6 trillion in manufactured goods will incorporate nanotechnology, or about 15 percent of total global output.

"The use of nanotechnology in consumer products and industrial applications is growing rapidly, with the products listed in the PEN inventory showing just the tip of the iceburg," says Rejeski. "Public perceptions about risks — real and perceived — can have large economic consequences. How consumers respond to these early products — in food, electronics, health care, clothing and cars — is a litmus test for broader market acceptance of nanotechnologies in the future."

The inventory of nanotech products is located on the PEN Web site at http://www.nanotechproject.org/.

Nuclear Regulators Issue Alert On Counterfeit Parts

The Nuclear Regulatory Commission has issued a notice to all nuclear power plant operators in the United States warning them of counterfeit parts and systems being sold to utilities.

"In November, NRC became aware that Hatch 2 had discovered a counterfeit valve on the stator cooling water skid," says the notice. "The licensee at Hatch later determined that it had two counterfeit valves in its facility: one in its warehouse and another one installed in Unit 2 as the 'B' stator cooling water pump discharge stop check valve."

The counterfeit five-inch "Ladish" valve had been in service for eight months. "Upon discovering the counterfeit valve, the licensee began to closely monitor the performance of the valve and plans to replace it during the next refueling outage in the spring of 2009," says the NRC.

Regulators are also worried that counterfeit circuit breakers have been installed throughout nuclear plants across the country. It told its licensees that breakers labeled as "Square D," distributed by North American Breaker Co., Connecticut Electric and Switch Co. and Scott Electric Co., have been recalled. The counterfeits were manufactured in China and distributed from March 2003 through April 2006 before they were discovered as being fakes.

"The counterfeit circuit breakers can fail to trip when overloaded, posing a fire hazard to consumers," says the NRC notice. "A licensee database search indicated that Catawba, McGuire and Oconee nuclear power plants had purchased Square D circuit breakers during the suspected timeframe. Although none of the counterfeit items were installed in safety-related applications, these examples demonstrate the need for licensees to remain vigilant and maintain effective quality assurance programs to reduce the potential for introduction of counterfeit parts into their supply chains. In recent years, many vendors, including foreign companies with little or no experience in the nuclear industry, have entered the market to supply parts and components for both safety and non-safety applications to nuclear power plants. It remains the licensees' responsibility to ensure that all suppliers use standards and processes to conform to U.S. standards. Effective oversight of suppliers becomes increasingly more important as the nuclear industry begins construction of new nuclear plants in the U.S."

NATIONAL INNOVATION FOUNDATION

Two Washington Think Tanks Propose Creation Of A New Federal Agency

The United States government should create an agency focused solely on innovation, according to the Brookings Institution and the Information, Technology & Innovation Foundation. A new National Innovation Foundation would help improve productivity and increase incomes at a time when both need to be improved, say the two groups. The new federal agency would be a "nimble, lean and collaborative entity devoted to supporting firms and other organizations in their innovative activities."

Now more than ever the country needs a government organization concentrating on these issues, ITIF president Robert Atkinson and the Brookings Institution's Howard Wial explained to a group of 200 people attending a Washington, D.C., unveiling of the proposal. The two men said that there is no national innovation policy in the country; no system for federal, state and local governments to work cooperatively with industrial consortia on promoting innovation and technology within local industrial clusters; little focus on improving the productivity of the services industries; and no real push to commercialize promising technologies developed through research funded by the public.

The proposed National Innovation Foundation (NIF) would have a budget of between $1 billion to $2 billion. It could be created as an agency within the Department of Commerce; as a government-owned public corporation; or as an independent federal agency like the National Science Foundation. It would provide research grants to joint industry-university research partnerships, expand regional innovation promotion through state-level grants to fund entrepreneurial support and technology commercialization, support regional industry clusters, and champion innovation throughout the country.

"American leadership on key indicators of innovation is slipping compared to other high-wage nations," says the 67-page proposal entitled "Boosting Productivity, Innovation and Growth Through a National Innovation Foundation." "Markets fail to allocate sufficient resources for innovation."

The federal government spent about $2.7 billion or 0.02 percent of GDP on innovation-related programs in 2006. That spending includes the Advanced Technology Program and the Manufacturing Extension Partnership at the National Institute of Standards and Technology, the Small Business Innovation Research (SBIR) program, and the Industrial Technologies Program at the Department of Energy. "If the United States wanted to match Finland's outlays per dollar of GDP [for innovation programs] it would have to invest $34 billion a year," says the proposal. The U.S. would need to invest $9 billion to match Sweden's innovation investment; $5.4 billion to match Japan's; and $3.6 billion to match South Korea's.

"U.S. investments in most of the programs focused most directly on innovation promotion have declined or grown more slowly than the economy overall," says the proposal. "Total spending on the principal federal innovation promotion programs other than SBIR...fell by 28 percent in nominal terms between 1998 and 2006."

What are the chances such an agency will be created? "The wise counsel would be caution, maybe even skepticism," replies Atkinson. However, in conversations with members of Congress and Capitol Hill staff, there was a sense that it is possible.

"One thing they said to me is they thought it was different" than the America COMPETES Act, which focused on funding research. If there was a National Innovation Foundation, a member of Congress would be able to go back to their district and point to results in the form of consortia being formed around local industrial clusters and commercialization projects that boost economic development for the region. "They may see it as a little bit more real for their constituency rather than a high-level vague science kind of thing," says Atkinson.

Additional pushback will likely come from the "neoclassical right," says Atkinson. This group of economists and lobbyists "uses the intellectually flaccid argument that this is industrial policy without any real sort of thought as to, 'Isn't everything industrial policy?' " says Atkinson. "It's a meaningless term. If a foundry consortium wants to get together and said it wanted to put in money and get matching funds for better foundry technology, then it's industry led, state led and it's not really industrial policy."

Atkinson expects conservative think tanks to question the proposal, but he says there hasn't been much support among liberal think tanks, either. "I feel more that the Democratic left should be embracing these initiatives, and they are not," he notes. "That is why I was encouraged that Ron Blackwell [of the AFL-CIO] was a strong supporter of this."

There would also be a strong ideological debate over the merits of government interaction. Conservatives will argue that the market is best at allocating resources to innovation, but when researchers study how different industries innovate, "they find that the market doesn't get it right a lot

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English...*(From page one)*

Committee signed the letter.

That letter "is meant to obfuscate a fundamental problem with respect to addressing China's illegal trade practices: the refusal of the [Democratic] majority to advance trade legislation to bring relief to manufacturers across the country struggling daily with the onslaught of illegal Chinese trade practices," English wrote to House Ways and Means Committee Chairman Charles Rangel (D-N.Y.).

The Ways and Means Committee has yet to report out a bill on China's currency manipulation, illegal subsidies, intellectual property theft "or any other pressing China-related trade issue," English wrote Rangel.

In an interview with *Manufacturing & Technology News*, English said he has heard plenty of reasons Democrats have been unwilling to pursue legislation. The House Democratic leadership says it's not worth the difficulty of pushing through China bills if the Senate isn't ready to act. They claim that if a bill does pass both chambers, President Bush would veto it, so why try.

"My solution is if George Bush doesn't like it, we should send it to him anyway and let him veto it," says the Pennsylvania Republican. "There are no excuses. We should be running the countervailing duty bill. We should be running the trade law reform act. We should be running a China currency bill with teeth, and a variety of other things that could be extremely helpful that improve the competitive position of our manufacturers. There would be no question there would be substantial bipartisan support for something like this."

What is stopping the Democrats from moving on an issue that put them in the majority? "There is some reluctance by the House Democratic leadership to give a green light," English responds. Having worked for years with Rep. Sandy Levin (D-Mich.), chairman of the Ways and Means subcommittee on trade, "I give him high marks for sincerity, and I think he would like to run a bill," says English.

But Ways and Means Committee Chairman Charles Rangel (D-N.Y.), from Manhattan, represents the interests of Wall Street. As a friend of Treasury Secretary Henry Paulson, whose last job before joining the Bush administration was CEO of Goldman Sachs, Rangel calls the shots. At a National Press Club luncheon last July, Rangel said: "I have a friend in the White House, Hank Paulson...I cannot conceive of having a trade bill that would be partisan."

Others involved in China trade lobbying issues note that the Democratic members of the Ways and Means Committee represent districts that have little manufacturing. Most have been receiving big donations from financial interests.

"It was extremely telling that at a forum held about the time of the Ohio primary, my good friend, Rahm Emanuel [D-Ill.] said under questioning, categorically, that nothing would be done with NAFTA," says English. "Unfortunately, there are many Democrats who talk the talk about trade policy but ultimately are obliged to take donations that don't allow them to walk the walk."

When Republicans were in control of the House and the agenda was set by a few key free traders like David Dreier (R-Calif.) and Bill Thomas (R-Calif.) "it was understandable nothing happened," says English. "But on the Democrats' side, when they're in the majority and they're sitting on everything, you have to wonder what the agenda is."

Congress needs to pass a currency manipulation bill "with teeth," English says. China has allowed its currency to drift slightly from the dollar, "but as they've continued to track our currency, the gap between where it is and where the market would place the value of their currency has actually widened," he says. "If we don't deal with this, it's not only going to hurt manufacturers but it's going to undermine what limited case the free traders have. The free traders should want something like a China bill to move through. They may disagree with its thrust ideologically, but tactically and politically, they need some of this stuff to happen in order for their position to be sustainable."

English believes that organized labor is not getting much out of its close relationship with Democrats. "I

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National Innovation Foundation...*(From three)*

of the time," says Atkinson. "Government isn't going to get it right, either, which is the counter argument, so it becomes a false dichotomy. The point is not to substitute the government for the market. It's to have a partnership. There is a new doctrine — a new framework — about thinking about economic policy. There are serious economists who are [promoting] innovation economics, but it hasn't penetrated Washington thinking yet."

The other area of pushback is institutional timidity, caused in part by the mess that was made with the creation of the Department of Homeland Security. The initial push would likely be to increase coordination among agencies. But as a stand-alone agency, the NIF would have a staff of only 250 people, not thousands, says Atkinson. "You need a place in the federal government where people who are interested in this can go and get a real hearing and somebody to promote it."

The final case against the new agency is finding the money. Supporters say that Congress can tap $1.7 billion in 2010 that would be spent on subsidies for oil and natural gas producers, or it can fund NIF out of general revenue "even increasing the budget deficit if necessary," says the proposal. "Deficit financing is warranted for NIF because it is an investment whose benefit to the U.S. economy will occur in the future...and because the total amount needed to fund NIF is miniscule in relation to the overall federal budget. Even if the entire $1 billion needed to bring NIF from its initial funding level to its final funding level were obtained from general revenues, this would amount to less than one twenty-fifth of 1 percent of total federal outlays in 2006."

DOE Creates Centers Program

The Department of Energy's Office of Basic Energy Sciences (BES) has launched a new "Energy Frontier Research Centers" program. The agency issued a funding announcement in early April and expects to spend $100 million in 2009 to award grants worth between $2 million and $5 million each to groups of researchers in universities, laboratories, companies and non-profit entities for up to five years.

The new centers will be competitively chosen and will be tasked with accelerating "scientific breakthroughs and innovations essential to the development of advanced energy technologies in the 21st century," says Raymond Orbach, DOE's under secretary for science. "We seek to engage the nation's finest intellectual and creative talent to tackle the scientific grand challenges associated with how nature works, to direct and control matter at the quantum, atomic and molecular levels and to harness this new knowledge and capability for some of our most critical energy challenges."

The program will not require a cost-share from participants and is a "significant enhancement in single-investigator and small-group projects that currently form the bulk of the BES core research portfolio," says the Office of Basic Energy Sciences. "As the EFRC program matures, it is anticipated that EFRC competitions will be held every two or three years and that renewal submissions will be openly competed with new submissions."

The office describes a variety of issues that the new centers can tackle, including the conversion of solar energy to electricity and chemical fuels; understanding how biological feedstocks are converted into portable fuels; development of new radiation-tolerant materials and chemical separation processes for applications in the nuclear industry; addressing issues associated with energy storage; developing carbon sequestration systems; and transforming energy utilization and transmission. "These are intended to be examples only," says DOE. "The intent of the program is to allow for maximum flexibility within the broad guidelines" of the program.

For more information and to view the "funding announcement opportunity," set your browser to http://www.science.doe .gov/bes/EFRC.html.

Manufacturing Job Loss Hurts African Americans The Hardest

African American workers have been hit especially hard by the decline in U.S. manufacturing employment, according to a study from the Center for Economic and Policy Research. "In 1979, almost one-in-four black workers in the United States had a manufacturing job. Today, fewer than one-in-10 black workers are in manufacturing," says the study entitled "The Decline in African American Representation in Unions and Manufacturing, 1979 - 2007."

Only 15.7 percent of all black workers are now members of a union, down from 32 percent 25 years ago, says the study. The share of African Americans in manufacturing jobs fell from 24 percent in 1979 to 10 percent in 2007. Unionization rates also dropped among whites (from 22.2 to 13.5 percent) and Hispanics (24.2 to 10.8 percent) during the same period, "but the declines were not as steep as those for African Americans." The study is located at http://www.cerp.net/content/view/1490/77/.

English Questions Demos... (From page four)

have a lot of friends in organized labor and I don't mean to point the gun at them, but the fact remains that their principal constituency in Congress is just not carrying water for them," he says. "When the Clinton administration pushed through NAFTA and GATT, when they made a half-hearted run at fast track, at each stage, they have been given a bye by organized labor. If organized labor held their feet to the fire, this would be a very different story."

Organized labor hangs onto the Democrats because it has a "lot of capital invested there," English adds. "But the fact remains, if organized labor were committed to having a positive agenda on trade, not just shooting down Columbia FTA, then I think you'd see some real results. The fact that they have not made it a priority to do a China bill is devastating. Something has got to give because our economy continues to hemorrhage while this goes on."

A March 16, 2008, letter sent from Democratic members of the House Committee On Ways and Means admonished the president to put a halt to China's manipulation of its currency. The letter contained an ambiguous threat: if the Bush administration does not start working the issue through the International Monetary Fund, the World Trade Organization, through "special negotiations with key countries" and through enforcement of U.S. trade laws, then Congress "will take action, if necessary..." The letter was signed by 15 Democratic members of the Committee. Nine Democrats did not sign the letter. Those signing are marked with an asterisk.

* Xavier Becerra (Calif.)
* Shelley Berkley (Nev.)
Earl Blumenauer (Ore.) No
Joseph Crowley (N.Y.)
Artur Davis (Ala.)
Lloyd Doggett (Texas)
Rahm Emanuel (Ill.)
Ron Kind (Wisc.)
* John Larson (Conn.)
* John Lewis (Ga.)
* Sander Levin (Mich.)
Jim McDermott (Wash.)
* Michael McNulty (N.Y.)
Kendrick Meek (Fla.)
* Richard Neal (Mass.)
* Bill Pascrell (N.J.)
* Earl Pomeroy (N.D.)
* Charles Rangel (N.Y.)
* Allyson Schwartz (Penn.)
* Fortney Pete Stark (Calif.)
John Tanner (Tenn.)
* Mike Thompson (Calif.)
* Stephanie Tubbs Jones (Ohio)
* Chris Van Hollen (Md.)

Customs' Duties...

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particularly disturbing with regard to the timing process and manner CBP employed to publish its position," added a letter organized by the American Apparel and Footwear Association and signed by 100 companies and trade associations including the Chamber of Commerce, the National Association of Manufacturers, Target, Home Depot, Lands End, Liz Claiborne, Mattel, Perry Ellis, and other companies, such as Chrysler, that manufacture products in the United States. "The Administration and Congress have just completed work on an economic stimulus package that will promote more consumer spending, yet CBP is proposing a move that would undercut essential goals of that legislation."

Other companies submitting opposition briefs to the proposal include Nikon, Boeing, Waterford Wedgwood of Ireland, Onkyo and Funai Corp. Dozens of law firms provided Customs with 20- to 40-page legal briefs citing cases they argue uphold the current practice. Many of them took time in their filings to belittle Customs for even considering a change. Many claim that it is up to Congress and not Customs to change the rules by which it determines duties.

In making its final determination on the proposed rule, Customs and Border Protection will have a tough choice: sticking with a proposal that would make it easier for the bureau to figure out the true value of imports (and providing a benefit for U.S. producers and workers), or acquiescing to the vociferous demands from the trade community that the proposed rule be unequivocally rescinded.

The briefs submitted against the proposal use such expressions as "extremely surprised by this proposed change," "exceeding legal authority," "ill timed," "procedurally flawed," "specious arguments," "severely damaging to Customs-trade relations," "arbitrary and capricious," "unknown impact on trade agreements," "tax increase," "no analysis has been performed," "it will surely be challenged in the courts," "blatant deficiencies," "erroneous interpretation," "bad policy," "reverses 20 years of legal precedent," "withdraw it immediately," etc.

The current duty is assessed by following a 20-year-old practice of determining the lowest possible value on imports coming into the United States — the price of the product as it leaves the manufacturing plant overseas — the so-called first sale. This has led to a surge of foreign production and record trade deficits, say domestic manufacturers. The economic benefits of the rule have accrued to overseas companies, companies that have shifted production offshore, importers, U.S. retailers and consumers. The rule has left U.S. producers and workers at a competitive disadvantage, they say.

"Many U.S. retailers use the first sale rule in their import transactions, which substantially reduces their cost of business by saving them millions of dollars in import duties they would have otherwise have to pay," says the National Retail Federation in its April 24 submission to Customs and Border Protection.

The practice of using "first sale" is likely undercounting the trade deficit tallied by the U.S. government, notes Robert Baugh of the AFL-CIO Industrial Union Council. "When an importer purchases an import from a middleman, CBP relies on the much lower price paid by the middleman to the actual producer as the entered value instead of the higher price paid by the U.S. importer to the middleman," Baugh explains. "This first-sale rule causes less than the full amount of revenues to be collected and results in the undercounting of entered value for purposes of determining the nation's trade balances."

Given such strong opposition to the rule change among those in the importing community, Baugh adds: "It seems certain that the understatement of import values and the avoidance of duties by means of this practice is massive. Thus it is both important and laudable that the CBP has stated its intention to correct this significant problem."

The Bureau of Customs and Border Protection says that it is following precedent set by the Technical Committee on Customs Valuation, and that adopting the change in valuation of imports "would conform the U.S. interpretation regarding the application of transaction value in a series of sales to the current interpretation of most other WTO members." Customs also says it "difficult" to determine the "first-sale" value of products that are — according to the regulation — "sold for exportation to the United States."

By using the "manufacturers' price" as the value of products destined for export to the United States, importers, retailers and consumers have saved billions of dollars on duties. Currently, duties are an important source of government revenues, generating about $30 billion. For more than 120 years, duties were the only form of government revenue. The proposed changes are expected to increase duties by 8 percent to 15 percent.

"Even for goods that are duty free, revoking the first-sale rule will raise the Merchandise Processing Fee and Harbor Maintenance Tax, which are assessed against imports on an ad valorem basis," says the National Retail Federation, which notes that it represents 1.6 million U.S. retail companies, more than 25 million employees — about one in five American workers — and 2007 sales of $4.5 trillion.

Higher duties will result in higher prices for imports, which will be passed on to American consumers, at a time when the weak dollar is increasing the price of imports and the American economy is in trouble, note virtually all of those opposed to the change.

"For 20 years, retailers and many other U.S. companies have organized their business relationships with their supply chains and their sourcing operations, partly in reliance on judicial decisions and customs' practices that endorsed the use of the first-sale rule as a legitimate valuation methodology," writes to the National Retail Federation. "Moreover, the rapid growth of international trade and the global economy has resulted in American companies creating more flexible, multi-tiered supply-chain systems and international sourcing transactions, including the more frequent use of buying agents, subcontractors and other intermediaries." All of these added layers increase the "export price." If the new rules were adopted, many of those layers of middlemen could be eliminated, says the Retail Federation.

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Bob Baugh of the AFL-CIO notes that China, Korea and Japan are collecting duties on the final price paid by the importer. "Right now, however, our workers and domestic manufacturers are placed at an additional significant competitive disadvantage against foreign competitors," he writes.

The American Manufacturing Trade Action Coalition (AMTAC) submitted the most comprehensive document in support of the proposal, a 23-page legal brief signed by director Auggie Tantillo and National Textile Association president Karl Spilhaus. "In that the United States runs chronic and excessive federal budget deficits, it would seem wise to ensure that duties are collected on the full rather than a partial value of imports as they enter the customs territory of the United States," says the AMTAC submission. "To apply duty rates on the partial value of imports through the first-sale process makes a mockery of the 50-year GATT/WTO negotiating process."

The current system puts domestic producers and their workforce "at a disadvantage," says AMTAC. "Because the proposed interpretation bases transaction value on the last sale occurring prior to the introduction of goods in to the United States, the proposed interpretation is more closely aligned with the legislative purpose of the tariff to raise revenue and support numerous U.S. policy objectives....The proposed interpretation is easier for CBP to administer. Less fact-finding by CBP is required."

AMTAC studied the customs laws in various countries and found that many countries assess duties on the final transaction value of the goods headed into their markets, including Japan, Korea, Brazil, China, Australia, Mexico, New Zealand and South Africa. Even the EU and Canada have similar language in their Customs law, AMTAC notes.

The New Zealand Manufacturers and Exporters Association concurred: "It seems to us that the last transaction prior to importation is the logical and reasonable transaction of the calculation of import duty," it wrote in the only foreign organization submission to Customs supporting the change.

Small companies that import specialty products were particularly upset by the changes. "Elimination of the first-sale rule will negatively impact our business because the first-sale rule helps moderately-sized companies compete with large multinational corporations," wrote Joseph McConnell, senior vice president of operations for Biflex, a producer of bras, underwear and sleepwear for Wal-Mart, Sears and JC Penny. "This change will also immediately decrease profits, making it difficult for Biflex to reinvest in expansion, further stifling our ability to compete."

The proposed change in duty collection "will dramatically interfere with exportation commerce of my sport fishing product line," wrote James Cundall, of IDEA America. "How on earth are small businesses expected to make solid importation inroads when these kind of brick walls are being thrown up to stifle international trade? Please don't initiate this proposed law. It will sound a death knell for many American businesses."

Other small company importers note that big companies with large amounts of imports will benefit at their expense because they are not buying products through third parties. The big purchasers have much lower overhead costs per each unit purchased. "It seems that this proposed change in the method of calculating duty is a clear introduction of a value-added tax system of taxation which seems not authorized by our present tax code or duty rules," notes Jack Young in an individual submission to Customs. "VAT taxation systems are generally based on a selling-price calculation rather than on a cost-of-goods calculation."

Some of those companies opposed to the change signed form letters — or slightly altered versions of form letters — to the CBP. Other American organizations that submitted individual opposition comments include the American Petroleum Institute, the Consumer Electronics Association, the Distilled Spirits Council of the United States, the Business Alliance for Customs Modernization and the American Association of Exporters and Importers. Companies that said no to the idea include Phillips-Van Heusen Corp., Perry Ellis International, ASICS America (a shoe and sportswear company based in California), Meyer Corp. (the country's largest seller of aluminum and stainless steel cookware) and the consulting firm KPMG.

Boeing called the change "inappropriate" and said it should be "withdrawn." Any change must be introduced by legislation "and not through a Federal Register Notice of Proposed Interpretation," said Boeing.

Nikon Inc., said the change would "jeopardize Nikon Inc.'s preference and the continued viability of its manufacturing facilities in Thailand and the Philippines and result in a significant price increase to its distributors and, ultimately, to consumers."

Democratic Sen. Charles Schumer of New York said the proposal, if implemented, would require companies in his state to "restructure and possibly eliminate business units that have been built around this long-standing precedent." With higher duties, "more U.S. jobs [will] be pushed offshore," he wrote.

In an April 23 letter to Homeland Security Sec. Chertoff and Treasury Sec. Henry Paulson, Schumer, who not long ago proposed huge tariffs on Chinese imports, said New York's apparel industry "would be particularly hard hit. The industry injects billions of dollars into the New York economy and employs tens of thousands of New Yorkers in apparel design, production, distribution, sales and marketing operations. Fashion industry leaders such as Jones Apparel, Phillips-Van Heusen and Carole Hochman Design Group are headquartered in New York. Clothing retailers, such as Macy's, JC Penny and David's Bridal employ an additional 127,000 people throughout the state. The continued health of these and other companies in the apparel industry, including Perry Ellis, Hanesbrands, Biflex, VC Corp., Ariela-Alpha, TellaS

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(From page seven)

Ltd., and Smart Apparel, is critical to the New York economy....I understand that a number of other Senators have written to you on this issue, but I chose to write to you separately to underscore how important this issue is to the New York economy."

Other U.S. Senators signing a letter against the proposal include: Ron Wyden (D-Ore.), Elizabeth Dole (R-N.C.), Dianne Feinstein (D-Calif.), Jim DeMint (R-S.C.), Blanche Lincoln (D-Ark.), Bill Nelson (D-Neb.), Herb Kohl (D-Wisc.), Norm Coleman (R-Minn.), Patty Murray (D-Wash.), Tom Coburn (R-Okla.), Mike Crapo (R-Idaho), Mel Martinez (R-Fla.), Ken Salazar (D-Colo.) and John Ensign (R-Nev.),

Members of the House of Representatives signing a letter against changing the first-sale rule include: Ileana Ros-Lehtinen (R-Fla.), Carolyn Maloney (D-N.Y.), Bill Pascrell (D-N.J.), Tom Price (R-Ga.), Roy Blunt (R-Missouri), Edolphus Towns (D-N.Y.), James Moran (D-Va.), Mike Thompson (D-Calif.), Kevin Brady (R-Texas), Jon Porter (R-Nev.), Nita Lowey (D-N.Y.), Sue Wilkins Myrick (R-N.C.), Donald Payne (D-N.J.), Keith Ellison (D-Minn.), Virginia Foxx (R-N.C.), Connie Mack (R-Fla.), Mario Diaz-Balart (R-Fla.), John Boozman (R-Ark.), Tim Mahoney (D-Fla.), Kathy Castor (D-Fla.), Jim Matheson (D-Utah), Allyson Schwartz (D-Penn.), Pete Sessions (R-Texas), Mike Ferguson (R-N.J.), Dan Boren (D-Okla.), Edward Royce (R-Calif.), Jim McDermott (D-Wash.), Joseph Crowley (D-N.Y.), Earl Blumenauer (D-Ore.), Judy Biggert (R-Ill.), Gregory Meeks (D-N.Y.), Ron Klein (D-Fla.), Howard Coble (R-N.C.), Joe Knollenberg (R-Minn.), John Lewis (D-Ga.), Artur Davis (D-Ala.), Ron Lewis (R-Ky.), Zach Wamp (R-Tenn.), Alcee Hastings (D-Fla.), Ellen Tauscher (D-Calif.), Lincoln Diaz-Balart (R-Fla.), Jerry Weller (R-Ill.), Debbie Wasserman Schultz (D-Fla.), Kendrick Meek (D-Fla.), David Price (D-N.C.), Henry Cuellar (D-Texas), David Dreier (R-Calif.), Bennie Thompson (D-Miss.), John Conyers (D-Mich.), Jim Ranstad (R-Minn.) and Paul Ryan (R-Wisc.).

The American Apparel & Footwear Association said the proposal "is unacceptable and must be immediately withdrawn." The CBP "does not have the legal authority to propose such a reinterpretation" of its rules and has "failed to consult with key stakeholders." CBP has "no compelling reason to seek a change at this time," the footwear group added, reflecting comments from dozens of other entities.

Waterford Wedgwood's U.S. division based in Wall, N.J., says as an importer it has been "pummeled over the last several years" due to the sinking dollar. Additional duties would "serve to add to the mounting losses [Waterford] and other importers of luxury goods have incurred since the attacks on September 11, 2001. Make no mistake, passing the increased duties onto consumers at a time when the U.S. economy is in the midst of a credit, housing and consumer confidence crisis would be no simple thing."

The change would also mean fewer Americans going to Ireland. "Each year, 350,000 American tourists travel to Waterford, Ireland, to visit the factory that formed the basis of the Irish heritage for the designs of crystal that have come to our country for over 200 years," says the company. "If enacted, the proposed reinterpretation would add to the myriad of unduly harsh business factors which could force [Waterford USA] and its parent company to rethink its investment in the U.S., which may ultimately result in the loss of thousands of jobs and an end to decades of fruitful tourism."

Levi Strauss & Co., which recently shut down all of its U.S. production, said it "strongly opposes" the proposed changes. If Customs adopts the rule, Levi Strauss would have "an additional expense which would have to be absorbed by reducing other overhead expenses such as salaries and personnel, cutting into business profit and negatively impacting future investment. The CBP proposal risks causing serious damage to a U.S. economy already on a shaky footing."

Biflex Corp., an importer of bras, underwear and sleepwear for major retailers, says the new rule will not increase manufacturing production in the United States. "Certain products we import are no longer produced domestically in sufficient capacities," says the company's submission to Customs. "We will continue to source goods from outside the U.S. because it is a necessity, not a choice. The issue of U.S. manufacturing job losses as an argument against withdrawal of this proposal is a red herring. On the contrary, the elimination of the first-sale rule has the potential instead to harm the U.S. economy and exacerbate the current economic slowdown. As costs rise, companies like Biflex may be forced to eliminate jobs here in the U.S."

The American Dehydrated Onion and Garlic Association (ADOGA) supports the change, saying Chinese and U.S. importers have completely destroyed the U.S. garlic and onion industry by cheating on duties. "In ADOGA's experience, some traders understate the value of their goods to pay less in import duties, which ultimately results in a lower price used to compete against U.S. manufacturers," said the group in its public submission to the CBP.

The garlic industry was successful in having a 376 percent dumping order placed on the Chinese in 1994, but most of that country's fresh garlic was then diverted to dehydration. Chinese dehydrated garlic imports increased from 6.5 million pounds in 1989 to 110 million pounds in 2007.

"Through market research here and in China, ADOGA's members discovered that Chinese dehydrated garlic was, and still is, being systematically undervalued for purposes of import tariff applications," writes the trade group. "By doing so, Chinese importers mitigate the full weight of the import tariff and gain an unfair trade advantage. In cases like this, where the import tariff ranges from 20 to 30 percent, the incentive exists to gamble that under-valuation will not be discovered by U.S. authorities."

The trade association told Customs that this was happening, but the agency "found it very difficult to

(Continued on page nine)

MAPI Index Indicates Slower Growth

The Manufacturers Alliance/MAPI quarterly survey of the business outlook took a tumble during the first quarter, with many executives saying they expect U.S. production capacity to decline. When asked about their plans over the next five years for production, 38 percent said U.S. capacity will grow but at a slower rate than capacity overseas. Another 27 percent said they expect U.S. capacity to decline. Twenty-one percent said U.S. capacity will stay about the same, and 13 percent said U.S capacity would grow at a faster rate than capacity located abroad.

Beyond the future indicator for production, virtually every one of the group's indexes took a downward turn during the quarter, though they all remain above 50 percent, which means the sector continues to expand. Anything below 50 percent and the sector is in contraction.

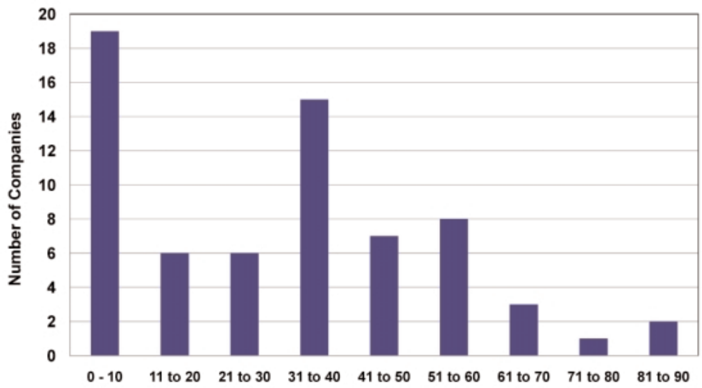
MAPI's composite index of future business activity fell from 64 percent in December to 57 percent in March. The orders index dropped from 69 percent to 58 percent; the prospective shipping index declined from 74 percent to 62 percent; the annual orders index was 68 percent, down from 75 percent in December; the export orders index fell from a record high of 80 percent in December to 72 percent; backlogs order index decreased from 67 percent to 55 percent; the profit margin index dropped from 68 percent to 60 percent; capacity utilization (as measured by the percentage of companies operating at 85 percent or more of capacity) dropped from 46.5 percent to 38 percent; the investment index dropped from 74 percent to 62 percent; the R&D index declined from 77 percent to 72 percent; and the inventory index fell from 64 percent to 54 percent.

But there was positive growth in two new indexes introduced by the trade group in its March survey: the new "prospective (non-U.S.) shipments index" based on expected shipments overseas for the next quarter, stood at 80 percent; and the "non-U.S. investment index" which measures companies' plans to invest in facilities outside the United States stood at 75 percent.

"Most respondents (80 percent) expect exports will rise over their 2007 levels, while just 5 percent said their exports will fall," says MAPI. "[T]he average expected increase in exports is 10.6 percent."

The vast majority of the respondents to the MAPI survey have global operations. "On average, 38.1 percent of revenues were derived from sales outside the United States in the most recent year, up from 31.1 percent three years earlier," says MAPI.

Percent of Capital Investment Directed Abroad



(Source: Manufacturers Alliance/MAPI)

Customs' Duties...*(From page eight)*

ascertain the true value of the product when based on a first sale occurring in China. Because of the geographic distance, language issues and dissimilar trading culture, it is easy for Chinese traders to supply doctored or inaccurate documentation to Customs. At that point the burden shifts to Customs to prove otherwise. Fact-finding in China presents a formidable task to an army of investigators, but for the limited investigators available at Customs, it is almost impossible to prove the real value at the level of first sale. Were the transaction value based on the last sale, however, the party to whom Customs would look for information would be a U.S. buyers, physically located in the United States."

Geoffrey Ratte, an individual, wrote to "heartily agree" with the CBP proposal. "U.S. manufacturers face tough enough hurdles competing with developing market wages, developing countries with little or no environmental regulation, subsidized commodity markets, etc." he wrote. The first sale valuation precedent handed down by the U.S. Court of International Trade in 1988 "was a slap in the face to U.S. manufacturers. If you are wondering why the U.S. has faced 80,000 lost jobs in the last month alone, you don't have to look much further than this un-level playing field we are on. The first sale rule looks like chicanery, and it smells like it too. I hope you go forward with a last sale doctrine."

In a letter to *Manufacturing & Technology News*, Nancy Gold (toughtraveler@aol.com), president of Tough Traveler Ltd. wrote: "Please get more U.S. domestic manufacturers to contact Congress, CBP and the media. Let them know that the CBP is correct to propose reinterpretation of customs value so that the customs value will be the actual price paid by the importer. There has been little media, and U.S. manufacturers and public are not aware. The CBP has plenty of 'comments' from importers and importer lobbyists, but only AMTAC, the AFL-CIO and a few small notes were submitted in support of the valuable plan by the CBP. Even Senator Schumer, who is in support of raising the China yuan, oddly does not want to collect the correct full customs from U.S. importers. The CBP has closed comments, but Congress and the media are far from closed!!! U.S. manufacturing has been hurt, and the CBP is being hurt, by importers, and the public needs to let Congress know that we expect duties to be paid on the actual value of imports, with no exceptions!"

Earmarks Once Again Inflate Govt. Spending

This is turning out to be a good year for congressional earmarks — better known as pork projects. There were 11,610 earmarks tucked into 12 appropriations bills worth $17.2 billion in the 2008 budget passed by Congress in December. The number of projects represents an increase of 337 percent over the 2,658 projects that were in the fiscal year 2007 budget, when only the appropriations bills for the Departments of Defense and Homeland Security contained such earmarks. Since 1991, Congress has spent $271 billion on earmarks.

Alaska led the nation with a per capita earmark rate of $556 ($380 million), followed by Hawaii with $221 per capita ($283 million) and North Dakota with $208 per capita, says Citizens Against Government Waste. "The one glimmer of hope is that for the first time taxpayers were able to see, for the most part, which members requested which projects."

There are hundreds of projects for museums, fitness centers, roads, military buildings, hospitals, commissions, forums and gardens. Here are some congressional earmark projects for scientific research and technology demonstrations:

- $2,350,000 for the "Teach for America" program in New York, to engage teachers in science, technology, engineering and math through a NASA earmark sponsored by Sen. Barbara Mikulski (D-Md.);
- $1,880,000 for the Educational Advancement Alliance Math, Science and Technology Program, sponsored by Rep. Chaka Fattah (D-Penn.);
- $23,000,000 for the Maui Space Surveillance System sponsored by Sen. Daniel Inouye (D-Hawaii);
- $10,000,000 for the National Defense Center of Excellence for Research in Ocean Systems, Hawaii, sponsored by Sen. Daniel Inouye (D-Hawaii);
- $2,400,000 for economic production of coal-to-liquid fuels in West Virginia, sponsored by Sen. Robert Byrd (D-W.V.);
- $2,400,000 for research to reduce the environmental impact of coal-to-liquid fuels, sponsored by Sen. Robert Byrd (D-W.V.);
- $1,200,000 for an Advanced Dynamic Optics Program, sponsored by Rep. Bill Young (R-Fla.);
- $1,600,000 for a Technology Commercialization and Management Network, sponsored by Rep. Jerry Lewis (R-Calif.);
- $1,600,000 for Microsatellite Serial Manufacturing programs, sponsored by Rep. Jerry Lewis (R-Calif.);
- $2,400,000 for the Center for Solar Electricity and Hydrogen, sponsored by Rep. Marcy Kaptur (D-Ohio);
- $1,000,000 for the International Base Facility Energy Independence — Wind Turbine, sponsored by Rep. Marcy Kaptur (D-Ohio);
- $1,200,000 for a National Bureau for Asian Research, sponsored by Rep. Norm Dicks (D-Wash.);
- $984,000 for the University of Oklahoma for the large-scale application of single-wall nanotubes, sponsored by Sen. James Inhofe (R-Okla.);
- $3,936,000 for the Center for Advanced Vehicular Systems at Mississippi State University, sponsored by Sen. Thad Cochran (R-Miss);
- $2,681,4000 for the Center for Materials Reliability at the University of Nevada, Reno, sponsored by Sen. Harry Reid (D-Nev.);
- $738,000 for a technology transfer initiative at the University of Nevada, Reno, sponsored by Sen. Harry Reid (D-Nev.);
- $492,000 for Rolls-Royce Fuel Cell Systems Inc. to develop a solid oxide fuel cell at the Fuel Cell Prototpying Center at Stark State College of Technology in Canton, Ohio, sponsored by Sens. Sherrod Brown (D-Ohio) and George Voinovich (R-Ohio);
- $492,000 for bulk production of metallic glass that that is much stronger and more elastic than traditional metals, sponsored by Rep. Dennis Kucinich (D-Ohio);
- $344,540 for the City of Chicago GreenStreets Tree Planting Program, sponsored by Sen. Richard Durbin (D-Ill.);
- $87,000 for a Fuel Cell Coal Mine Vehicle demonstration Project at the United Mine Workers of America, Fairfax, Va., sponsored by Sen. Arlen Specter (R-Penn.);

The "2008 Congressional Pig Book Summary — The Book Washington Doesn't Want You to Read," from the Citizens Against Government Waste, is located at http://www.cagw.org/site/DocServer/CAGW-Pig_Book_08.pdf?docID=3001.

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View From The Middle East: Oil = Lots Of Cash

DOHA, QATAR — While Senators Hillary Clinton and Barack Obama joust over answering early morning phone calls and Senator John McCain pledges to keep troops in Iraq for a hundred years in the current U.S. presidential campaign, the future of America is being determined here in the Middle-East.

BY CLYDE PRESTOWITZ

To observe the scene in Doha and the other cities of the United Arab Emirates (U.A.E.) along the Persian Gulf is to be reminded that the Gulf is not filled with water so much as with dollars. The housing and real estate bubble may have burst in the United States, but it shows no signs of letting up here, as a tsunami of greenbacks washes over the desert sands and makes them bloom with horizon-to-horizon hotels, golf courses, and skyscrapers. Indeed, part of the cause of the swooning U.S. economy is also the source of the boom here.

Think of two pipelines or two supertankers. One is carrying millions of barrels of oil from the Gulf to slake the huge energy thirst of America's drivers. The other is carrying billions of dollars to the Gulf to make its deserts bloom, but also to turn it into the new central hub of global finance and wealth. For example, the new Dubai Mercantile Exchange has been trading Oman Crude Oil Futures Contracts since June. This assures that Persian Gulf crude will have its own benchmark price that is not tied to western standards like West Texas Intermediate and North Sea Brent. It also puts Dubai in position to replace New York and London as international trading hubs. This will be hastened by Dubai's recent use of some of the dollars from the second pipeline to acquire 20 percent of the Nasdaq exchange.

In fact, the big problem in the Gulf is not a looming recession, but too many dollars. The headlines of the Gulf Times of Sunday, March 9, 2008, say it all. "Weak Dollar Deterring Indian Workers" is the lead story. It reports that the Indian construction workers who until now have provided the muscles that are turning the sands of Dubai, Abu-Dabi, and Qatar into modern cities with the world's tallest buildings are no longer willing to accept the thousands of jobs being offered because of the falling value of the dollar. The workers are paid in UAE Dirham which is pegged to the U.S. dollar. In the past, they could earn four times as much in the Emirates as in India. But now the differential is only 40 percent which hardly justifies the expenses and hardships of being away from home for months at a stretch.

Turn the page and the headline reads; "As U.S. Economy Bleeds, Federal Reserve Grasps for Solutions." Just beneath that is a headline saying: "Crude Oil Prices May Surge to $130 This Year." Pierre Andurand, the Chief Investment Officer of the BlueGold Capital Management hedge fund explains that pension funds are investing more in commodities and that the outlook for oil over the next five years is bullish. The article goes on to note that Calpers, the giant California employees pension fund, has decided to increase its investments in oil and other commodities to about 3 percent of its total $240 billion in assets. Author and Cambridge Energy Research Associates Chairman Dan Yergin explains that whereas in times of past economic uncertainty there was always "flight to dollars as a refuge, today, instead there is a flight to oil."

Turn the page again and the headlines note that the UAE central bank is granting limited dollar loans to the region's banks in order to help them meet their foreign currency requirements. It seems this is a kind of emergency measure to combat a shortage of dollars. "There's a shortage of dollars in the market because everyone is betting on a revaluation of the Dirham against the dollar," says an executive of Dubai Emirates NBD bank.

Another story reports the advance of the Malaysian Ringgi (remember when it threatened to collapse against the dollar in 1997?) and of the Singapore dollar against the U.S. dollar. Yet another story reports that Europe will need extra Mideast gas as its domestic output declines.

Turn the page yet again and the headline reports Russian President Vladimir Putin, who recently shifted the bulk of Russia's central bank reserves from dollars to euros, explaining that the newly elected President Medvedev (Putin's chosen acolyte) can be expected to be just as tough as his predecessor with regard to foreign policy toward the U.S. and Europe.

Here in the Gulf, it is taken for a certainty not only that the dollar will fall further but that the UAE and Saudi Arabia will soon follow Kuwait in cutting the peg of their currencies to the dollar. It is also seen as only a matter of time before oil is priced in some basket of currencies rather than solely in dollars. As one top official noted in a private conversation, "effectively, oil is already partially priced in euros." What he meant was that the Middle East oil producers get most of their imports from Europe and therefore price oil with an eye on protecting the euro purchasing power of their dollar revenue. Thus, if the dollar falls versus the euro, the producers raise the price of oil to compensate for the loss in euro denominated revenue.

On current trends it won't be necessary for anyone in the White House to answer the phone at 3 a.m. It won't ring. The dollar won't be the world's money. And when the dollar is no longer the world's money, the U.S. Army will no longer be the world's police force, willing to send troops to the ends of the earth for a hundred years. As retired Marine Corps Colonel G.I. Wilson has noted: "It used to be that the side with the most guns would win. But today the side with the most guns goes bankrupt."

So with the United States bankrupting itself and increasingly unable to provide money or soldiers, why would anyone want to call the White House, especially at 3 in the morning?

— Clyde Prestowitz is president of the Economic Strategy Institute in Washington, D.C.

Science Funding Needs Rescue; Supplemental Bill Might Help

When Congress decided in December 2007 to kill funding for the International Thermonuclear Experimental Reactor (ITER), it didn't take time to read the fine print concerning U.S. involvement in the demonstration project based in France. It turns out that the United States might be liable for a $750 million default clause in the agreement signed with the EU, China, India, Japan, South Korea and Russia.

Congress was adamant about not funding ITER this year. In its appropriation, it stated that "funding may not be reprogrammed from other activities within Fusion Energy Sciences to restore the U.S. contribution to ITER."

Congress made "an embarrassing mistake," says Sen. Lamar Alexander (R-Tenn.). The United States agreed to pay for 9 percent of the $1.1 billion cost of the program, with President Bush requesting $160 million for 2008. "The deal we made said that if we didn't put in our $160 million, we might get charged $750 million," said Alexander. "In other words, we said as our guarantee, that if we back out, if we don't live up to the deal, it's going to cost us three-quarters of a billion dollars."

But there might be funding provided, thanks to the Gulf War Supplemental Appropriations bill that is beginning its way through Congress. On the House side, 31 representatives signed a letter to the leadership asking for funds for ITER along with additional funding for the national laboratories. Without the money for the labs, as many as 550 scientists, engineers and technical staff will be laid off "leading to the permanent loss of this expertise," the representatives say in their request. Without additional funds, the scientific user facilities at the laboratories will be constrained and the National Science Foundation will not be able to provide additional grant money for research.

The letter referenced an April 16 letter that 244 organizations and companies sent to President Bush seeking his support for science funding in the supplemental appropriation. "We ask that you remain open to the inclusion of funding for scientific research and science, technology engineering and mathematics education in any legislation presented to you for your signature," states the letter, signed by dozens of companies (Oracle, Vermeer, Xerox, Siemens, Rockwell Automation, Boeing, Apple, Applied Materials, Delphi, Eaton, General Atomics, HP, IBM, Photronics) and dozens of universities, trade associations and professional societies. "As leaders of America's business, academic and research communities, we are deeply concerned about the state of our country's competitive position in the world. Though there are many issues relevant to protecting our interests in the global marketplace, none is more pressing than the need for additional funding for scientific research and science, technology, engineering and mathematics education," states the letter. "As our country struggles to stabilize our economy and build for the future, an immediate commitment to research and education funding is both timely and relevant. This is an urgent and necessary step that will enhance our country's economic strength, our competitiveness and allow for continued innovation."

Mfg. Barometer Heads Down

"Economic optimism plummets among U.S. industrial manufacturers," screams PricewaterhouseCoopers in the title of its latest "Manufacturing Barometer" issued for the first quarter on April 29. Only 12 percent of senior executives in the manufacturing sector are optimistic about prospects for the year, down from 29 percent in the fourth quarter of 2007 and 57 percent from the same quarter a year ago. Seventy-five percent of industrial manufacturers said they believed the domestic economy was in decline, while only 5 percent said it was growing. "This is in stark contrast to one year ago, when 69 percent of respondents believed the economy was growing," says the barometer. "Looking ahead, over one-half of these executives (52 percent) are pessimistic about the U.S. economy over the next 12 months, as compared to only 5 percent a year ago."

Barry Misthal, the industrial manufacturing sector leader at PricewaterhouseCoopers, said: "We knew industrial manufacturers were feeling the pressures of the economic downturn, however, the reality of the situation really hit us when we saw this quarter's findings."

Seventy percent of executives expect positive revenue growth over the next year, down 11 points from last quarter. Revenue targets were reset to 4.6 percent, a 15 percent drop from 5.4 percent recorded in the fourth quarter survey. Sixty-eight percent of executives said energy prices are a potential barrier to growth over the next 12 months; 62 percent cited a lack of demand.

"On a positive note, survey respondents indicated that international markets continue to offer opportunities for industrial manufacturers," says the survey. Sales increased for 63 percent of manufacturers selling abroad "and international sales projections remain steady at 35 percent of revenues. Twenty-seven percent of executives plan to expand their markets abroad over the next year, and 25 percent said they would build new overseas facilities. Only 38 percent of executives are optimistic about the world economy, a 26-point drop from the previous quarter and a considerable 45-point drop from one year ago."

"It appears mounting uncertainty about the U.S. economy is starting to affect opinions about the world economy," said Misthal. "However, to weather this economic storm, industrial manufacturers must set their sights on growth opportunities abroad, while at the same time maintain the health of their domestic operations by controlling costs and making selective investments of capital."