MANUFACTURING & TECHNOLOGY NEWS

COVERING INNOVATION, GLOBALIZATION & INDUSTRIAL COMPETITIVENESS

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

Friday, March 30, 2012 Volume 19, No. 5

Is Momentum Building For Adopting A New Mfg. Policy Agenda?

The planets are beginning to align for a new manufacturing policy agenda in Washington, but doubts remain as to whether appropriate action can or will be taken to improve the fortunes of domestic manufacturers and the overall economy.

At the Second Annual Conference on the Renaissance of American Manufacturing held in Washington on March 27, speakers from the Obama administration, the Mitt Romney and Rick Santorum presidential campaigns, Republican and Democratic senators, CEOs, and representatives from labor, think tanks and trade associations all agreed: the renewal of American manufacturing should be a top economic priority.

"There has been a lot of progress and we're close to some kind of breakthrough," said conference organizer Gilbert Kaplan, a partner at King and Spalding in Washington, D.C., and president of the Committee to Support U. S. Trade Laws. "A lot more needs to be done, but there is a real feeling around this town that we have to take some big action." Added former National Association of Manufacturers President Jerry Jasinowski: "We are at a turning point where the substance and some of the politics are coming together. . . There are not the same number of idiots running around saying that manufacturing isn't important."

Among those who support a more aggressive manufacturing agenda were Obama's top economist Gene Sperling, Romney economic advisor and former head of the International Trade Administration Grant Aldonas, and Sens. Jeff Merkley (D-Ore.), Rob Portman (R-Ohio), and Jeff Sessions (R-Ala.), who surprisingly stated that he has been persuaded away from his embrace of free trade by reading the works of Alan Tonelson of the United States Business and Industry Council and Clyde Prestowitz of the Economic Strategy Institute. "I'm a strong believer in trade, but if free trade means they can cheat us but we can't retaliate, then count me out," Sessions said. The fact that China manipulates its currency, making it impossible for domestic manufacturers to compete, "is just

(Continued on page six)

Made In America Is Becoming A Selling Attribute

On his campaign swing through Ohio recently, Republican presidential hopeful Mitt Romney made his first stop in the state at the last remaining U.S. factory making metal fence posts: American Posts of Toledo, Ohio. It was a political rally with a perfect photo op. The company's marketing and sales literature states that its posts are: "Made in America. Made by Americans. Made with American steel."

With every post it makes stamped "Made in America," it was enough to attract Romney's attention. It has also been good for attracting business. "Made in America" is selling.

"There has been a lot more 'Buy American' feeling in the country," says American Posts CEO William Feniger. "There is also fear among people [in retail] who are buying in this country that they need to make sure that they keep us alive and buy from us because if something would happen [to Chinese supply] then where are they going to buy these fence posts from? They buy a lot of them — a lot of them. They could put themselves in a corner that they don't want to be in."

Buyers at Ace Hardware and Menards have embraced "Made in America" as a selling point. "In the last few years there is more of an emotional atmosphere among consumers who feel that they need to support the people who are making things in

(Continued on page eight)

Shaming Public Officials Into Buying American

The Alliance for American Manufacturing has initiated a campaign intended to shame public officials for outsourcing infrastructure projects to foreign companies.

In the first of what could be dozens of publicity campaigns, AAM has purchased two billboards on the Oakland side of the Bay Bridge in San Francisco. The red billboards, festooned with China's flag of five stars, have the following message:

The Bay Bridge
100 Percent Foreign Steel
Should Be Made In America.com

At the bottom of the billboard in small type is the sponsor line: "Paid for by the Alliance for American Manufacturing."

AAM is a joint venture between the United Steel Workers and management of the steel companies for which they work.

It is the first billboard of a campaign that is expected to last between 12 and 18 months, explains AAM Executive Director Scott Paul. "We launched it symbolically on the Bay Bridge because it's an iconic structure and is the most egregious example of outsourcing a major public infrastructure program to China."

If other public officials are willing to outsource major infrastructure projects to foreign countries then "we will put a billboard next to that project to let the public know what they did," says Paul. "We call it a right to know."

Billboards are generally not a very good way to get a message across, but when they are located next to the structures that are being highlighted "they are very effective," says Paul. "When people are sitting in traffic in areas with high unemployment, it will strike a chord."

Where might the next billboard appear? "We are leaving it a guessing game for the politicians," says Paul. "Unfortunately, we have a lot of targets to choose from."

AAM has a budget in the "six figures" for the "Should Be Made In America" campaign and will be putting up billboards about once a month

There is a bigger purpose in the program other than to shame politicians, Paul notes. The intent is to have states and the federal government adopt laws that favor U.S. manufacturers in public procurement decisions. "Buy American" laws that already exist need to amended so that they are more transparent making it more difficult for procurement officials to bypass them. Had California had a strong Buy American law, then when the Bay Bridge steel job was up for bid, it would not have gone to China, says Paul. "We have legislation introduced in 20 states that would strengthen Buy American laws at the state levels," he adds. There will be an "enormous push next year in even more states."

At the federal level, Rep. Nick Rahall (D-W.V.) has introduced the Invest in American Jobs Act (H.R.3533) to strengthen Buy America requirements for transportation and infrastructure projects. The bipartisan bill currently has 41 co-sponsors.

The AAM campaign will also provide citizens with a means to connect them to local transit authorities that are engaged in procurement decisions "to make sure they know there is a strong preference to produce domestically," says Paul. "At the end of the day we want to create jobs in the United States and this is one important tool to do it."

The unveiling of the billboards on March 26 drew a half a dozen local television news crews, including helicopter flyovers.

AMTDA: It Was Nice Knowing You

There is one less manufacturing trade association in the world. The American Machine Tool Distributors Association (AMTDA) has merged into AMT - The Association for Manufacturing Technology (AMT). The merger is the result of 25 years of discussions that were kicked into high gear two years ago by the boards of directors of both groups. The majority of memberships in both organizations approved the merger. AMTDA has closed its office in Rockville, Md., and moved its eight staff members to AMT's headquarters across the Potomac River in McLean, Va. AMT has 90 employees.

"In many cases, there is an absolute need for both machine tool builders and distributors being on the same page," says AMT President Douglas Woods. "Where there is concern, where builders are trying to pinch distributors on margins, when you are working together and meet those people and understand how they relate, then you break down those barriers and it becomes much less of an issue."

By working together, machine tool builders and distributors should bring customers better products and services, says Woods. "The more people you have involved in doing this with common interests, the better it is for all of us."

AMT will have a little stronger voice in Washington policy circles. "Almost all of the things you see coming out [of the Washington policy machine] now you can pull out of our manufacturing mandate we put out two years ago," says Woods. Just as important to AMT as its policy promotion is its work developing technology roadmaps and standards, and assisting member companies expand their markets through sponsorship of the IMTS show and around the world through its tech centers in Mexico, India and China.

What does Woods think of China's surging market for machine tools, which is six times larger than the U.S. market? "The fact that China is as big as it is kudos to China," he says. "There is a market need and they can satisfy it domestically."

AMT's technology center in Shanghai is responsible for $150 million in direct sales in China over the past six years. "We want to take advantage of that market," he says. "We don't have the numbers to come anywhere close to those huge markets, but I don't think that is the name of the game," he adds. "The name of the game is do you continue to lead in certain key sectors of manufacturing technology such that people look to your industry for support and direction and is that industry capable of driving your national economy and national defense? In that case, it is critical."

Obama's Top Economic Advisor Offers Rationalization For A Pro-Manufacturing Policy

BY RICHARD McCORMACK

There has been a major transformation in President Obama's economic team, with the new man in charge giving manufacturing a big warm bear hug.

Gene Sperling, Director of the National Economic Council, says that manufacturing "is an economic priority" that requires special attention from policymakers. His thinking runs directly counter to his two immediate predecessors, Christina Romer and Lawrence Summers, who both said that hair cuts were as important to the economy as making hair dryers.

President Obama's recent focus on reviving U.S. manufacturing "is an area where otherwise like-minded economists often disagree," Sperling told 300 people attending the "Conference on the Renaissance of American Manufacturing" held in the ballroom of the National Press Club on March 27.

Sperling: Manufacturing "punches above its weight."

Focusing entirely on the justification for economic policies that target manufacturing, Sperling's half-hour speech was greeted with astonishment by many in the room. For Obama supporters, there was exasperation: What took the President's economic team three-and-a-half years to realize that the policies they have been promoting — focusing on increasing demand (and stimulating China's economy) rather than reviving U.S. production — have failed. His speech was also viewed with skepticism: The only reason for the manufacturing push is the upcoming election and the importance placed on manufacturing by Obama's chief rivals for his office, Mitt Romney and Rick Santorum, especially in the industrial swing states that will determine the outcome of the election. The skepticism is warranted said some domestic manufacturers after the presentation: Obama made the same promises four years ago, and then did nothing, especially with regards to Chinese currency. For many domestic manufacturers, the Obama team's awakening is too little too late. A new group is forming, "Producers for Romney."

The skepticism is also the result of Sperling's long association with the economic globalists. He is a main architect of China's accession into the WTO in 1999 while he was serving from 1996 to 2000 as director of President Clinton's National Economic Council. He worked for both Robert Rubin, former Clinton economic advisor and chairman of Goldman Sachs and Citigroup, who derailed currency reform in Congress shortly after the Democratic election sweep in 2008. And he worked for Summers, who has never muttered a kind word about manufacturing.

Despite the baggage, Sperling said that he is fully on board the manufacturing bandwagon. He repeatedly cited recent studies that question long-held assumptions that manufacturing is following the same downward trend lines as agriculture, and that productivity is the main cause of the massive lost of manufacturing jobs.

"I want to take on those arguments because I believe they will miss important economic realities about the state of manufacturing in America and the very real benefits that manufacturing brings to our economy and that we ought to preserve," he said.

The reason for the new focus: manufacturing "is a sector that punches above its weight."

While manufacturing accounts for only 12 percent of the U.S. labor force, it funds 70 percent of the nation's research and accounts for 90 percent of all patents, a theme that is now often repeated by the growingly enlightened policy class. It pays higher wages. It is the leading export sector. It produces a vast net of economic spillover effects within supply chains and in local communities. And innovation is directly tied to the ability to produce products.

"The deeper economic harm [would come] from allowing our manufacturing production capacity to be hollowed out," he said. "While we know that economists often start from the premise that any type of preferential treatment of a single type of investment over another is viewed as distortionary, we also know that when an economic activity has positive spillover effects that an individual firm cannot capture, there is a risk we as a nation will under invest in areas that can be beneficial to the economy at large."

Just as there are spillover effects from publicly funded research and development — and the justification for public funding — there are "clear and measurable" spillovers from a robust manufacturing sector, said Sperling. He then cited numerous studies* to back his claim that incentives, tax breaks and investment in manufacturing infrastructure has an inordinate impact on a nation's innovation capability and national competitiveness and the reason production capacity must be maintained in the United States. "Once the virtuous, reinforcing cycles are broken they are difficult to recreate and they can turn to a vicious cycle. That's why losing pieces of our manufacturing base should be such a serious concern."

As companies decide on their own that it is not worth producing in the United States, it impacts the remaining companies' ability to be innovative and to scale new products and it triggers the loss of the nation's "ability to compete for and create the next generation of technologies," said Sperling. "It's a story we're already all too fa-

(Continued on page four)

Sperling on Mfg.... (From page three)

miliar with in the United States: in consumer electronics, in metal castings, in machine tools and others. When we lost consumer electronics manufacturing we gave up a claim on future innovation." He pointed to the loss of lithium-ion batteries as an example of losing spinoff applications in automobiles and electric grid storage.

The United States cannot halt the destructive nature of capitalism, not should it try, said Sperling, but "we have a national economic interest in ensuring that as dynamic competition proceeds, we as a country must understand the importance of ensuring an environment where our manufacturing sector will not lose the ability to compete for the next advance, the next big thing, the next opportunity to create value and jobs on our shore."

Sperling then spent time debunking the idea that productivity gains in manufacturing have led to the loss of so many jobs. He noted that a 2005 study by William Nordhaus, proved that between 1948 and 2005, industries that had the highest rates of productivity improvement had the highest rates of job growth. The recent Brookings Institution paper by Susan Helper (who is expected to join Sperling's staff this summer), Howard Wial and Timothy Kruger updated that paper "and still did not find a correlation between productivity gains and job losses," said Sperling.

If productivity improvement leads to dramatic declines in manufacturing jobs, then manufacturing employment would not have stayed steady at 17 million from 1965 to 1999. In the 1990s, there were strong increases in manufacturing productivity, yet employment in the sector increased by 700,000 between 1993 and 1998. "This all points to one clear fact: the dramatic loss of manufacturing employment in the past decade was a break from the past and cannot be explained by the conventional view of productivity and technology gains," said Obama's top economist.

Since 2000, the United States has lost six million manufacturing jobs and the loss of those jobs has been felt far beyond manufacturing. "If an auto plant opens, a Wal-Mart can be expected to follow," Sperling said. "But the converse does not necessarily hold — that a Wal-Mart opening definitely does not bring an auto plant with it."

As such, manufacturing requires "preferential treatment" from the policy community, Sperling said. Obama has proposed cutting the corporate tax rate for manufacturers to 25 percent "and even lower for advanced manufacturing, recognizing the importance of more carefully targeting those benefit to true manufacturing that produces the spillover benefits," said Sperling. The president has also proposed a tax rate on foreign earnings as a means "to prevent a global race to the bottom. . . that would draw production to tax havens abroad."

He has proposed an $8-billion Community College Career Fund for community colleges to partner with businesses to train two million workers in advanced manufacturing specialties. He has proposed a $2.2 billion increase (19 percent) in federal budgets that support innovation in manufacturing. "We recognize investing in basic research isn't enough to make sure that a new technology crosses the bridge from invention to product development to manufacturing scale," said Sperling.

Included in the proposal is the $1 billion "National Network for Manufacturing Innovation," which would be used to create 15 regional manufacturing institutes modeled after the Fraunhofer Institutes in Germany. And Obama has called for the creation of an Interagency Trade Enforcement Center office "to go after unfair trade practices including those of China," he said. The president has requested $26 million for the office in 2013 to support a staff of 50 to 60 workers.

* Sperling cited the following studies:

• Michael Greenstone, Rick Hornbeck and Enrico Moretti in a 2010 study that found investment in a new production plant increased productivity of other firms in the surrounding area — an "agglomeration spillover," which other studies describe as "knowledge spillovers."

• Wolfgang Keller's study published in the *American Economic Review* found that manufacturing spillover benefits "decline with distance — indeed by over half when they are more than 700 miles away."

• Lee Branstetter from Carnegie Mellon found that economic spillover effects from manufacturing facilities are only contained within the country of that investment.

• MIT's recently initiated "Production in the Innovation Economy" project is based on the premise that the separation of design and innovation from manufacturing cannot be sustained for many emerging industrial sectors. MIT president Susan Hockfield, co-chair of President Obama's Advanced Manufacturing Partnership along with Andrew Liveris, CEO of Dow Chemical, has written that the loss of manufacturing "not only destroys manufacturing jobs but also saps our inventive strength."

• Gary Pisano and Willy Shih's 2009 article in Harvard Business Review talked about the need to preserve the "industrial commons" that come with a robust manufacturing sector. Once an industry loses its critical mass, the industrial commons — the force driving innovation — disappears, leading to vicious economic cycle.

NIST Seeks Public Input On Manufacturing Institutes

The National Institute of Standards and Technology wants to hear from the U.S. manufacturing community about how it can structure the proposed $1 billion "National Network for Manufacturing Innovation." It is hosting its first regional workshop at the Rensselaer Polytechnic Institute in Troy, N.Y., on April 25 with interactive sessions "designed to solicit ideas on how best to structure the NNMI and its regional hubs — Institutes for Manufacturing Innovation (IMI)," says NIST. If Congress approves the budget, NIST expects to fund 15 institutes fashioned after the Fraunhofer Institute in Germany. "As envisioned, each IMI will serve as a regional hub of manufacturing excellence, providing the innovation infrastructure to support regional manufacturing and ensuring that our manufacturing sector is a key pillar in an economy that is built to last," says NIST. The program would be run by NIST's recently created Advanced Manufacturing National Program Office. Space is limited. Sign up soon: http://manufacturing.gov/amp/even_042512.html.

CRS Questions Whether U.S. Tool And Die Industry Is Too Depleted To Assist In Manufacturing Recovery

The U.S. tool and die industry, which has been recognized as an essential component of the U.S. economy for two centuries, is in a precarious state. Over the past decade as major manufacturing companies have shifted production out of the United States, the tool and die industry has suffered a disproportionate loss of jobs and companies, according to a study from the Congressional Research Service (CRS). The loss of so much technical capability could impede the rejuvenation of American manufacturing.

"Although tool and die firms are small in number and total employment, they play a central role in manufacturing innovation: any durable goods manufacturer seeking to introduce a new product is likely to require customized tools, dies and molds to make metal, plastic and ceramic components," says the study. "Without the manufacturers who design and make the tools, dies, jibs and molds used to make other products, a revival of the domestic auto and appliance industries would be difficult to envision."

Congress should be concerned about the health of the sector since the defense industry is dependent on it, says CRS. The industry was deemed so critical to national security that during the Vietnam War "toolmakers could be exempted from the military draft because they were deemed 'critical occupations,' " notes the study, referencing the Extension of the Universal Military Service and Training Act passed on May 2, 1967.

Today, China's rise has "brought [the industry] under particular stress," says the report entitled "The Tool and Die Industry: Contribution to U.S. Manufacturing and Federal Policy Considerations," written by Bill Canis.

Between 1998 and 2010 the number of tool and die establishments declined from 9,057 to 5,789, a drop of 36 percent, a rate that is twice as fast as the decline in the total number of manufacturing establishments. The industry's workforce shrunk by 45 percent, from 162,032 in 1998 to 89,661 in 2010.

Tool and die imports are surging, increasing from $2 billion in 1997 to $5.6 billion in 2010. Exports have increased only marginally, from $1.1 billion in 1997 to $1.2 billion in 2010. Foreign automobile transplants in the United States have generally not purchased their tools and dies from U.S. producers, instead staying with suppliers in their home countries.

U.S. tool and die makers have also been offshoring their own production. A survey conducted last year by Case Western University found that 57 percent of U.S. tool and die plants have offshored some of their work, "reducing demand for these skilled trades within the U.S.," according to the report.

The industry is being hurt by Chinese imports of auto parts, which have increased by 43 percent since 2008 to $10 billion. Many of these imports are subsidized by the Chinese government. "Auto parts manufactured abroad which displace U.S.-made auto parts would likely reduce the demand facing domestic tool and die makers."

The recent trends of "reshoring" production back to the United State should help the industry, particularly if domestic companies can quickly deliver competitively priced tools to American-based operations. But "there are alternative views," notes the CRS study, pointing to a new Brookings Institution report, "Why Does Manufacturing Matter?" which states: "It is very hard to revive an industry after its sales and employment have dramatically shrunk. Once the dense network of suppliers disappears, the fall in the dollar required to justify reinvestment is much greater than that necessary to expand existing operations. The frayed production networks in such industries as tooling and electronics should be cause for great concern."

There are also indications that the next generation of tool and die workers is not being trained. A recent National Tooling and Machining Association survey shows that 95 percent of its tool and die members have unfilled openings in their shops. The average age of a toolmaker is 52.

The tool and die industry has called on the federal government to crack down on Chinese currency manipulation, to no avail, and it has called for a national manufacturing strategy that would focus on private-public partnerships to develop technology and manpower critical to the metalworking industry. Nothing of the sort has occurred.

"The America COMPETES Act authorized several new manufacturing programs at the Commerce Department's National Institute of Standards and Technology, including collaborative manufacturing research pilot grants for partnerships between industry and other educational or research institutions to develop new manufacturing processes, techniques or materials, but this program has not been funded," writes Canis, a specialist in Industrial Organization and Business, bcanis@crs.loc.gov.

Vehicle Fuel Economy Ratings Are On The Rise

The average fuel economy for America's vehicle fleet increased to 22.6 miles per gallon in 2010, and the average CO_2 emissions decreased to 394 grams per mile (down from 397 in 2009), according to the latest data from the Environmental Protection Agency. Model year 2010 had the lowest CO_2 emission rate and highest fuel economy since the database began in 1975, says EPA. Preliminary data for model year 2011 vehicles are 391 grams per mile for CO_2 emissions and 22.8 miles per gallon fuel economy.

Overall vehicle emissions of CO_2 declined rapidly from 1975 through 1981, then slowed until 1987. From then until 2004, there was a gradual increase in CO_2 emissions. But over the past seven years beginning in 2005, there have been decreases in CO_2 emissions, with the largest decrease in 2009. "The recent improvements in CO_2 emissions and fuel economy reverse the trend of increasing CO_2 emissions and decreasing fuel economy that occurred from model year 1987 through model year 2004," says the EPA.

CO_2 emissions fell by 15 percent between 2004 and 2010 (or by 67 grams per mile), while fuel economy has increased by 17 percent (or by 3.3 miles per gallon).

Cars, SUVs and light trucks are not getting lighter. In model year 2010, vehicle weight averaged 4,002 pounds, an increase of 85 pounds compared to 2009.

The study, "Light-Duty Automotive Technology, Carbon Dioxide Emissions and Fuel Economy Trends, 1975 through 2011," is located at http://www.epa.gov/otaq/cert/mpg/fetrends/2012/420r12001.pdf.

Mfg. Policy Momentum...

(Continued from page one)

stunning," Sessions added. "This is absolutely unacceptable."

Maybe it is "unacceptable" to Sen. Sessions, but it seems acceptable to Republican leaders in the House of Representatives who have not moved on the currency manipulation bill. It is also "acceptable" to the Obama administration, which has refused to label China as a manipulator of its currency in the bi-annual currency report to Congress issued by the Treasury Department.

There was criticism at the conference of the politicians' prescriptions, which centered on lowering corporate taxes, increasing production of oil, reducing regulations, "leveling the international playing field," reforming health care, tort reform and restructuring the educational system. Businessmen and others who took to the rostrum weren't buying it. "My company and my competitors never, never made a decision based on taxes," said Roger Berkley, former chairman of the National Textile Association and executive at Weave Corp. Berkeley described the U.S. textile industry as having been "raped" by U.S. trade policies that have destroyed the industry.

As for the worker shortage issue, Allegheny Technologies Inc. (ATI), Chairman and CEO Richard Harshman said his technology-intensive company hired 1,800 employees over the past two years and had no problem finding qualified employees. Clyde Prestowitz summed it up by saying that "without being critical or leveling any bias toward anyone, much of what we have heard is conventional wisdom and that is what we have been preaching to ourselves for a very long time." That conventional wisdom has done nothing to revive American manufacturing and, while there are "reshoring" trends that look propitious, there are also dangers associated with the United States continuing to run massive and growing trade deficits in manufactured and high-tech goods.

Kaplan said the U.S. needs a far more aggressive trade policy in which the United States denies access to its market in order to gain access to foreign markets. "We have to say to the world that we are not going to engage in business as usual and keep our markets wide open unless you fundamentally change what you are doing," he said.

Most in attendance agreed, with questions from the audience mirroring the frustration. Prestowitz and others noted that a U.S. policy favoring free trade is incompatible with foreign countries' embrace of mercantilism, stating that the United States is playing baseball while its Asian competitors are playing football. Said ATI's Richard Harshman: "We are not looking to start a trade war, we are looking for support to respond to the trade war that has already been started by many of the foreign governments that we and other U.S. manufacturers are competing against today and will be competing against in the future. We are looking for more than rhetoric from our leaders in Washington. We are looking for a comprehensive National Manufacturing Strategy."

Speculation as to why so little has been done to take on China's mercantilist behavior centered on the role of U.S. multinational corporations that have located production in China and are reaping record profits from the arrangement. These companies have rigged the system against domestic manufacturers. The theme was most ardently articulated by Ralph Gomory, who spent 30 years as a senior executive at IBM before becoming president of the Sloan Foundation. "There is a fundamental divergence of the goal of our corporations to maximize profit and the goal of rebuilding manufacturing in the United States," Gomory stated. "Our great American companies can maximize their profits by taking their technology and know-how to Asia where they can get tax breaks. It's just plain more profitable. They don't see their mission as taking care of the American economy. In a mercantile world, that is what has been happening on a large scale and continues to happen on a large scale. None of this is addressed by the standard response of cheaper energy and a better educational system."

The situation could worsen as multinational corporations start flooding the political system with money, due to the "Citizens United" decision by the Supreme Court, Gomory added. "I'm not sure if everyone appreciates that the scale of money available is totally different than what people are used to in politics," he said. "A company with billions in profits can take a tiny fraction of that" amount — millions of dollars, and invest it in their political champions. It is a "scale of money that politicians are not used to," said Gomory.

Sen. Merkle (D-Ore.) reflected this dilemma in his speech, noting that his middle-class neighbors "feel the American dream slipping through their fingers." But he also has to deal with large multinational companies in his state that have a different agenda. The divergence of interests between them "is something that we have to wrestle with," he said.

Jerry Jasinowski said that he doesn't dispute the fact that multinationals are complicit in supporting Asian mercantilism, but "to suggest that we are separate and cannot be united is wrong." Corporations have woken up to the fact that China is stealing their intellectual property and favoring Chinese companies. In the United States, Jasinowski noted, American labor and companies are working together. Both Republicans and Democrats are on board favoring a more aggressive trade enforcement effort. "The whole business that outsourcing for profit has peaked and there is renewed interest in onshoring makes sense," he said. "We can put together an agenda to further the competitiveness of manufacturing and do it in a bipartisan, labor-business way."

Labor representatives said they've been on board for a long time, fighting a lonely battle. In looking over the filled conference room, Linda Andros, legislative counsel at the United Steelworkers (USW), said that it was gratifying to see how important manufacturing is becoming in the nation's capital, but the USW has been "facing a relentless assault for decades" from illegally imported goods. Both Republicans and Democrats genuflect at the altar of free trade, leading to the evisceration of the American manufacturing sector and the American middle class. Now the political cycle has started anew, with the President in a battle for his

(Continued on page seven)

Mass Layoffs Have Impacted Millions

A staggering number of people have been laid off over the past decade in the United States in mass layoff events that involved more than 50 people.

For all industries, the number of mass layoff events over the past decade totaled 180,429, with 18,521 occurring in 2011, down from 19,564 in 2010 and 28,030 in 2009.

Over the past 10 years, 19,209,465 workers were involved in layoffs involving more than 50 workers. In 2011, 1,808,451 workers were involved in mass layoffs, down from 1,854,596 in 2010 and 2,796,456 in 2009.

In the manufacturing sector alone from 2002 through 2011, 7,070,756 people were laid off in 56,990 mass layoff events, according to a *Manufacturing & Technology News* analysis of the Mass Layoff Data from the Bureau of Labor Statistics. Of that total, 4,010,319 workers were involved in "extended mass layoffs."

Last year, there were 481,702 manufacturing workers involved in mass layoff events, down from 502,665 in 2010 and 1,137,106 in 2009. Of the number in 2011, 196,374 workers were classified as having been involved in "extended mass layoffs."

The number of mass layoff events taking place in the manufacturing sector stood at 4,397 in 2011, down from 4,523 in 2010 and 9,627 in 2009.

The mass layoff database is located at http://www.bls.gov/mls/.

Momentum...

(From page six)

survival in the industrial Midwest. "They will say we really care about manufacturing. We want to make it here," said Andros. "We have heard that before, so we have to wonder after the election how important manufacturing will be. Will they get down to the hard work of incentivizing manufacturing, or will they be in people's bedrooms, or what? I still think it is an open question."

Beri Fox, President of Marble King, Inc., of West Virginia, also expressed worry. In her lifetime, Fox has seen the number of glass manufacturers in West Virginia decline from 245 to only three. "Just because we are sitting here surviving today as a manufacturer doesn't mean that if we don't make positive change in this country — positive change to create not only free trade but fair trade — there isn't going to be a manufacturing base left," she said. "So because you are surviving today — which is great and I'm tickled to death and I count my blessings every day — it doesn't mean that we are guaranteed to survive five years from now under the current economic structure."

China Is Active In America's Backyard

China is investing huge amounts of money into Latin America with loans for projects that have little regard for environmental considerations and with requirements for hiring Chinese contractors.

China has provided loans worth $75 billion to countries in the region, including $37 billion in 2010. That amount is more than the total provided by the World Bank, the Inter-American Development Bank and the U.S. Export-Import Bank combined, according to the Global Development and Environment Institute at Tufts University. "Chinese loans to Latin America are larger and growing faster than their Western counterparts," says the institute in a study titled "The New Banks in Town: Chinese Finance in Latin America."

China has provided billions of dollars for projects such as train systems, mining, transportation, drilling rigs, steel mill equipment purchases, ships to transport iron ore to China, resorts, road construction, hydroelectric dams and for the purchase of Chinese satellites, airport systems, helicopters and telecommunications networks.

Many Latin American countries are turning to the Chinese because they faulted on their debt (such as Argentina and Ecuador) and can't find money elsewhere. The Venezuelan government has scared off other foreign investors. "China has used its loans-for-oil and purchase requirements to reduce the cost of lending to these otherwise non-creditworthy borrowers," says the study.

China has extended Argentina a $10-billion line of credit to build a new rail system, except it "is actually a credit line to Chinese railway companies, meaning that the money will effectively stay in China," says the Tufts study.

Many of the loans have other strings attached. "Contrary to much of the commentary on the subject, by and large, Latin American nations have to pay a higher premium for loans from China," says the Tufts institute. Loans-for-oil total $46 billion over the past three years. Venezuela has negotiated four loans-for-oil totaling $32 billion. Brazil has signed one for $10 billion. Ecuador has signed $4 billion in such loans.

"The loans-for-oil have secured China's access to half a year's supply of oil," says the study. "Since only a fraction of the oil payment goes to pay back the loan, for every $1 of loans China has practically guaranteed around $4 of oil supply." Among the seven loans it has provided to Latin American countries for oil, "China will receive roughly 1.5 billion barrels of oil over the next 10 years. With China's daily consumption of almost 8 million barrels per day, the 1.5 billion barrels constitute about 6.5 months of oil."

Another cost involved in the Chinese loans is the requirement that the funding be used to hire Chinese contractors and businesses. "This reduces the amount of 'spillover' effects in terms of local contracting," says the study. "Finally, though the Western banks' environmental record is far from perfect, the Chinese banks are not on par with the environmental guidelines of Western banks. This is of grave concern given that the composition and volume of Chinese loans is potentially more environmentally degrading than Western banks' loan portfolios to Latin American countries."

The 37-page report is located at http://ase.tufts.edu/gdae/Pubs/rp/GallagherChineseFinanceLatinAmerica.pdf.

Made In America...

(Continued from page one)

this country," says Feniger. "It's not overwhelming. It's not a huge tidal wave, but it's more than it was six or eight years ago."

Feniger says he understands the competitive nature of retail and why big box stores like Home Depot buy cheap products from China. "But one of the things I want them to understand is that if I hired 20 people, that when they leave work here on Friday afternoon and have yard work to do on the weekend, they are the ones who are going into Home Depot. When they are buying posts from overseas, the guy who makes those posts over in China is not walking into the Home Depot store and spending his paycheck. If I don't hire those 20 people, that is 20 fewer people who will walk into an American store and buy something."

The U.S. market for metal fence posts is between 20 million and 30 million posts per year. American Posts is now producing about 10,000 to 15,000 posts in an eight-hour shift, up from 2,000 to 2,500 in 2005. In 2011, the company produced more than six million fence posts, accounting for 18 to 20 percent of the U.S. market. It's goal for 2012 is to manufacture eight million posts, which it can do by adding a second shift and providing its customers with just-in-time delivery. Eventually, it hopes to supply 40 percent of the U. S. market. The Chinese make up the rest of the market.

China's domination of the U.S. market has been achieved through illegal trade practices, says Feniger. "The thing that irks me the most is that I don't mind competing and trying to be creative and work hard, but I find it despicable that our country has allowed the Chinese to manipulate their currency to the point where it makes me uncompetitive, and I hate that. That is one of my biggest beefs and we just sit back and let them do it."

When asked by *Manufacturing & Technology News* what he thinks of the Republican House of Representatives killing the currency reform bill that overwhelming passed the Senate, Feniger replied: "I don't care if there is a D or an R behind their names. The whole group in Washington is so disgusting. The idea that we allow China to manipulate their currency so that they can sell fence posts to Home Depot and make it impossible for me to compete is just disgusting. There is a hidden agenda [in Washington] that we don't even know half the details why and probably don't want to know."

Obama has done nothing to address China's illegal industrial subsidies, incentives and currency practices and probably won't, says Feniger. Mitt Romney says that he will confront China from day one of his presidency. But Obama made the same promise when he was campaigning four years ago through the Midwest. As president, why wouldn't the same thing happen with Romney — reneging on his promises — given the geopolitical, economic and financial forces that would temper his actions toward China? "That could easily happen," Feniger replies. "But I'm willing to roll the dice that he can make the change because I know one thing: If we put Obama back in the White House, I am surely not going to see anything better than what I have seen in the past and it could get even worse because there will be no checks on him."

Feniger has no problem supporting Romney for president. "He's committed to the idea that America has to get back to making things and I think he's a good businessman," says Feniger. "Do I think he is a polished politician? No. I wish he was, but I believe he has the basics of a good businessman. He has a track record of more successes than failures, which is really important in business. For the last couple of decades, we tried the 'political' candidate and it hasn't worked and it is not working. We've lost too many jobs and taken too many steps backwards. I'm willing to roll the dice and take a businessman and I'll take my shot with a businessman who maybe doesn't have the political savvy that Obama has. You are not going to get me to look at Gingrich or Santorum either. I don't care if they are politically inclined and can talk in public. Their track record is terrible — their voting record is even worse and I don't want more of the same."

When Feniger, who has been in the steel service center industry for decades, purchased American Posts in 2005, the company was run as a mom-and-pop shop, producing on antiquated machinery with a labor-intensive process. At the time, there were at least 10 other U.S. companies producing steel posts. But those companies were not able to make the investments to compete effectively with Chinese producers who were paying workers $5 a day, compared to $12 an hour in the United States.

Unlike the other U.S. producers, Feniger automated his line. "As we started to make that investment, we saw more and business available and it became something that we got more and more excited about as the market began to get more visible to us," says Feniger.

There is no reason for the Chinese to be competitive with American Posts, says Feniger. "I don't want to compete against any country that says they want to sell their product in the United States as a loss leader and they don't care what they sell it for because the government is going to subsidize them," he says. "I can't compete with that. But I can compete if they have to buy their steel like I do and make their product and roll form it, paint it and package it the same way I do. Plus they have the freight costs of having to ship it here."

What can other American companies that make basic products learn from American Posts? "Before someone just runs from a fight or gives up a battle, they need to look into what they are facing without the fear that it is being made overseas and you can't compete so you quit," says Feniger. "It takes a lot more investigating. It's worth taking the time and effort to see what you are really competing against. Is it a fear that is really there? Or if you took your time and put your ingenuity to it, could you compete? People run from a fight because of the awe and aura over the last decade that because they are making it in China they can't compete here in Toledo or Nashville. That is bull. In many areas, we can compete and in many areas we can beat them."

Commentary: It Is Time For U.S. Manufacturers To Win Their Own Argument

If anybody questions why the United States needs a tax and investment policy that focuses on revitalizing manufacturing, please point them to the current job numbers and the budding revival of the U.S. economy.

Manufacturing has added 435,000 jobs over the past two years. U.S. manufacturing is leading the nation out of the worst economic downturn in 80 years. President Obama, worried about his re-election chances, has been on the stump talking about the importance of manufacturing. Republican candidate Rick Santorum has gained traction by adopting a populist manufacturing agenda. Mitt Romney the same.

But the recent surge of pro-manufacturing publicity has galvanized the anti-manufacturing forces in the economics community. They have talked their way onto the airwaves and into newspapers, denouncing the fledgling campaign as either being useless or ill-conceived.

It is time for the thousands of people in the manufacturing community who have expressed misgivings about the embrace of services, housing, health care, government and finance as the pillars of the U.S. economy to double down and make the argument forcefully that manufacturing is the only way for the United States to start paying off its debts and assuring itself of a viable future.

It is time for the anti-manufacturing forces to be drummed off the stage. Manufacturing supporters must stand up to the people occupying lofty perches in academia, in think tanks and the media who have never produced a product in their lives, and certainly never created a job other than one for a nanny, a graduate assistant or an intern.

These economic ideologues refer to humans as statistics — "five million workers have lost their manufacturing jobs over the last decade" — but they either forget or don't want to acknowledge that each number represents a person, a family and a community that has gone through hell because of their economic theories.

Thousands of towns and cities in the United States sit ravaged because of policies the anti-manufacturing economic ideologues have promoted that have led to outsourcing and the loss of jobs. As somebody who has traveled through much of the country over the past four years, there are literally hundreds of cities and towns that do not have a single crane on their skyline. Downtowns sit ravaged and vacant. If you do not have industry in the Midwest, you won't have many visitors to Las Vegas. Without industry, look at what has happened to California's economy. Without industry, the federal budget deficit has skyrocketed, as has the trade deficit.

The anti-manufacturing forces need to be drummed off the stage.

Yet, the anti-manufacturing economists don't seem to notice. They don't ask the managers of companies that have succumbed to imports and outsourcing what happened. The economic destruction was not caused by CNC machines, robotics and automation. It was U.S. economic policies promoted by the ideologues that led to the country's most destructive era of outsourcing and dangerous surges of manufactured imports that continue to this day.

Do not stand for the argument that increased productivity is leading to job loss. It is not. Increased productivity leads to greater market share, higher worker pay and more wealth, which leads to growing companies, healthy supply chains and more jobs.

Let policymakers know in every forum in which you interact with them that there is a direct correlation between the upturn in manufacturing jobs and the growing economy. If you see an article in a newspaper that gets it wrong or omits key facts about imports, let them have it. Don't let it go. Newspapers react to their readers. Do not let the economists and policymakers who say that the United States is a post-industrial, service economy get away with it any more.

Manufacturers need to engage in the war of economic ideas by getting the killer instinct and winning the argument about the need for a diversified and robust manufacturing sector that embraces all products, not just those considered high tech.

They must unite in lobbying on behalf of proposed Democratic and Republican polices that are favorable to U.S. industrial investment.

Policymakers and economists who argue that the country should only be pursuing "advanced" or "high-tech" manufacturing should also be challenged. Products coming out of a manufacturing plant might not be high tech — like socks, basketballs or water heaters — but the production systems required for high-volume goods that are consumed by millions of people is not low tech. Far from it.

Over the past 30 or 40 years, the anti-manufacturing academics and economic ideologues have done their damage and they continue to spew. It is up to manufacturing workers, executives and every citizen who understands the importance of a strong, diversified manufacturing sector to once-and-for-all hammer them out of debate. Attack them with facts, knowledge and conviction that America's future — our retirement and our children's livelihoods — is dependent on the revival of manufacturing.

—Richard McCormack

CALENDAR OF UPCOMING EVENTS

April 10 - April 12 Visual Management Systems: Hosted at Engineered Arresting Systems Corp., Logan Township, N.J. Sponsored by AME, www.ame.org.

April 17 - 18 Unmanned Aircraft Systems Conference, Dayton, Ohio, http://www.ohiouasconference.com/.

April 18 Visual Management and 5S in the Workplace, Coon Rapids, Minn., www.ame.org.

April 24 - 26 Techtextil North America Symposium, Atlanta, Ga., www.TechtextilNA.com.

April 25 - 26 National Coalition for Advanced Manufacturing Annual Policy Conference and Advanced Manufacturing Leadership Forum Meeting, Arlington, Va., www.nacfam.org, or call Fred Wentzel at 202-367-1247.

April 29 - May 2 Milken Institute's Global 2012 Conference, Changing Minds, Markets and Policy, Los Angeles, Calif., www.globalconference.org.

April 30 - May 2 Manufacturing Leadership Summit, Palm Beach, Fla., https://www.mlsummit.com/register.

May 1 - 3 Lean Management Workshops for Manufacturing, Logistics and Distribution, Schaumburg, Ill., Sponsored by the Lean Enterprise Institute: http://www.lean.org/Workshops/WorkshopCalendar.cfm?cureventid=104.

May 3 - 4 National Science Board meeting, Arlington, Va., www.nsf.gov/events/event_summ.jsp?cntn_id=121258&WT.mc_id=USNSF_13&WT.mc_ev=click.

May 5 - 9 Manufacturing Innovation 2012, Orlando, Fla. Sponsored by the Manufacturing Extension Partnership program at NIST: www.cvent.com/events/manufacturing-innovation-2012/event-summary-460659e513e94c4ebe8d01854238e7f0.aspx.

May 8 - 10 Mfg4 – Manufacturing for the Future, Hartford, Conn. www.mfg4event.com.

May 14 - 15 Montreal Manufacturing Technology Show, Montreal, www.mmts.ca.

May 15 - 17 Building the Lean Supply Chain Leader, Georgia Tech., http://www.pe.gatech.edu/courses/building-lean-supply-chain-leader.

May 15 - 18 Lean, Six Sigma and Business Improvement in Healthcare Summit, New Orleans, www.wcbf.com.

May 16 - 18 American Mold Builders Association 2012 Convention, Grand Rapids, Mich., www.amba.org.

May 16 - 18 Engineering Globalization Workshop, sponsored by National Science Foundation, Westin Hotel, Arlington, Va. Website to be announced.

May 21 - 23 Automation Technology in Process Manufacturing, Woodlands, Texas, www.atpm2012.org.

May 21 - 23 American Society of Quality's World Conference, Anaheim, Calif., http://wcqi.asq.org/index.html.

May 22 - 24 Rapid and 3D Imaging, Atlanta, Ga., www.sme.org/rapid.

May 29 - June 1 Electronic Components and Technology Conference, San Diego, Calif., http://www.ectc.net/.

June 3 - June 5 Society of Manufacturing Engineers Annual Conference, Cleveland, Ohio, www.sme.org/conference.

June 4 - June 7 Hexagon, Metrology Challenges Conference, Las Vegas, Nev., www.hexagonconference.com.

June 4 - June 8 North American Research Conference, South Bend, Ind., www.sme.org/namrc.

June 11 - 15 Comprehensive Industrial Hygiene, Boston, Mass., Sponsored by the Harvard School of Public Health, https://ccpe.sph.harvard.edu/Industrial-Hygiene.

June 12 - 14 IPC International Conference on Flexible Circuits, Irvine, Calif., www.ipc.org/flex-conference.

June 18 - 20 International ICE Conference on Engineering, Technology and Innovation, Munich, Germany, www.ice-conference.org.

June 26 Sematech Symposia, Tokyo, www.sematech.org.

July 11 Sematech Workshop on 3D Interconnect Metrology, San Francisco, Calif., www.sematech.org.

August 22 - 23 IPC Midwest Conference & Exhibition, Schaumburg, Ill., www.IPCMidwestShow.org.

August 27 - 30 DMSMS & Standardization, New Orleans, http://www.dmsms2012.com/.

September 10 - 15 IMTS - The International Manufacturing Technology Show, Chicago, Ill., http://www.IMTS.com.

September 15 - 19 Association for Manufacturing Excellence 2012 International "Excellence Inside" Conference, Chicago, Ill., www.ameconference.org.

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

Subscribers have access to the Manufacturing & Technology News Web site, which includes a keyword searchable archive of the past 13 years of Manufacturing & Technology News. PDF versions of the publication are available for download. Register in the "Subscribers Only" section at www.manufacturingnews.com for electronic delivery.