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Fast Facts

A Quarterly Newsletter Published by ALTFELD, INC. Spring 2004

Dept. of Commerce Publishes Results of Manufacturing Roundtables

You may recall in the Summer 2003 Issue of Fast Facts under News Flash we reported on the Manufacturing Roundtable held in Los Angeles and presided over by Ronald Langston, National Director of the US Dept. of Commerce's Minority Business Development Agency. Believe it or not, the attendees of these roundtables were neither sent nor notified of the report. I learned of its existence via an announcement from the NFIB (National Federation of Small Business). Nonetheless, should you like a PDF copy of the report e-mailed to you, let me know and I'll see you get a copy. It is well worth reading in spite of its 90-page length.

Several key points were raised by the attendees throughout the United States and addressed in the report. The key issue we will focus on here is *Leveling the International Playing Field*. "Manufacturers attending the roundtables made the same basic point about trade. What most manufacturers asked for was not for protection from international competition, but to level the playing field by lowering trade barriers abroad…

There were serious criticisms of US trade policy. Some manufacturers expressed continuing concerns about the impact of trade agreements, such as NAFTA, and questioned whether continued US participation in the World Trade Organization is warranted.

Other criticisms reflected dissatisfaction with the terms of the agreements themselves, particularly the extent to which they opened the US market to goods made with low-cost labor. Those criticisms were offset, to an extent, by the recognition that, in today's manufacturing, direct labor costs in the form of wages actually represent a small portion of the total cost for manufacturers, with certain exceptions such as apparel manufacturers.

Further, most manufacturers argued that the global marketplace is here to stay and that the United States is better of using the tools available to ensure that competition in the global marketplace is on even terms. For most, it was clear that one of those tools is trade negotiations, and many applauded the US initiative within the WTO to eliminate tariffs all together as the most direct route to ending the current disparity.

Stephen Collins of the Automotive Trade Policy Council, which represents US automakers on international trade issues, echoed that basic point at a roundtable in Washington, D.C.:
The greatest levels of growth are going to be outside the United States. That's where the US government does have an extremely important role in helping to open those markets through the WTO, through bilateral negotiations, and through regional negotiations. And the reason it's so important is because those governments will try to protect their markets and try to protect the development of their markets during that same period…..

Kimberly Hayden of Supreme Tool & Die at the roundtable in St. Louis, Mo., expressed her strong dismay at the disparities in tariff rates, stating what many others voiced at roundtables across the country:
In 2020, if things don't change, we may not be here. That playing field needs to be evened out in order for us to compete globally. I can compete in the United States. I can't compete with the Chinese imports, and I can't import or export my product over there…. Bringing a die cast tool into the United States, the total taxes equal 3.9 percent. Bringing a die cast tool from the US into China, the taxes equal 30 percent.

Tariffs are not the only trade barrier that US manufacturers face. Another salient example is the lack of adequate intellectual property protection and enforcement in the markets of some of America's major trading partners….

As Frank Johnson of the Manufacturing Alliance of Connecticut underscored at the New Britain, Conn., roundtable:
We understand what free trade was designed to be, but free trade isn't free. We want free trade. If there is a tariff on tea going into China and not coming into the United States, that's not fair. If a manufacturer in China can steal pictures from a Connecticut manufacturer's advertising brochure and put them on their Web site and use the company's trademark name to sell products in China, that's not fair. We want fair trade. We understand free trade, but we want it to be fair. We want to level the playing field in every place that we can. We want the Chinese and other competitors to honor trademark laws. We want them to respect… to show the same respect to US manufacturers that we show to them.

Toward this end, the administration has undertaken a number of significant initiatives to address this issue: To find out what those initiatives are and what the administration intends to do about all the other issues, contact us at jaltfeld@altfeldinc.com and we'll e-mail you a copy of the complete report or go up to www.altfeldinc.com and you can download it from there.

Remember This? January Employment Shows Improvement

U.S. employers added 112,000 new jobs to the nation's economy in January, the Labor Department reported today, sending the unemployment rate down 0.1 percent to 5.6 percent, matching the January 2002 level.

The number of new jobs created over a one-month period is the highest since December 2000, when payrolls increased by 124,000. Last month's increase in new jobs marked the fifth consecutive month of gains. In December 2003, a revised 16,000 new jobs were created. The government originally reported only 1,000 new jobs.

"Today's news is good news for workers, and it's yet another sign that the economy has turned the corner and the nation's job market is getting stronger," said Labor Secretary Elaine Chao. "The economy has created jobs in each of the last five months, with hundreds of thousands of Americans finding new jobs."

The construction industry continued to add jobs in January. Last month the burgeoning industry added 24,000 new jobs and has added 147,000 jobs since March 2003. The retail trade industry also experienced considerable gains last month, adding 76,000 new jobs to its payrolls.

Manufacturing continued to lose jobs, but at a decelerated rate. Last month manufacturing jobs fell by 11,000.

What few understand is that those 11,000 manufacturing jobs are being replaced with *service* jobs. The 112,000 jobs added were primarily service jobs. Service Jobs do NOT pay as well as manufacturing jobs because they require less skill. With fewer manufacturing jobs, the economy is directly affected because the consumer can't consume like he used to now that he is making far less money. As a result, Joe Consumer will spend less because he is making less and our GDP is going to go down. How the NFIB can look at that report and be thrilled is beyond me. We have to stop the bleeding and in California it begins with Workers' Comp. My suggestion is that the Governator appoint a LaGuardia-type dynamic individual to head it up and do nothing else but bring it to the forefront. We are a society of sound bites. In spite of the fact that every organization has problems with Workers' Comp in California, the average John and Mary Worker remains clueless. But, just ask them about Janet Jackson or Kobie Bryant and they'll give you every detail on the subject. Why is that? Because there is no unified front. Manufacturing organizations like NFIB, NAM, the Manufacturers' Coalition and a bunch of others refuse to unite and would rather go it alone. Individually they are just swatting at flies with a very tiny fly swatter. And who knows, they may actually hit something if they get lucky enough. Of course, manufacturing could be gone by then, but it was a good fight, nonetheless.

Why You Should Consider Mentoring as a Key Element to Your Company's Culture

In Greek mythology, when Odysseus was about to go off to fight the Trojan War, the goddess Athena created Mentor to watch over the hero's beloved son, Telemachus. Only in creating Mentor, Athena saw to it that he had the attributes of both male and female, which allowed him to have a deeper bond with Telemachus than merely teacher to student. Or, the other version of the story is that Mentor was Odysseus' wise and trusted counselor and tutor to Telemachus. In this version of the myth, the goddess Athena would assume Mentor's form for the purpose of giving counsel to Odysseus. In either case, the result is the same - - Mentor's name is used as a term for wise and trusted counselor and teacher.

The two sides to mentoring.
Just as Telemachus was Mentor's protégé, the term mentor is used by the recipient (Telemachus) of the counsel or teaching to refer to the person (Mentor) providing the mentoring,. However, there are those who are provided with a mentor and there are those who seek out their own mentor understanding their own shortcomings. In the first case, a supervisor, manager or boss assesses and evaluates a person's work and realizes they have a need for greater growth and development. Armed with this discovery, they assign a mentor to the employee in hopes of raising their standards and performance. Unfortunately, unless mentoring is a strong part of your culture, the employee may not want to be mentored and the counseling and teaching will fall on deaf ears.

On the other side of the coin, you can create a culture within your business that promotes the spirit of Master, Craftsman, Apprentice. Where the Master gives back and wants to help the Craftsman become a Master and the Craftsman wishes to see the Apprentice grow and develop so one day she, too can become a Master. Sounds far fetched? No, it really isn't. Mentoring should be an informal, unofficial, voluntary, mutually agreed to, self-directed interaction between two or more people. It should not take an edict or a policy to make it happen. It should not even be considered a program. It should by all means be considered a prized company value.

If you have achieved employee "buy-in" within your company and your people actually want to be able to grow, develop and contribute, then they should be able to pick their own mentors and their own protégés, too.

The whole purpose of mentoring is to make every employee more valuable to your company, to your customers, to their fellow employees and yes, even to their next employer.

The norm usually comes down to that old joke of "Give a man a fish and he eats for a day. Teach a man to fish and he'll have no further use for you." It's pure paranoia. It is thinking and believing that ,"As long as I don't tell anyone anything and I know more than the other guy, my job's secure." What kind of stab-em-in-the-back, cut your throat, paranoid kind of culture is that!?! Whatever it is, it isn't healthy. But, what if the norm became people helping people? What if fellow employees began teaching, counseling and developing one another? What if employees began asking to learn more and sought cross training? What if they wanted to grow and develop personally and professionally? Wouldn't that be exciting!?!

I assure you that having mentoring as a key element of your company's values and culture is a thing of beauty and a joy to behold forever.

Vice President Cheney Addresses World Affairs Council

I was fortunate enough to be an attendee when Vice President Cheney appeared before the World Affairs Council on January 14th at the Beverly Hilton Hotel. Should you like to read his speech, which dealt primarily with Iraq and terrorism, let us know and we'll e-mail it to you, or click on www.altfeldinc.com/cheney.html to download a PDF file.

Being World Class

What differentiates World Class companies from all the rest is that they:

- consist of coordinated teams working together with a common purpose.
- have employees who know where the company is now, where it is headed and what they need to do to ensure that it gets there.
- spend a lot of time educating employees on the interrelationships and interdependencies they have with their co-workers and other departments to ensure communication, cooperation and collaboration. Without this, you can forget #1 above.

A World Class Manufacturer is any company that:

- utilizes its people to the max,
- has high quality standards,
- uses JIT and Lean principles,
- is striving for continuous improvement of its operations.
- is concerned about the community and the environment.

World Class manufacturers are those that demonstrate industry best practice. They consistently deliver exceptional performance and exceed customer expectations. To achieve this, a company should aim to maximize performance in quality, price, delivery speed, delivery reliability and flexibility. A point to keep in mind is that you must be selective about what it is you are improving. You don't want to concentrate solely in the performance of one area thereby jeopardizing performance in another.

So ask yourself, how do you stack up and what is it you want or need to change in your business?

President Bush Releases Econ Report

It's official! The 2004 Economic Report is now available. Here are some excerpts to pique your interest.

"We are moving in the right direction, but have more to do. I will not be satisfied until every American who wants a job can find one. I have outlined a six-point plan to promote job creation and strong economic growth. This plan includes initiatives to help manage rising health care costs to make health care more affordable and accessible for American workers and families; reduce the burden of junk lawsuits on the economy; ensure a reliable and affordable energy supply; simplify and streamline government regulations; open foreign markets for American goods and services; and allow businesses and families to keep more of their hard-earned money and plan with confidence by making our tax relief permanent. This year, I will work with the Congress to achieve these goals. I will also continue to work with the Congress on another important shared goal: controlling federal spending and reducing the deficit. The federal budget is in deficit, foremost because of the economic slowdown and then recession that began in 2000 and the additional costs of fighting the war on terror and protecting the homeland. We are continuing to take action to restrain spending and bring the deficit down. By carefully evaluating priorities and being good stewards of the taxpayer's money, we will cut the budget deficit in half over the next five years.

"The task of reducing the deficit will become easier because America's economy is growing. We have taken the actions needed to restore growth, and we are pursuing additional policies to help create jobs for American workers and families. I'm optimistic about the future of our economy because I know the values of America and the decency and entrepreneurial spirit of our people."

Regulation

Chapter 7, Government Regulation in a Free-Market Society, discusses the role of the free market in providing for prosperity in the United States and considers situations in which government interventions such as regulations would be beneficial.

International Trade and Finance

Chapter 12, International Trade and Cooperation, discusses how growing trade helps to spur U.S. and global growth. Since the end of the Second World War, international trade has grown steadily relative to overall economic activity. Over time, countries that have been more open to international flows of goods, services, and capital have grown faster than countries that were less open to the global economy. The United States has been a driving force in constructing an open global trading system. The Administration has pursued, and will continue to pursue, an ambitious agenda of trade liberalization through negotiations at the global, regional,
and bilateral levels.

…When a good or service is produced at lower cost in another country, it makes sense to import it rather than to produce it domestically. This allows the United States to devote its resources to more productive purposes.

Although openness to trade provides substantial benefits to nations as a whole, foreign competition can require adjustment on the part of some individuals, businesses, and industries. To help workers adversely affected by trade develop the skills needed for new jobs, the Administration has worked hard to build upon and develop programs to assist workers and communities that are negatively affected by trade.

The Administration has also worked to strengthen and extend the global trading system. International cooperation is essential to realizing the potential gains from trade. International trade agreements have reduced barriers to international commerce, and contributed to the gains from trade. A system through which countries can resolve disputes can play an important role in realizing these gains.

Chapter 13, International Capital Flows, discusses the economic benefits and risks associated with the transfer of financial assets, such as cash, stocks, and bonds, across international borders. Capital flows have become an increasingly significant part of the world economy over the past decade, and an important source of funds to support investment in the United States.

Around $2 trillion of capital flowed into all countries in the world in 2002, with around $700 billion flowing into just the United States. Different types of capital flows—such as foreign direct investment, portfolio investment, and bank lending—are driven by different investor motivations and country characteristics. Countries that permit free capital flows must choose between the stability provided by fixed exchange rates and the flexibility afforded by an independent monetary policy.

Capital flows can have a number of benefits for economies around the world. For example, foreign direct investment can facilitate the transfer of technology, allow for the development of markets and products, and improve a country's infrastructure.

Chapter 14, The Link Between Trade and Capital Flows, shows that trade flows and capital flows are inherently intertwined. Changes in a country's net international trade in goods and services, captured by the current account, must be reflected in equal and opposite changes in its net capital flows with the rest of the world. The large net inflow of foreign capital experienced by the United States in recent years has funded more investment than could be supported by U.S. national saving. Corresponding to these inflows is the large U.S. current account deficit. These patterns reflect fundamental economic forces, notably strong growth in the United States that has made investment in this country attractive compared to opportunities in other countries.

An adjustment of the U.S. current account deficit could come about in several ways. Faster growth in other countries relative to the United States could increase demand for U.S. net exports. Trade flows could also adjust through changes in the relative prices of U.S. goods and services compared to the prices of foreign goods and services. Any narrowing of the U.S. current account deficit would also require reduced net capital inflows into the United States. This might occur if U.S. national saving increased, reducing the need for foreign funds to finance U.S. domestic investment, or if U.S. investment declined, so that the United States required less capital inflows. Lower investment is the least desirable form of balance of payments adjustment, however, as it could slow the expansion of U.S. productive capacity and reduce economic growth.

It is impossible to predict the exact timing or magnitude of any adjustment in the U.S. current account balance. After a large increase in the U.S. current account deficit in the 1980s, the ensuing adjustments were gradual and benign. Public policies can facilitate smooth changes in the U.S. current account and net capital flows by creating a stable macroeconomic and financial environment, promoting growth abroad, and encouraging greater saving in the United States.

C H A P T E R 2

The Manufacturing Sector

The manufacturing sector was affected by the latest economic slowdown earlier, longer, and harder than other sectors of the economy and only recently have manufacturing employment losses begun to abate. Over the past several decades, the manufacturing sector has experienced substantial output growth, even while manufacturing employment has declined as a share of total employment. This chapter examines recent developments and long-term trends in manufacturing and considers policy responses.

The key points in this chapter are:

- The severity of the recent slowdown in manufacturing was largely due to prolonged weakness in business investment and exports, both of which are heavily tied to manufacturing.
- The manufacturing employment decline over the past half-century primarily reflects striking gains in productivity and increasing consumer demand for services compared to manufactured goods. International trade plays a relatively small role.
- Consumers and businesses generally benefit from the lower prices made possible by increased manufacturing productivity, and strong productivity growth has led to real compensation growth for workers. The shift of jobs from manufacturing to services has caused dislocation but has not resulted, on balance, in a shift from “good jobs” to “bad jobs.”
- The best response to recent developments in manufacturing is to focus on stimulating the overall economy and easing restrictions that impede manufacturing growth. This Administration has actively pursued such measures.

Manufacturing and the Recent Business Cycle

This section looks at the characteristics and causes of the recent economic downturn with particular focus on the manufacturing sector. Output in manufacturing held up relatively well in the recent recession, but employment declined sharply. Data released over the past few months are encouraging regarding the prospects for recovery in the manufacturing sector.

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Excerpt from:

Blaming 'undervalued' Yuan wins votes
by Henry C K Liu

Imports from low-wage countries such as China are resold in the United States at a greater profit margin for US importers than that enjoyed by Chinese exporters. Thus a $2 toy leaving a US-owned factory in China is a $3 shipment arriving at San Diego. By the time a US consumer buys it for $10 at Wal-Mart, the US economy registers $10 in final sales, less $3 import cost, for a $7 addition to the US GDP. This yields a ratio of GDP gain to import value of two-and-a-third.

Chinese GDP gain to export value ratio is zero if the $2 export price becomes part of the US capital account surplus. If half of the $2 export price is used for paying return to foreign capital, then the ratio is in fact negative. The numbers for other product types vary, but the pattern is similar. The $1.439 trillion of imports to the United States in 2002 were directly responsible for some $3.35 trillion of US GDP, almost 32 percent of its $10.45 trillion economy. That is why US policymakers have no incentive to reduce the trade deficit. But during a presidential campaign, blaming it on China's undervalued yuan gets votes.

In 2003, Chinese exports worldwide reached $430 billion, with imports of $410 billion, yielding a $20 billion surplus. The trade volume between China and the US hit a historic high of $126 billion in 2003. China has become America's third-largest trade partner. Chinese imports from the US reached $34 billion, while exports to the US exceeded $92 billion. China's worldwide trade surplus for 2003 was $25.5 billion, meaning that more than half of the surplus from the United States went to cover Chinese deficits with other trading partners.

Chinese consumers can't afford their own exports

Since Chinese export value constitutes only 20 percent of its final market price, economies that buy from China enjoy a greater GDP growth from trade ($2.15 trillion) than China does. Since China imports at full market price with little markup, China does not enjoy any GDP add-on from its imports. Fair trade between two economies with disparity in wages and living standards then requires a trade surplus for the less advanced economy.

If the $430 billion of Chinese worldwide exports were consumed domestically at their final market price, $2.15 trillion would be added to China's 2003 GDP of $1.41 trillion, more than doubling it. The higher the trade surplus in China's favor, meaning more goods and services leaving China than entering, the more serious is its adverse impact on China's GDP. Chinese consumers cannot afford the products they produce for export - not because Chinese workers are not productive, but because their wages are too low, which ironically does not make Chinese products as competitive overseas as can be because of high markup by foreign importers.

Greater profit margins enjoyed by the importing economy raise apparent productivity because sales per employee increase from the factory floor toward delivery to the consumer. Thus the productivity growth in the US has been achieved by having cheap labor doing the producing overseas.

To read the entire article, go to: www.altfeldinc.com/library.html.

Excerpt from:

People Problems on Every Aisle
by Douglas P. Shuit

The world's largest retailer is beset by allegations of discrimination, overtime-law violations and turnover that is "spiraling in the wrong direction," to the tune of some 600,000 employees a year. For a company that practices what could be called HR lite, it might be time for a change.

To read the entire article, go to: www.altfeldinc.com/library.html.

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www.gsrescue.com
Many dogs still need a good home. Please help if you can.

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