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## Keeping U.S. jobs stirs ideas, discord

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WASHINGTON - In his State of the Union speech last week, President Barack Obama pledged to "bring jobs back home" and revitalize the U.S. manufacturing sector.

The United States is still the world's manufacturing leader. But the notion that policy emanating from Washington can stanch the decade-long flow of manufacturing jobs to countries such as China that offer workers low wages and allow industry to operate relatively free of costly environmental and workplace regulations is farfetched, according to many experts.

Though factories and assembly lines have added jobs in recent months, the new hires come nowhere close to filling the jobs lost over the past decade. To create jobs in the sector at a gallop, rather than an unsteady trot, business groups and labor organizations take different approaches.

"My message is simple," Obama told lawmakers jammed into the House chamber during the Tuesday night speech. "It's time to stop rewarding businesses that ship jobs overseas and start rewarding companies that create jobs right here in America." The day after the speech, Obama went on a five-state tour to push for his plan, making stops in Cedar Rapids, Iowa, at Conveyor Engineering and Manufacturing, a company that makes industrial machinery, and at the University of Michigan.

Obama calls his approach "insourcing." Among other things, he would end the policy of letting companies deduct their moving expenses when transferring operations overseas and give companies 20 percent tax credits on expenses incurred moving operations back to the United States.

He would provide \$6 billion in tax credits for companies that build plants in communities hit hard by layoffs and provide \$20 billion in tax credits for manufacturers of wind and solar energy components.

The long-term trend of buying manufactured goods from foreign suppliers and the global economic slowdown hit manufacturers hard. But the sector has shown signs of a resurgence nationally over the past year. In December, manufacturing grew at its fastest pace in six months, according to a report by the Institute for Supply Management, a trade group of purchasing managers.

The group pegged its manufacturing index at 53.9 for December, an increase over November's 52.7 score. Readings over 50 indicate growth.

Bob Baugh, the executive director of the AFL-CIO's Industrial Union Council, said that in the past two years, the manufacturing sector has added 300,000 jobs, helping to fuel the nation's fragile economic recovery.

But, he said, the new jobs were only a small fraction of the 6 million or so factory jobs shed over the past decade.

"The manufacturing sector is still gravely ill," he said.

Despite the signs that manufacturing may be turning a corner nationally, sites across Arkansas sent employees packing over the past year.

Whirlpool Corp. announced in October that it would close its Fort Smith factory, which, at its peak in 2005, employed 4,600 people. Production of refrigerators and trash compactors made there will shift to plants in Iowa, Ohio and Mexico.

Bosch Security Systems, a maker of car-stereo components, cut 140 jobs at its Morrilton plant, and last summer Rheem Manufacturing Co. said it would send 250 of the 1,150 jobs at its Fort Smith plant to a factory in Mexico.

Those layoffs came on top of a decade-long slump, as factories across the state turned off their assembly lines and laid off workers. According to Arkansas Workforce Services, the number of manufacturing jobs has steadily decreased over the past 10 years, falling from 218,900 in December 2001 to 155,000 last month.

To help create manufacturing jobs in the state, the Arkansas Workforce Commission favors the renewal of the federal wind energy Production Tax Credit, which expires at the end of the year.

Joe Holmes, the commission's spokesman, said the Keystone XL pipeline project, which would transport oil from western Canada to the Gulf of Mexico, should be approved. After months of political debate, Obama this month rejected an application to proceed on the project, citing environmental concerns.

Citing uncertainty over the application, Welspun Tubular in December laid off 60 workers from its Little Rock plant, where it had constructed pipe for the Keystone project.

The National Association of Manufacturers also backs the project.

Jay Timmons, the association's CEO, said Obama's rejection of the pipeline, which Timmons estimated would create jobs, "undermines the president's commitment" to manufacturing.

The key to resuscitating manufacturing, he said, was to "put an end to the rampant overregulation and overreach by the National Labor Relations Board and the Environmental Protection Agency," and to lower the corporate tax rate.

The AFL-CIO favors extending research and development tax credits, with the caveat that the credit apply to companies that apply the research in a way that links to domestic job creation.

The union favors tax deductions on domestic manufacturing and an accelerated tax depreciation schedule for capital equipment. It also would like the United States to continue pressing China to stop devaluing its currency in an attempt to lure investment.

Baugh, the director of the union's Industrial Union Council, said the administration's manufacturing push is largely in sync with the needs of labor.

"These are things we've been pushing for many, many years," Baugh said.

U.S. Sen. Mark Pryor, DArk., said he likes that Obama is focusing on manufacturing but added that he has not had an opportunity to study the administration's proposals.

U.S. Sen. John Boozman, R-Ark., also said he needs to see the fine print of Obama's manufacturing pitch. But, he said, taxing companies that operate plants in other countries would hurt business.

"I'm not for punishing companies that have things overseas," he said. Boozman said that rather than "offshoring" - creating jobs abroad and sending materials to the United States - most companies that set up shop in other countries manufacture goods that stay in those areas.

Boozman said the weak economy is responsible for the bulk of the Arkansas layoffs over the past year. A weak housing sector, he said, has made it difficult for companies like Whirlpool to sell appliances.

In December, the seasonally adjusted unemployment rate in Arkansas stood at 7.7 percent, slightly less than the previous December, when it was 7.9 percent. Unemployment in the state peaked in July and August when it notched an 8.3 percent rate.

Some say the lure of cheap labor and a lax regulatory environment in places such as China are more at fault for layoffs.

Despite a short-lived "Buy American" campaign in the 1990s, Wal-Mart Stores Inc. has been a key driver of the move to place plants in China in order to provide inexpensive goods for the American consumer, experts said.

"Wal-Mart's been a huge contributor to that," Baugh said. "They basically told their suppliers: 'Go manufacture in China.'" Some studies have estimated that the Bentonville retail giant sources about \$30 billion of consumer goods in China.

Wal-Mart spokesman Dave Tovar would not confirm that, but he said that if the number is correct, it would represent "a pretty small percentage" of the company's \$260 billion in annual sales.

"The vast majority of products sold in our stores in the U.S. are sourced domestically," he said.

More than 50 percent of the company's revenue comes not from manufactured goods, but from food products.

Not everyone is alarmed by the emergence of China as a potential economic superpower.

"The whole notion that China is eating our lunch is overwrought," said Dan Ikenson, director of trade policy at the **Cato Institute**, a libertarian Washington research and advocacy group.

Ikenson argued that the domestic manufacturing sector remains strong and has become more productive in recent years. He added that the money spent abroad on manufactured goods returns to the United States in the form of investment.

He called for a "get out of the way" policy that includes low tax rates and fewer regulations.

"When we create jobs abroad, it tends to create jobs in the United States," he said.

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