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## Catawba County jobs

By Larry Clark

*Job loss is a huge public issue and the prolonged recession is a millstone around many politicians' necks. Where did the jobs go? Why did they disappear? Can they come back? Yes. Maybe. It all depends.*

### **Amid the gloom, some cause for optimism**

The numbers tell the story on jobs lost in Catawba County. During the prolonged economic recession, thousands of jobs have disappeared in manufacturing.

The county's unemployment rate was 12.5 percent in July, down from 14.9 percent in July 2009, but still alarmingly high.

Of the 21,091 unemployed people in the Greater Hickory Metro in July this year, 9,202 live in Catawba County.

People trying to return to the workforce know better than anyone the effects of a plant shutting down or a mill cutting back and terminating employee positions.

Foreign competition, most recently from China, saturated the U.S. market with cheaply made goods.

Some American companies, in an effort to survive, moved production — and jobs — overseas.

It's not that local industry did not have foreign ties prior to the recession. Furniture makers, especially, had imported selected high-end items to enhance the extensive lines produced here.

When foreign companies revved up their own production, the favorable balance of trade enjoyed by the domestic industry was tipped in the other direction.

Most companies that were hard-hit found competing with the import prices was virtually impossible.

The bottom dropped out of manufacturing, which had sustained Catawba County and the area for generations.

Furniture, textiles and fiber optic cable were mainstays of the local economy. These industries are still around, but they were hard hit.

The number of shuttered manufacturing facilities are testament to the effect of imports on the U.S. market.

And although trade agreements such groups as the World Trade Organization are cited as reasons for the demise of manufacturing, not all is gloom and doom.

Upholstered furniture remains strong in America. Jobs in the fiber optic cable and textile industries are showing an upswing.

The up-tick in business isn't much, at this point, but there is a higher degree of optimism about the local economy now than any time during the recession.

And, not all jobs were lost because of imports. With textiles, technology and automation made a lot of jobs obsolete.

Traditional industries are finding new ways to compete and diversity has added a new wave of jobs in the Catawba County area.

However, no single industry is expected to generate the massive numbers of employee positions as furniture and textiles did in the past.

Probably, no one industry will be all things to all consumers as furniture was able to accomplish in its heyday.

The Record talked to a number of people about where the jobs went and why. The responses contained a measure of optimism.

But there is no doubt that the nature of many traditional jobs has changed and will continue to change.

The conclusion is that all was not lost, but Catawba County and the region must be prepared to meet the challenges of business and industry, and while the local economy was wounded, strengths remain that can utilized for economic growth.

### ***TRADE PACTS CLOBBERED THE FURNITURE INDUSTRY***

**Michael Dugan** says without reservation that furniture jobs were not moved offshore by U.S. manufacturers.

“Those jobs were lost because of trade agreements negotiated by the federal government,” he said.

Dugan should know. He is the former president of Henredon Furniture. He spent 17 years with the company, leaving in 2004.

He now is chairman of the School of Business at Lenoir-Rhyne University and the Alex Lee Professor of Business.

He cites China's inclusion in the World Trade Organization in 2001 as a key element in the demise of

the American furniture industry.

The WTO member nations, the United States included, control tariff structures on imported goods. Dugan said China's WTO membership meant there were no tariffs on imports to the U.S.

He said U.S. furniture makers had competed successfully against imports until China got into the market.

"The Chinese put the furniture industry as a priority," he said, citing hundreds of furniture production facilities built in China after its WTO membership was confirmed on Dec. 11, 2001.

"They began shipping furniture with prices we couldn't meet."

He said the North American Free Trade Agreement and the Central American Free Trade Agreement did not have nearly the same effects of the WTO pact.

"I said they (the Chinese) will never be able to make furniture as good as Henredon," Dugan said of the Chinese effort. "They didn't try. They made good furniture at cheap prices."

And Chinese furniture flooded the retail market.

Some American companies actually turned to importing instead of manufacturing to survive, Dugan said.

"But that was wood furniture. Upholstered furniture (by U.S. makers) is still doing well. It's casegoods that got clobbered."

Casegoods is furniture without upholstery. Sofas and some styles of chairs are upholstered furniture.

Casegoods includes dining tables, bedroom and den furniture, end tables and the like.

Some analysts contend that cheap goods help hedge against inflation, Dugan said.

"The idea is that jobs have been lost, but the consumer got cheap goods in return.

"I don't see how we can be a nation of Walmart greeters," he said, citing the giant retailer's involvement in imports.

"The United States cannot survive, it cannot prosper, without manufacturing something."

Dugan said the recession, felt around the world, hurt Chinese production and that furniture is no longer one of that nation's top priorities.

However, other Asian nations are looking to get into the market.

What did the United States achieve when China joined the WTO?

"Less tension," Dugan said about U.S.-Chinese political relations. "It did ease tension."

But in an economic sense, the harm done to the American furniture industry is "an example of free trade,

or fair trade, whatever they choose to call it.

“To the furniture manufacturers, the trade was neither free nor fair.”

*Michael K. Dugan is the author of “The Furniture Wars: How America Lost A \$50 Billion Industry.” It was published in 2009 by BookSurge, LLC.*

### ***TEXTILES: THE PENDULUM IS SWINGING BACK***

**Dan St. Louis** knows as well as anyone that a lot of textile jobs were lost to foreign interests. However, he sees the manufacturing pendulum swinging the other way.

St. Louis is director of the Manufacturing Solutions Center at Catawba Valley Community College.

Once focusing on hosiery technology, the center works with all industries to solve production, technology and training issues.

He said area textile companies, traditionally one of the economic bastions of the region, still have strong ties to retailing.

“It looks like the losses have bottomed out and it’s going the other way,” St. Louis said. The cost of doing business is going up in China and there are difficult logistical issues related to mass imports to the United States, he said.

He agreed that China targeted textiles, along with furniture, as a means to snag a significant portion of the U.S. retail business.

However, 130,000 people are still employed in textile manufacturing in North Carolina, St. Louis said. “It’s not all gone, not by a long shot,” he said.

St. Louis said a lot of high-end technical textile products, such as compression apparel and all-weather fabric are still strong in the domestic market.

The Chinese were able to hit commodity textiles, he said, but China and other foreign producers can’t handle quick turnarounds and supply specialty goods.

Commodities include fabric and apparel made in huge lots, many cargo containers at a time.

“They certainly zeroed in on furniture and textiles,” St. Louis said about Chinese textile interests, “but they seem to be moving on to other things.”

China is finding U.S. competition tough in the area of niche marketing and keeping up with rapidly shifting consumer trends.

“These items can’t be made cheap enough overseas” to mount a challenge that would seriously affect domestic production, he said.

“And many customers don’t need a container load. They need smaller shipments that meet their immediate needs.”

St. Louis emphasizes that technology is a reason the U.S. textile industry doesn't need the large labor pool demanded in the past.

"Everybody got hit," he said, "but all those textile jobs didn't go overseas. Technology and automation changed the workings of a textile mill."

St. Louis said some mills have robotic operations where people rarely touch the product.

"It's like doffing," he said, referring to a part of the production line when large bobbins (or spools) of spun fiber were full and had to be removed from the machine. They had to be pulled one at a time, and there were lots of them.

Now, it's all automatic. The yarn spools are removed in one motion and replaced in seconds.

That automation helps American mills maintain a competitive edge, St. Louis said.

It's a double-edged sword. While a lot of textile money is staying in the United States, technology also means a lot of jobs will never come back.

That necessitates the exploration for other businesses and industries, and that will require technical and organizational support for economic prospects, plus training and retraining of the work force.

That's where CVCC comes in.

"We have some really neat stuff going on," St. Louis said.

"We do a lot of testing for different industries. Some things are hard to make. Some operations may be hard to manage. People come to us for help.

"They're not looking overseas. They're looking close to home because time and distance can be big problems."

The market for product development and high-tech know-how is why there's a Manufacturing Solutions Center at CVCC.

Many textile jobs never went abroad. They just disappeared. The push is on to replace them, and the effort involves private and public entities.

### ***BUILDING ON STRENGTH, NOT WEAKNESS***

**Scott Millar**, president of the Catawba County Economic Development Commission, is on the same page with Dan St. Louis regarding the textile industry.

"It will be difficult to compete with commodity (high volume) manufacturing," Millar said of U.S. textile production.

"But opportunities exist for niche and specialty manufacturing. That's one reason why the Manufacturing Solutions Center is so important to this area."

Millar acknowledges that some domestic textile companies moved their operations offshore to survive the foreign glut of more cheaply made goods.

“Clearly, there were good financial assumptions by companies to move operations overseas. It’s an interesting dynamic that people make short-term decisions with long-term consequences,” Millar said.

He thinks U.S. manufacturers who migrated abroad thought it was good business sense, but “the reality is that a lot of jobs are gone.”

Millar, like St. Louis, points out that furniture and textiles aren’t the only bedrock industries in the area that were affected by foreign competition. Fiber optic cable production was hurt and hundreds of jobs vanished.

Some jobs are coming back in all three industries, but not in numbers that area workers enjoyed 10 years ago. Diversity is a word used often by business and government leaders.

The EDC is at the forefront of attracting new business and investment — diversifying business — in Catawba County.

“So where do we go? How do we take advantage of our strengths in manufacturing? How do we use our strengths in the new world? That’s the nut we have to crack,” Millar said.

One area Millar is high on is communications.

“We’ve been making communications equipment for 40 or 50 years,” he said. “Now we see the role of data centers increasing. Can we use data and information management to our benefit? That’s what we’re working on now,” Millar said.

The Greater Hickory Metro area is a communications hub with companies such as CommScope, Draka, Google, Fiserv and others representing a broad spectrum of the communications/data industry.

And Millar says the leap from traditional manufacturing to the high-speed digital age and even into so-called green industry is not that great.

“A lot of people in our workforce think they can’t do a new job, but they can. It may be a different look, but you use the same skills,” he said.

The area has a deep, experienced workforce and the means to train or retrain employees to fit a new company’s needs, a factor emphasized by St. Louis at Catawba Valley Community College.

Millar hammers home the point that the local workforce is not weak, and Catawba County and the surrounding area can meet the challenges of a changing economy.

He quotes Mark Vitner, one of Wells Fargo’s top economists who addressed a business symposium at Lenoir-Rhyne University recently.

“You’re trying to defy gravity when you’re not building on the strengths you have,” Vitner said.

“We have strengths,” Millar said.

### ***WTO: ARBITER, RULE-MAKER, VILLIAN***

**The World Trade Organization** is characterized as a villian in the prolonged current U.S. recession.

One of the reasons is the admission of China as a full member.

Members of the WTO agree to abide by the organization's rules — set by members — in conducting international trade and settling disputes. Membership ostensibly binds nations to the WTO process, and critics contend that robs members of a degree of sovereignty.

One critic is U.S. Rep. Patrick McHenry, R-10th Congressional District. The district includes Catawba County.

“We are a sovereign nation, and we should not need a big international organization to look out for our interests,” McHenry said.

The Obama administration promised last week to get tougher on China over its artificial deflation of monetary values, giving China an unfair edge in trade. Getting tough means complaints have been filed with the WTO. McHenry said resolving complaints through the WTO takes far too much time.

“The Bush and Obama administrations talked a good game about the WTO, but nothing much was done,” he said. “There was no real action” involving previous complaints.

“We need to get serious with China and deal directly with that government. When you talk about Chinese industry, you're talking about government-owned industry. China is still a communist nation and subsidizes its industry.”

McHenry said the Ryan-Murphy bill of which he is a co-sponsor would make a big difference in how the United States deals with China.

The bill is called Currency Reform Fair Trade Act (H.R. 2378) and is designed to protect U.S. manufacturers from what sponsors call China's currency misalignment. It is under consideration by the House Ways and Means Committee. Similar legislation has been introduced in the Senate.

The measure head-butts the WTO agreement.

“We need a government that allows our economy to grow and flourish and not let foreign countries take American jobs,” McHenry said.

On foreign trade competition, including that from China, McHenry said, “We've got good people, trained people, technology and American ingenuity in the 10th District. We're going to win if it's a fair fight. Right now, it's not a fair fight.”

And the WTO protocol?

“In many respects, going to the WTO is like crying in the wilderness,” McHenry said. “Nobody's going to hear you, and nobody's going to care.”

## **Guide to the WTO**

What is the World Trade Organization?

Here's a description in excerpts from its web site:

It's an organization for liberalizing trade. It's a forum for governments to negotiate trade agreements. It's a place for them to settle trade disputes. It operates a system of trade rules.

Above all, it's a negotiating forum ... Essentially, the WTO is a place where member governments go to try to sort out the trade problems they face with each other.

Where countries have faced trade barriers and wanted them lowered, the negotiations have helped to liberalize trade. But the WTO is not just about liberalizing trade, and in some circumstances its rules support maintaining trade barriers — for example to protect consumers or prevent the spread of disease.

It's a set of rules ... At its heart are the WTO agreements, negotiated and signed by the bulk of the world's trading nations. These documents provide the legal ground-rules for international commerce. They are essentially contracts, binding governments to keep their trade policies within agreed limits.

The system's overriding purpose is to help trade flow as freely as possible — so long as there are no undesirable side-effects — because this is important for economic development and well-being.

And from WTO Director-General Pascal Lamy, in Shanghai, July 23, on the argument that “during recovery it would be nonsense to assume that everyone can increase exports.”

He said, “Of course, everyone can increase exports if imports also grow — thus making the overall resources allocation more efficient which means growth for all.”

Continuing his speech to an international conference:

“In less than a decade of WTO membership, China has truly made its mark as a key and constructive leader in the WTO. China brings formidable knowledge and competence to this role, and is looked to for inspiration and leadership from many of its trading partners.

“The (global economic) crisis ... highlighted the crucial role of global cooperation and governance to restore growth and employment. China has played a vital role in sustaining economic activity during this difficult period, and without this contribution we would undoubtedly have seen an even greater economic contraction across the globe.

“We have also lent our support to the fight against protectionist temptations of the kind that inevitably put governments under pressure in times of economic downturn. ... We have helped to keep significant outbreaks of protectionism at bay. These efforts will become even more important if there is any faltering in the recovery or if high levels of unemployment persist for too long.

“In some economies, including China, stimulus packages have been instrumental in preventing further deterioration in output while paving the way to recovery, even at the cost of inflating public deficits.”

[www.wto.org](http://www.wto.org)

## **EXPORTS VS. IMPORTS** (WTO data)

### **United States of America**

Global rank in exports, 3rd  
Global rank in imports, 1st  
(Merchandise only)

2008 Exports: \$1.3 trillion, 74.8 percent manufacturing  
2008 Imports: \$2.2 trillion, 65.3 percent manufacturing

Share of total world exports from USA, 8 percent.  
Share of total world imports into USA, 13.5 percent

Top 5 export destinations

1. European Union
2. Canada
3. Mexico
4. China
5. Japan

Top 5 import origins

1. European Union
2. China
3. Canada
4. Mexico
5. Japan

## **Republic of China**

Global rank in exports, 2nd  
Global rank in imports, 3rd  
(Merchandise only)

2008 Exports: \$1.4 trillion, 93.1 percent manufacturing  
2008 Imports: \$1.1 trillion, 64.8 percent manufacturing

Share of total world exports from China, 8.89 percent  
Share of total world imports into China, 6.87 percent

Top 5 export destinations

1. European Union
2. United States
3. Hong Kong
4. Japan
5. South Korea

Top 5 import origins

1. Japan
2. European Union
3. South Korea
4. Taiwan
5. China

The United States takes in more imported goods than any other nation in the world, per the WTO.

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