

Overseas Companies Add U.S. Jobs as Kerry Decries `Outsourcing'

By
Art Pine

March 29 (Bloomberg) -- Democratic presidential candidate John Kerry was asked Friday if his plan to tax U.S. companies that move work overseas addressed an ``overblown" issue, considering the jobs non-U.S. companies create in America. ``Nope, not if you talk to any worker that's out there," Kerry said in an interview.

He hasn't talked to Barry Bell, a 39-year-old section leader of a Bayerische Motoren Werke AG factory in Spartanburg County, South Carolina. He joined BMW when the world's second-largest maker of luxury cars opened the plant in 1994. ``I think it's a great opportunity," Bell said of the arrival of Munich-based BMW and other non-U.S. companies in South Carolina in recent years. ``We've seen a big explosion" of jobs offered by overseas employers, he said in an interview.

Bell and BMW illustrate the flip side of the election-year debate in the U.S. over job ``outsourcing." While U.S. companies including Hewlett-Packard Co., the world's second-largest computer maker, and AIG Life Insurance Co., the world's largest insurer, have transferred white-collar work to low-wage countries such as India and China, more jobs are coming the other way, according to government estimates and trade analysts.

`Out of Proportion'

``Any way you slice it, the world is creating or transferring more jobs to the U.S. than we are doing to the rest of the world," said Daniel T. Griswold, a trade specialist at the Cato Institute, a research organization in Washington, in an interview Wednesday.

India's Essel Propack Ltd., Taiwan's Teco Electric & Machinery Co. and Denmark's Vestas Wind Systems A/S all have built plants in the U.S. in the last year and a half. Other non-U.S. companies announced plans to increase hiring in the U.S. last year including Japan's Nissan Motor Co., with 3,350 jobs in Canton, Mississippi; DaimlerChrysler AG of Germany, with 2,000 at a new Mercedes-Benz plant in Vance, Alabama; German appliance distributor BSH Bosch and Siemens Hausergate GmbH, with 1,300 in New Bern, North Carolina; and Magna International Inc. of Canada, with as many as 800 in Bowling Green, Kentucky.

The movement of U.S. jobs abroad ``has been blown out of proportion" mainly because domestic companies in the U.S. have been slow to increase hiring, said Martin Baily, chairman of former President Bill Clinton's Council of Economic

Advisers. "There was lots of offshoring going on in the 1990s, but job growth was so strong in the U.S. that nobody really took much notice."

Not Significant

While reliable figures aren't available for the last two years, the Commerce Department estimated on March 18 that the number of Americans employed by U.S. affiliates of majority non-U.S. companies grew by 4.7 million from 1997 through 2001. In the same period, the number of non-Americans working at affiliates of majority-U.S. companies abroad rose by 2.8 million. The creation of jobs outside the U.S. by American companies hasn't played a significant role in the current "jobless recovery," said Baily, now a senior fellow at the Institute for International Economics, a nonpartisan research group in Washington, in an interview Wednesday.

Since Republican George W. Bush became president in January 2001, the U.S. economy has shed 2.2 million jobs. In each of the past six months, payrolls have grown by an average of 61,000, compared with 207,000 a month at the same point after the 1990-1991 recession.

Not Since Hoover

The U.S. will provide another snapshot of its job situation Friday, when the Labor Department is to publish its March employment report. The government said March 5 that payrolls grew by just 21,000 workers in February, a sixth of the median forecast of economists surveyed by Bloomberg News. No president since Herbert Hoover during the Great Depression in 1933 has ended a term with a net decline in U.S. employment. Ronald Reagan is the only president in the past 30 years to be re-elected following a recession that began during his term. The last recession began in March 2001 and ended in November of that year.

A CNN/USA Today/Gallup poll taken between March 5 and March 7 showed that 58 percent of 1,005 American adults in the sample said the issue of keeping American jobs from going overseas will be "very important" in determining their vote for president, and 27 percent considered it "fairly important."

Walter Wriston, the former chief executive of Citicorp, the world's largest financial company, is among those who say such concerns are misplaced.

'Benedict Arnolds'

"Some commentators have gone so far as to suggest that American CEOs whose companies outsource jobs should be censured or fired," Wriston, 84, wrote in the Wall Street Journal Wednesday. "This lament would make more sense if it came from countries around the world that are outsourcing their jobs to the U.S. in huge numbers. The balance of jobs we import from abroad greatly exceeds the jobs we export abroad."

Kerry, the 60-year-old senator from Massachusetts, has made the movement of jobs abroad a centerpiece of his attacks on Bush. In a speech Feb. 19, Kerry vowed to "repeal every tax break and loophole that rewards any Benedict Arnold CEO or corporation for shipping American jobs overseas."

On Friday, Kerry proposed granting tax credits to companies that hire in the U.S. and ending the tax deferral for profits from other countries. Those steps would help create 10 million U.S. jobs over four years, he said.

The 57-year-old Bush holds up the creation of U.S. jobs by companies from abroad as an example of the benefits of free trade. In a speech in Cleveland on March 10, he said 10 percent of Honda's worldwide workforce lives in Ohio. Honda has two vehicle-assembly plants in two Ohio towns.

Spartanburg County

"About 16,000 Ohioans work for Honda, with good, high-paying jobs, and that's not counting the people who work at 165 different Ohio companies that supply Honda with parts and material," Bush said. "When politicians in Washington attack trade for political reasons, they don't mention these workers, or the 6.4 million other Americans who draw their paychecks from foreign companies."

With average U.S. factory wages 10 times as high as Mexico's and four times those in Taiwan and Hong Kong, according to 2002 statistics from the Labor Department, labor costs aren't the big attraction for foreign-owned companies that build plants in the U.S., Cato's Griswold said. Rather, non-U.S.-owned businesses are seeking to cut transportation and selling costs to expand in the world's biggest market, he said.

Consider Spartanburg County's experience. BMW's move into South Carolina in 1994 created 4,700 jobs at its own operations and led to the addition of more than 12,000 positions at American plants owned by domestic and non-U.S. companies that have become BMW suppliers, according to a May 2002 study by the University of South Carolina's Moore School of Business.

Out of Textiles

BMW alone has invested \$2.5 billion in South Carolina over the past decade, and total economic output associated with the company's operations exceeds \$4 billion a year, the study showed. BMW hired 400 workers in South Carolina in 2002, while total employment in the U.S. dropped by 304,000.

Over the past 30 years, Spartanburg County has attracted 80 plants from a dozen countries -- including French tire producer Michelin & Cie. and Taiwanese electric motor maker Teco -- that together account for about a 10th of the area's 132,000 jobs, according to the Spartanburg County Economic Development Corp.

“It's transformed us from a traditional textile-oriented community to a diversified international business community,” said R. Carter Smith, the development corporation's chief executive officer, in an interview earlier this month. “If we hadn't had this influx of international companies and we'd just continued to rely on textile manufacturing, we'd be in dire straits.”

Indian Companies Too

Building the Mercedes-Benz plant in Alabama “is very much driven by” logistics and “for some extent marketing reasons,” said Dieter Zetsche, 50, chief executive of DaimlerChrysler's U.S. Chrysler division, in an interview Thursday in Washington.

“Of course there are cost advantages for producing in other countries, but there are many advantages within this country which balance it,” Zetsche said. DaimlerChrysler, based in Stuttgart, Germany, tends to place more “lower value” jobs outside the U.S. and “higher value” work, such as consulting, in the U.S., he said.

Even companies from India are creating jobs in the U.S. India's Essel Propack, the world's largest maker of laminated tubes for packaging consumer products, based in Mumbai, is adding 50 positions to its toothpaste tube manufacturing plant in Danville, Virginia. The additions will bring total employment at the factory to 137.

Toyota: 32,000 U.S. Jobs

Toyota Motor Corp. employs 32,000 Americans and buys from 500 U.S. suppliers, said Dennis Cuneo, senior vice president of the company's North American production unit, which built 1.3 million vehicles in the U.S. in 2003, at a press conference March 19. “Most of the vehicles that are sold here are made here,” he said.

With U.S. gross domestic product expanding 2.2 percent in 2002, less than half the rate in 1999, the world's largest economy that year attracted about \$30 billion of new investment by non-U.S. companies, down from \$144 billion in 2001, according to the United Nations Conference on Trade and Development. By comparison, China -- whose economy grew three times as fast as the U.S.'s -- drew \$53 billion in 2002, up from \$46.8 billion in 2001.

One of the difficulties in assessing the transfer or creation of jobs in and out of the U.S. is that the government lacks reliable updated statistics on job movement, said Robert M. Solow, 79, a Massachusetts Institute of Technology economics professor who won the Nobel Prize in 1987 for his contributions to the theory of economic growth.

Higher Pay

“The numbers are the problem -- we just don't have good data,” Solow in an interview Wednesday. Even so, he said, trade data and anecdotal evidence suggest that the number of job-transfers from the U.S. to low-wage countries is “pretty small” and is like to remain so. Because non-U.S. companies usually build manufacturing plants and hire workers who have at least a high school education, the jobs created by U.S. affiliates of non-U.S. companies pay an average of 16.5 percent more than the mean wage for all U.S. jobs -- in line with amounts paid by U.S. manufacturing companies -- according to the Organization for International Investment.

The Washington-based group represents 120 subsidiaries of multinational companies including chipmaker Hitachi Ltd., Japan's largest private employer; Germany's BASF AG, the world's biggest chemical maker; and the U.K.'s HSBC Holdings Plc, the world's No. 2 bank by market value after Citigroup Inc.

The transfer of U.S. jobs to low-wage countries and the creation of new jobs by U.S. affiliates of non-U.S. companies are like “apples and oranges,” said Thea Lee, chief international economist at the biggest U.S. federation of labor unions, the AFL-CIO, in an interview Thursday.

“Companies that set up affiliates in the U.S. are here because they want to be close to U.S. consumers, while firms that ship jobs abroad want to take advantage of low wages there,” Lee said. “They're independent of one another. Labor welcomes inward foreign direct investment, especially when people pay good wages and don't bust unions and so on, but even with that, in terms of international engagement, we are on the losing end of that equation.”

--With reporting by Courtney Schlisserman and Mark Drajem in Washington. Editors: Winski, Swardson, Simison, Winski, Kraus.

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To contact the reporter on this story:

Art Pine in Washington at (1) (202-624-1971) or apine@Bloomberg.net.

To contact the editor on this story:

Joe Winski at (1) (202) 624-1933 or jwinski@bloomberg.net.

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