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## Globalization Story Is Far From Over

By Sarwar A. Kashmeri

For the Valley News

Basic manufacturing continues its flow from the United States to low-cost countries such as China, India and Mexico. This is not a passing phenomenon and cannot be wished away. With global production and sourcing come significant benefits for consumers. How else to explain the \$69 VCRs that have recently appeared at the Reading Country Store?

If one stops and ponders the path these machines have taken from production in the Far East to their final destination in Reading, Vt., and the number of people who have made a few pennies at each stop, one begins to understand the breathtaking changes that the last two decades have wrought on countries, jobs and standards of living. The flow of benefits is not all one-sided of course.

It also includes China's \$140 billion aircraft market, and a mobile-phone market that already exceeds 300 million users and is growing at more than 5 million a year. These are huge business opportunities for American firms that they did not have a few years ago.

But the continuous hemorrhaging of what were considered "safe" jobs, as old industries get decimated, is a challenge for corporate and public policy-makers, legislators and economic planning organizations as everyone regroups to figure out where the new jobs are going to come from, what these jobs might be, whether additional tariffs and trade protections are required, and whether the educational system now in place is capable of bridging the America of yesterday into the America of tomorrow.

Dramatic statistics based on these countries' much larger populations seem to underscore the inevitability of the demise of the West, as in: China graduated 250,000 engineers last year, India 150,000, and the United States only 60,000.

The Green Mountain Economic Development Corp. (GMEDC) is an important part of Vermont's economic landscape. "They are our eyes and ears on the ground," Michael Quinn, Vermont's hands-on commissioner of economic development, told me. "We look to them to alert us to changes in Vermont companies' location plans and for help in analyzing the need for state and federal financial assistance." The GMEDC covers a

large swath -- 30 towns in east and central Vermont -- as it seeks to execute its mission of facilitating economic prosperity consistent with the needs of its member communities.

GMEDC was kind enough to invite me to speak at its annual meeting last week, and I thought about the storm clouds hovering over the members of this group as they try to fathom how to factor globalization into their mission. My contrarian remarks to the group seem to have found some traction, and herewith a summary.

The inevitability of China's economic juggernaut is not a given -- not yet, anyway. Yes, China produces more than twice as many college graduates and engineers as the United States, but on a per-capita basis, the number of graduates is half of what America produces, and a recent study showed it has only one-eighth as many engineers involved in research.

China's high-speed economic development will require an even higher speed catch-up to build its infrastructure, health care and support systems, which will keep many of China's best and brightest inwardly focused for years. A recent book by Arnoud De Meyer, deputy dean of the European business school Insead, argues that, far from swamping the world with its engineering talent, China will have fewer of them than it needs for its own development.

Since the Communist business ownership society was dismantled in China some 20 years ago, 40,000 state-owned enterprises have been shuttered. During 1996-2004, about 56 million Chinese lost their jobs as its peoples-epoch was terminated. To put this number in perspective, it is 7 million more than all the employees of the world's largest 500 companies and two times the entire American manufacturing work force.

Over the two decades that China has become the world's manufacturing hub, more than 300 million people have moved from the countryside to cities to power its factories. In addition, 3.7 million people were involved in 74,000 sit-ins, riots, strikes and demonstrations in 2004, up from 10,000 incidents in 1994 involving 730,000 people. These are enormous social dislocations, and what might they mean for China's internal stability? No one knows.

We have all heard of the demise of the Upper Valley's machine tool industry. At the GMEDC's dinner meeting, Lovejoy Tool Co. of Springfield, Vt., allowed me to show one of their computer designed, precision manufactured, proprietary high-tech magnesium cavity cutting tools that are used by appliance, aircraft and automobile manufacturers in the United States and Europe. It can be made profitably in small quantities, custom designed, delivered within days, and is better made and less expensive than anything Chinese and Japanese competitors can throw at Lovejoy's customers.

I offer these contrarian views only to add perspective to the globalization debate, and not to minimize the ferocious and organized, high-quality competition that America will continue to face from the emerging powerhouses going forward.

My message: Hoist the battle flags, but don't lose your nerve. This globalization story is far from over. What do you think?

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***Sarwar A. Kashmeri of Reading, Vt., advises corporations on communications and marketing strategy and is a fellow of the Foreign Policy Association. This***

***twice-monthly column explores the Upper Valley's "business climate," focusing on the issues and conditions affecting the region's economic health. Kashmeri can be reached at [skashmeri@aol.com](mailto:skashmeri@aol.com).***

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