

# EFFECT OF THE OVERVALUED DOLLAR ON SMALL EXPORTERS

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## HEARING BEFORE THE COMMITTEE ON SMALL BUSINESS HOUSE OF REPRESENTATIVES ONE HUNDRED SEVENTH CONGRESS SECOND SESSION

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## **EFFECT OF THE OVERVALUED DOLLAR ON SMALL EXPORTERS**

**WEDNESDAY, JUNE 12, 2002**

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON SMALL BUSINESS,  
*Washington, DC.*

The Committee met, pursuant to call, at 10:02 a.m. in room 2360, Rayburn House Office Building, Hon. Donald Manzullo (Chairman of the Committee) presiding.

Chairman MANZULLO. We are going to call the Committee to order. We have an eleven o'clock joint session to welcome John Howard who is the Prime Minister of Australia, and I really want to finish before that happens.

I am going to waive the opening statement, move immediately into testimony on the effect of overvalued dollar. The title is Effect of Overvalued Dollar on Small Exporters, but it is really the effect of overvalued dollar on small businesspeople because we have people involved in manufacturing and other sales that do not export, but who are losing a share to people who do export into this country, to those customers that are normally those of the small manufacturers who have been displaced because of the high dollar.

Let us move immediately to the testimony of Dr.—you have got to help me—Chimerine.

[Chairman Manzullo's statement may be found in appendix.]

Mr. CHIMERINE. Chimerine.

Chairman MANZULLO. Chimerine, President of Radnor International Consulting. We are going to put on the five-minute clock, so we have plenty of opportunity for interaction afterwards.

And, Doctor, we look forward to your testimony.

### **STATEMENT OF LAWRENCE CHIMERINE, PRESIDENT, RADNOR INTERNATIONAL CONSULTING**

Mr. CHIMERINE. Thank you very much, and I will stick within the schedule. I am going to talk primarily about the macroeconomic impact or the overvalued dollar.

Chairman MANZULLO. Okay, if you could keep the microphone closer to your mouth, it is a lot easier to hear. Thank you.

Mr. CHIMERINE. I am going to talk mostly about the macroeconomic impacts and the impacts on small businesses of both the trade deficit and the dollar.

It was very fashionable in this country during the 1990s to argue that trade deficits do not matter because the economy did so well despite the fact that our trade deficit was rising to levels that we had never seen before.

In my opinion, that was a temporary phenomenon. Trade deficits do matter. They did not in the nineties because domestic demand—consumer spending, housing, business spending for capital goods—rose so rapidly that they offset the increase of the trade deficit on the economy. In fact, some of the increase in the trade deficit was simply a reflection of how strong the U.S. economy was. It was sucking in more imports because demand was so strong.

Plus, you know, there were some benefits from the overvalued dollar. It held inflation down a little bit, and held interest rates down which contributed to strong domestic economic growth.

The situation is very different now. It is highly unlikely we are going to see domestic demand rise at the rate it did during the 1990s at any time in the near future. But the trade deficit continues to rise. This will make already slow economic growth much slower. In fact, you can argue that without a decline in the trade deficit to offset or negate some of the slower growth in domestic demand, the economy is going to go virtually nowhere for the next several years, or at best a slow and uneven recovery.

So the trade deficit is a serious macroeconomic problem in the short term, because if it doesn't come down it will hold down our economic growth. It is also a problem in the long term because we are building up so much foreign debt because of these trade deficits. Sooner or later foreigners are going to decide they do not want to keep accumulating dollar assets. When that happens you will see a huge increase in our interest rates. So longer term it is a big threat to prosperity as well.

We need to bring the trade deficit down, and the dollar is the key. There are a number of reasons why we have these large trade deficits, particularly the structural portion that does not relate to macroeconomic trends. For example, many markets are still closed overseas. Foreigners dump many products into the U.S. market. But right now the biggest factor is the misalignment of exchange rates. Everybody, I think, here knows the dollar is at least 25 to 30 percent overvalued against most currencies.

I am not an advocate of a weak dollar, but I think sometimes we make the mistake of thinking, well, if you are not for a weak dollar, you are for a strong dollar. And the problem is the law of diminishing returns applies to exchange rates like it does to everything else. If the dollar keeps getting stronger and stronger, at some point the negative effect on trade flows, by holding down exports, and leading to increased import penetration displacing domestic production as well, these trade effects, which we have seen in large measure over the last couple of years, begin to outweigh the positive effect of the dollar on interest rates and inflation. We are going to have low inflation anyway. We do not need the dollar to keep getting stronger and stronger to hold down U.S. inflation. We have competition doing it in this economy.

There is no doubt in my mind that we are far beyond the point where the dollar is a help to the U.S. economy. It has become a big negative through these trade effects, not only in the short term and through the macro effects, but it is hurting the long-term competitiveness as well. All the industries, particularly manufacturing and agriculture, that are being hurt by the strong dollar, do not generate the business volumes and the profits to afford to make the

new investments they need to make to remain competitive in the long term. So it hurts the economy in the short term through trade flows, and hurts long-term competitiveness.

Small businesses are hurt the worst because they do not get the economies of scale, the benefits from having large operations where you can hold down average costs through economies of scale, and offset some of the disadvantage caused by misaligned exchange rates. So it is a problem for the macroeconomy, and an even bigger problem for small businesses.

It is almost the equivalent of legalized dumping. I mean, the exchange rate advantage is so huge for foreign exporters that they can sell into the U.S. market at very low prices without even dumping, and they make fat profit margins in the process.

What do we do about it? Very quickly, I think three or four things.

Number one, we need to put more pressure on foreign countries to simulate their own economies, to grow out of the current malaise we are seeing, particularly in Western Europe, and in Japan, and in other parts of the world. Most of those countries are waiting for the U.S. economy to go up to lift their exports to bring them out of their recessions. We should make it clear to them that is no longer acceptable. They have got to stimulate domestic demand by cutting interest rates, cutting taxes, raising spending, or whatever other measures are appropriate; in Japan, fixing their banking problems more rapidly would be a help.

Secondly, we have got to tell these countries, particularly Japan, Taiwan, China and others, that we are no longer going to tolerate their manipulation of exchange rates. Those central banks accumulate dollars at a huge rate to prevent them from hitting the exchange markets. It keeps the dollar overvalued, and their currencies undervalued, to help them export. That comes at our expense and we ought to make it clear that that is no longer acceptable.

And finally, I think it is very, very important that in this country we watch our fiscal and monetary policy to make sure they are being implemented in a manner that is conducive to a more fair dollar, and conducive to a better trade balance than we have had in recent years.

For example, in the next several years, if we keep running larger and larger budget deficits, it will increase our dependence on foreign capital, probably push the dollar even higher, and that would be counterproductive.

So I think we need to look at our own policies, and we have got to make it clear to our foreign counterparts they have got to—they cannot just depend on the U.S. to lift everybody up, and they have also got to stop manipulating their exchange rates.

Thank you, Mr. Chairman.

[Mr. Chimérine's statement may be found in appendix.]

Chairman MANZULLO. Thank you, Doctor.

Our next witness is Tony Raimondo; is that right?

Mr. RAIMONDO. Thank you, Mr. Chairman.

Chairman MANZULLO. Okay. President and Chief Executive Officer of Behlen Manufacturing of Columbus, Nebraska. Where is Columbus.

Mr. RAIMONDO. Columbus, Nebraska is about 70 miles northwest of Omaha.

Chairman MANZULLO. Okay. Look forward to your testimony.

Mr. RAIMONDO. Thank you very much, Mr. Chairman.

Chairman MANZULLO. The complete statements of the witnesses and all the members will be made part of the permanent record, without objection.

Go ahead.

**STATEMENT OF TONY RAIMONDO, CHAIRMAN AND CHIEF EXECUTIVE OFFICER, BEHLEN MANUFACTURING COMPANY**

Mr. RAIMONDO. Thank you. I will not repeat that then, my little overview.

Yes, I am CEO of Behlen Manufacturing, a very diverse metal fabrication company. We are a medium-sized manufacture of pre-engineered metal building, grain bins, dryers, we call them silos all around the world. We have got product in over 50 nations, and I am very proud that we were a recipient of the President's E-Award.

I wanted to commend you, Mr. Chairman, for holding this hearing on what is one of the most serious problems facing small and medium-sized manufacturers.

As you know, I am also on the NAM board, National Association of Manufacturers, and representing, if I say SMM's, it is small, medium-sized manufacturers. We are among the best in the world. We have really done some tremendous things in the nineties as we have gotten globally more competitive than ever in America.

We are innovative, productive and competitive in all respects as long as the playing field is level. Exports are important to small and medium-sized companies. In fact, we comprise 97 percent of all U.S. exporters and account for about one-third of all U.S. merchandise that is exported.

Unfortunately, there is a major factor beyond our control that has tilted the global playing field against us and it is causing extremely serious harm in America's small and medium-sized factories. The factor, as you know, is the overvalued dollar.

After more than a decade of relatively stability the dollar started shooting up around 1997, and by February this year it has risen 30 percent. That rise has had a devastating effect on my firm's exports and on small and medium-sized manufacturers across the country. The dollar has since declined slightly against some major currencies, but still has a long way to go.

Let me explain the effect on my company. We built our exports to a point at which in 1998 we had reached 15 percent of our volume. We were a little naive at that point in time. We set a goal for 20 percent. As the dollar continued to rise, I find my company today in the eight percent range, and we continue to be globally competitive. As the dollar began to appreciate significantly, we began losing out to foreign competitors not because they are more productive or began producing a better product, just because of the rising value of the dollar.

Instead of continuing to grow, our exports have fallen. Behlen Manufacturing is not alone in this dilemma. Being on the board of directors of the NAM, National Association of Manufacturers, I met with several, and we have been inundated with letters, as you



know, Mr. Chairman, and I can tell that this story is very, very typical.

In our situation we have lost—we used to like to say that we had, at any given time 100 jobs in Columbus, Nebraska working on exports. Today we are lucky to have 50, and it is getting more difficult.

The U.S. manufactured export goods have fallen at an amazing \$140 billion in the last two years, principally because of the dollar's overvaluation. To put this loss in perspective, it is as large as the entire gain, that the NAM estimates, will come from the free trade area of the Americas when it is fully implemented 14 years down the road. So we are talking about big, big impacts.

The SMM's share of that 140 billion decline is about 45 billion that we have lost in exports. We cannot suffer that kind of huge loss without incurring severe setbacks in production and employment.

In addition to the thousands of SMM's who are affected by the dollar impact on their exports, there are thousands more who are also, as you mentioned earlier, affected by unrealistically low import prices in domestic markets stemming from the overvalued dollar.

Many smaller firms have written to the Committee. America's SMM's are not seeking an artificially cheap dollar. What we are asking for is recognition that the dollar has been allowed to become seriously overvalued and the overvaluation is imposing a very high cost on SMM's and on the entire economy as a whole. The dollar is distorted and needs to be restored to normal levels.

Certainly a starting point must be the U.S. government to stop advocating a strong dollar when the dollar is already so overvalued, and to begin working actively to restore the dollar to normal levels. Whatever needs to be done should be done.

The U.S. government should also object when other countries intervene in foreign currency markets to prevent their currency from adjusting to market-driven changes. I just spent two weeks in China while the dollar was somewhat softening, a very little amount, and every other day you would read about Japan taking steps to assure that their yen was not strengthening. It is a very, very high profile subject there, and we need to not coast, and be proud of our strong dollar. We need to get the right balance.

Mr. Chairman, I hope you will lend your able and active support to working with your colleagues to see that the administration begins acting to end the dollar's overvaluation. I cannot think of anything more important that this Committee could do to assure—the future of our small and medium-sized manufacturing companies really are at stake. In this last recession many of them have gone out of business. It is really time. We have got to save a lot of jobs, Mr. Chairman, and we hope and we appreciate your help.

[Mr. Raimondo's statement may be found in appendix.]

Chairman MANZULLO. Appreciate that. First we have to convince the Secretary of the Treasury—

Mr. RAIMONDO. We understand.

Chairman MANZULLO [continuing]. To talk a little bit differently. Sometimes strong is not strong.

Mr. RAIMONDO. Thank you.

Chairman MANZULLO. Our next witness is Bob Weskamp, President of Wes-Tech, speaking on behalf of his own business and on behalf of AMT, the Association for Manufacturing Technology.

We look forward to your testimony.

**STATEMENT OF ROBERT J. WESKAMP, PRESIDENT, WES-TECH, INCORPORATED; ON BEHALF OF THE ASSOCIATION OF MANUFACTURING TECHNOLOGY**

Mr. WESKAMP. Thank you, Mr. Chairman.

I am the president of Wes-Tech in the Chicago land area, and we manufacture products and services in and around the machine tool area. I am also a director of Ingersoll International, one of the largest machine tool manufacturers in the world.

Today, I am testifying on behalf of AMT, which was formerly the National Machine Tool Builders Association. It happens to also be, commensurate with our 100 year anniversary. I appreciate the opportunity to testify before the Committee on the impact of the over-valued dollar on our industry.

The strength of the dollar combined with the efforts of other nations to weaken their currencies have had a triple impact on the health of U.S. manufacturing technology industry, particularly for machine tool builders.

Firstly, an overly-strong dollar hurts our export competitiveness in an economic environment that places more emphasis on the cost of the products than on the value of the product.

Second, the price advantage provided to foreign competitors through the exaggerated strength of the dollar has led to increases in import penetration in the U.S. machine tool market over the past four years.

Third, and perhaps the most insidious impact of the overly strong dollar, however, is the general decline in U.S. parts and components as more parts and components for U.S. products originate from offshore. In other words, many of our traditional customers are driven by the high dollar to purchase less expensive parts and components offshore instead of manufacturing those components and parts here in the United States.

Those three factors have left the United States machine tool industry dramatically weakened, and this could have a very significant effect on the possibility of a rapid U.S. economic recovery.

The impact on U.S. manufacturers has been more devastating at home and abroad. For example, exports of U.S. products have declined from the period of 1997 to 2001 by nearly 20 percent. The impact of the overly strong dollar has been even more dramatic at home. Import penetration of the U.S. machine tool market has grown 25 percent in just the last two years from 50 percent in 1999 to 63 percent in 2001.

My written testimony cites for examples where the overly-strong dollar has hurt my company. In three of the examples, we lost large contracts with well established customers based solely on price to foreign competition. Our European competitors were able to offer products at prices that we simply could not match.

In the last example, Wes-Tech actually won the contract that we were bidding on, but because of the pricing structure from the foreign competition we were forced to sell the project at such a low

profit margin that in order to keep the customer and keep the business and protect our technology the pricing level drove us to a position of zero profit on the project. The bad news is that despite cost cutting, we could not turn a profit on the project, and in the long run zero profit as the norm is not a sustainable, workable strategy.

Ingersoll is one of the largest machine tool manufacturers in the world. The overly-strong dollar and other problems faced by the machine tool industry have changed that. Ingersoll employment has continually declined and its employment level of a peak of 2200 has been reduced to 650. There is a very real possibility that Ingersoll will qualify as a small business by the end of 2002. Most of the employment cutbacks in the Rockford area have been through layoffs as a result of this reduced business volume.

This is not the first time that American manufacturers have faced the challenges of a strong dollar and its impact on price competitiveness. In the past, U.S. economic strength relative to our trading partners was the primary factor that led to a strong dollar. However, this time the dollar's relative strength is the result of poor industrial, fiscal and monetary policies by our largest trading partners in conjunction with intervention by them to weaken their own currencies. It is unfair to ask our manufacturers to compete in a global market that is artificially created by foreign governments.

Two years ago the AMT issued a report highlighting the dramatic increases in manufacturing productivity accompanied by the machine tool industry during the past decade. These productivity increases enabled U.S. machine tool builders to keep pace with the dramatic decline in foreign machine tool prices created by the overly-strong dollar.

But by mid-2001, even the most highly productive U.S. builders could no longer keep pace with the over-strengthening dollar; and companies began to experience the challenge in cash flow. Companies in business for more than a hundred years found themselves at the mercy of banks striving to reduce debt. The industry today is faced with an ever-increasing frequency of foreclosures.

The U.S. Treasury must realize that its policy has not worked. Treasury claims it has "sent a message." But our trading partners are not listening, and so a more direct warning needs to be sent. The official U.S. position ought to be that the dollar should reflect the underlying strength of the U.S. economy. That is most decidedly not the case today.

And overly-strong dollar is ruining the U.S. machine tool industry and America's industrial base at large. If the American machine tool industry does not exist, where will America's defense companies go for their equipment? Would you dare put your classified projects offshore?

The U.S. is rapidly losing machine tool capability and this is a serious threat to the backbone of our industrial strength. Mr. Chairman, we must not allow this to happen, and that is why I am pleased that you are holding this hearing to call attention to the continuing problems of the overvalued dollar.

Thank you very much, Mr. Chairman.

[Mr. Weskamp's statement may be found in appendix.]

Chairman MANZULLO. Thank you.

The next witness is Wayne Dollar. Is that your real name?

Mr. DOLLAR. Yes, sir.

Chairman MANZULLO. All right, I just wanted to make sure. President of the Georgia—you have had to live with that name ever since you were born, have you not? President of the Georgia Farm Bureau, statement of the American Farm Bureau Federation.

And Wayne, I presume that you are speaking on behalf of the American Farm Bureau, and you are also a farmer; is that correct?

Mr. DOLLAR. Correct.

Chairman MANZULLO. And we look forward to your testimony.

**STATEMENT OF WAYNE DOLLAR, PRESIDENT, GEORGIA FARM BUREAU; ON BEHALF OF THE AMERICAN FARM BUREAU FEDERATION**

Mr. DOLLAR. Thank you very much for that introduction. I wished you had said I am from Ochlocknee, Georgia.

Chairman MANZULLO. And he is from Ochlocknee, Georgia.

Mr. DOLLAR. I am testifying on behalf of American Farm Bureau which is the nation's largest agricultural organization and our members produce about each and every product and commodities you can name. And we certainly appreciate the opportunity of being here, and we feel like the exchange rate is the single most important of all the things that we are talking about today.

Our farmers and ranchers are losing export sales for the past three years because the dollar is pricing the product out of the market both at home and abroad. Agriculture is one of the most trade-dependent sectors of our economy. Our sectors maintain a trade surplus for over two decades, but that surplus is shrinking. One of the primary factors affecting our declining trade balance is the strong value of the dollar.

We are also deeply concerned about countries that engage in currency devaluations in order to gain an export advantage for their producers. The real trade-weighted exchange rates for agricultural exports from our major competitors have exhibited a long-term trend of depreciation against a dollar, contrary to market fundamentals. This trend has persisted over several decades, leaving it hard to conclude that this is not a deliberate monetary policy of these and other governments.

The U.S. agriculture relies on exports for one-quarter of its income. In addition, about 25 percent of agriculture production in the United States is destined for a foreign market. With a strong dollar, we have the double challenge of our products being less competitive in foreign markets while products from other countries are more competitive in the U.S. market.

There is a strong relationship between the value of the dollar and the domestic price of our commodities. As the value of the dollar rises, foreign buyers must spend more of their currency to purchase our exports which causes them to decrease their consumption of U.S. commodities or buy from our competitors instead. The resultant drop in consumption drives U.S. commodity prices down even further.

The increase and strength of the dollar and steady depreciation of the currencies of our major export competitors have had a profound impact on our ability to export. In fact, the rising deprecia-

tion of the dollar is one of the primary reasons why the agriculture economy did not experience economic prosperity that most other sectors of the U.S. enjoyed between 1995 and 1999.

The USDA estimates that 14,000 plus jobs are lost for every one billion dollars decline in agriculture exports. As a result, agriculture employment lost 87,000 jobs between 1997 and 2000, a period wherein the real agricultural exchange rate was rising rapidly and U.S. agricultural exports were stagnant.

For some commodities, the rising value of the dollar has directly contributed to the export competitiveness of our foreign rivals. The strong dollar enables our competitors to expand their production and gain market share at our expense. Let me give you a few commodity-specific examples.

Beef, since 1995, the dollar has appreciated 42 percent against the currency of beef-producing countries.

Fruits, from 1995 to 2000, U.S. import of fruits and nuts jumped 33 percent largely due to the dollar's 18 percent gain with respect to the currency of foreign suppliers of these commodities to the United States. Corn, the U.S. dollar appreciated 39 percent; soybeans, you saw an increase.

And let me say in conclusions American farmers are the most productive in the world. However, the comparative advantages of producers generally enjoy are mitigated by the rising appreciation of the dollar. Exchange rate issues are certainly increasing in importance for our sector. If these issues are not resolved by micro-economic policies, there will be a continued pressure to find solutions in a traditional foreign policies.

Effective long-range financial planning at the farm and ranch level and the overall economic health of U.S. agriculture depends on more stable exchange rates that do not overvalue the U.S. dollar against our competitors' currency.

Thank you, sir.

[Mr. Dollar's statement may be found in the appendix.]

Chairman MANZULLO. Well, thank you.

I was on an airplane, and I asked for some peanuts. And the flight attendant brought over some pretzels. And I said I am allergic to pretzels. And she looked at me. It was funny then. [Laughter.]

Mr. DOLLAR. Ninety-eight percent of the people want peanuts, but Delta thinks that eight percent is more important than 92.

Chairman MANZULLO. Is that what it is? It is not just Delta, it is United. That is all you get nowadays is peanuts, and you always—you equated airline trips with a bag of peanuts like going to the circus, you know.

Our next witness is—we have been through this before, Mr. George, on your first name. It is Vargese.

Mr. GEORGE. Vargese.

Chairman MANZULLO. Not even close. Vargese. Oh, Vargese. Okay, Vargese George. He is president and CEO of Westex International. I think you have testified before us a couple of different times, and I—twice before, and I finally learned how to pronounce your last name.

And speaking on behalf of your company and all the Small Business Exporters Association, look forward to your testimony. And could you pull that microphone up as close as you can? Thank you.

**STATEMENT OF VARGESE GEORGE, PRESIDENT AND CHIEF EXECUTIVE OFFICER, WESTEX INTERNATIONAL, INCORPORATED; ON BEHALF OF SMALL BUSINESS EXPORTERS ASSOCIATION**

Mr. GEORGE. Thank you, Chairman Manzullo, Representative Velázquez, members of the Committee. Good morning.

Again, my name is Vargese George. I am the CEO of a Washington, D.C.-based export company, and I employ 18 people.

We have been supplying products and materials for the United States for construction products and also the MRO, which is maintenance, repair and operation supplies, to worldwide clients over the last 20 years.

I had the privilege of testifying before this Committee several years ago, and I am happy to be back. Today, I am also representing the Small Business Exporters Association. SBEA is the nation's oldest and largest nonprofit association of small and mid-sized exporters. SBEA is also the international trade arm of the 65,000 member National Small Business United.

As this Committee is surely aware, the number of small business exporters have tripled to more than 200,000 in the last 20 years. Like the other witnesses in this morning's hearings, we at Westex and at SBEA are deeply concerned about the high valuation of the dollar compared to other currencies.

The high price of dollar has been a significant factor in my company's loss of over \$2 million worth in sales during the last one year alone. It has been especially costly to us in the Middle East and South Asia. We make our offers all in dollars because, like most small exporters, we can not assume—absorb the exchange risk and the losses resulting after the deal is made. But with the dollar's high cost, we have seen our overseas customers switching their purchases to my competitors from Europe as well as in the Far East.

We also have been hurt when foreign governments step into projects when we are bidding to offer extremely generous terms of finance, and though the dollar has dropped a bit in recent months, especially against the Euro, the government still must do all it can to assure that the U.S. products remains competitive in the global market.

At the highest levels our government leaders must work with their foreign counterparts to assure that the dollar is not artificially overvalued, and that other currencies are not being pushed below their true value.

But having said that, we should not try to drive the dollar down by painting a darker picture of the American economy than the facts warrant. That could come back and haunt us.

Still, we can certainly observe that economic conditions improving in the Euro zone and perhaps even in Japan now, there are other steps the government could take to exporters also. We need to catch up with the European Union in signing trade agreements with the other countries. Tariffs and trade barriers are falling for

European exports, and that is complicating the problem of the high dollar.

In the past eight years, the EU has signed more than 30 trade agreements, it has 15 more in process, compared to just two minor ones that the U.S. has signed. Now both the EU and Japan are targeting Latin America, one of the largest markets for U.S. goods and services. The U.S. needs to respond with more trade agreements of its own.

Now, what can we exporters do about the high dollar? For one thing, we can offer packages to offset the losses due to high value of dollar; packages that include service agreements, value-added services, software training, and follow-up visits.

America's foreign competitors are not nearly as good at this as we are, but most of all U.S. exporters need to be able to offer foreign buyers better financial terms. Giving buyers more generous payment terms is a time-honored way to deal with the price increases. Whether those increases are caused by rising raw material costs, currency fluctuations or other factors, but exporters, especially small exporters, cannot offer financing on their own. Yet trade financing is hard for us to obtain.

In contrast to Europe and Japan, and other Far Eastern countries, most American banks are unfamiliar with the trade financing. The relatively few banks that do offer it usually seek only big businesses and large export transactions, and no one is aggressively trying to change that. Small businesses—SBA and Ex-Im do what they can, but export finance dealers that extend beyond than six months are especially hard for small exporters to obtain.

Chairman MANZULLO. How are you doing on time there? You are two minutes over?

Mr. GEORGE. I am over. I will be done—can I get one more minute? Thirty seconds?

Chairman MANZULLO. Yes, I want to conclude by 11 so do it in 30 seconds.

Mr. GEORGE. Ex-Im is supposed to respond to this when it occurs and meet those subsidies head on.

There are some good news, in the horizon. The Bush administration's recent National Export Strategy Report calls for several important initiatives. Most of all, it would harmonize the government's many export promotion programs and focus more on customer service for exporters.

Chairman Manzullo, SME Exporter Working Group has come up with some good ideas too like developing partnership between large exporter and domestic suppliers, and giving companies a single government point of contact for all export-related customs and needs.

So, yes, the high dollar has brought us serious problems, but there are also some promising developments in the horizon.

Thank you for the opportunity.

[Mr. George's statement may be found in appendix.]

Ms. VELÁZQUEZ. Thank you, is it Mr. Chimerine?

Mr. CHIMERINE. Right.

Ms. VELÁZQUEZ. Okay. The trade deficit is financed by foreign investment. Why are international investors still investing in the

U.S. if the manufacturing sector is having trouble remaining competitive?

Mr. CHIMERINE. Well, I think there are two reasons. Number one, the U.S. economy was outperforming every other economy during the 1990s. Investments made in the U.S. economy were generating a higher rate of return.

And secondly, interest rates have been higher in the United States than in other parts of the world, so they are investing here either to earn profits on their investments or interest on their investments. For at least for the last 10 years or so prospects were better in the United States in both cases, so I think that's the biggest reason.

You know, the dollar has also been looked at as a safe haven. It is the most—it is the safest currency, it is the safest economy. But let me tell you, if we keep relying more and more on foreign debt, you know, at some point they are going to need their savings to invest in their own countries.

Ms. VELÁZQUEZ. Okay.

Mr. CHIMERINE. You cannot depend on foreign investment forever to flow into the United States like it did in the nineties. And if we have big deficits at the same time, it will create huge pressure on interest rates and hurt the U.S. economy.

Ms. VELÁZQUEZ. Thank you.

Mr. George, only one percent of all small businesses export. Besides the overvaluation of the dollar, what else limits United States small businesses that have marketable products from becoming exporters?

Mr. GEORGE. One of the key things that I always thought to be the problem is there are not enough American designs overseas. The foreign competitors, especially from U.K. and in Europe and Japan, they are very active in putting their designs and specifications into these markets.

So when you have a project or an infrastructure project designed around a certain specification, the products follow, and I think that is the key drawbacks that I see when I travel. There are not enough American designed projects overseas, especially in the infrastructure.

So what we can do is on a proactive basis we can encourage the design, engineering design firms, and the architectural firms to be a little more proactive by helping them to participate in international trade shows as well as meeting clients face to face even before these projects are on the drawing board. Then the products will follow and there will be opportunities for small business exporters.

Ms. VELÁZQUEZ. Would you like to comment on that?

Mr. CHIMERINE. Sure. I think there is another factor and I think someone on the panel mentioned it earlier, and that is the export financing and promotion programs in this country are just a fraction of what most other countries have. It puts us at a tremendous disadvantage, particularly for smaller companies who need that kind of financing. The Ex-Im Bank is a good example of that.

The trade deficit is a multi-dimensional problem. One of them, in my opinion, is the export financing programs.

Ms. VELÁZQUEZ. Thank you.



Mr. George, how receptive are commercial banks to small exporters' needs for access to capital?

Mr. GEORGE. They are not very receptive, mostly because of there are not enough dollars to support their involvement.

Ms. VELÁZQUEZ. So what are the implications of an exporter having to rely on the Ex-Im Bank and the SBA?

Mr. GEORGE. A lot of transactions die without seeing the light of the day because there is not any banks involved in it.

Ms. VELÁZQUEZ. In particular, what are the effects of the lack of adequate medium-term loans for small business exporters?

Mr. GEORGE. I did not hear that.

Ms. VELÁZQUEZ. What are the effects of the lack of adequate medium-term loans for small business exporters?

Mr. GEORGE. Because of lack of financing, people are reluctant to get into exports. You know, we do not have an export environment. We go and talk to the banks, and they will ask you to give you three years worth of financial statements, but it has to be transaction financing that we are looking for, not the individual's worth or the company's worth.

Transaction financing is what we are missing.

Ms. VELÁZQUEZ. Thank you.

Mr. Raimondo, do manufacturers experience any benefit at all from the high value of the dollar?

Mr. RAIMONDO. From a manufacturing point of view, I would say that all we have done, as I mentioned, we were at 15 percent, we thought we were going to go to 20 percent in the 1997 time period. All we have done is lost jobs and I cannot think from a manufacturing company any value of a higher dollar.

Ms. VELÁZQUEZ. What about an increased ability to buy foreign materials?

Mr. RAIMONDO. In our case, we are metal fabricator. We have not pursued buying product overseas.

Ms. VELÁZQUEZ. Any comment on this question?

Mr. CHIMERINE. Well, I think what happens is that, as you suggest, some individual companies can now purchase materials or components less expensively overseas. That may be good for them, but it is not good for the country and the economy because ordinarily they would be buying them in the United States.

Chairman MANZULLO. Okay, let us go to Mr. Akin.

Ms. VELÁZQUEZ. Thank you.

Chairman MANZULLO. Thank you.

Mr. AKIN. Thank you, Mr. Chairman.

Just a question for anybody, if you had a magic wand, what would you change?

A number of you have used the phrase that we have the dollar may be artificially high in terms of foreign currency. What would you do to change that? Is that the sort of thing that we should basically put more money into the money supply? Or how would you do that? Just one sentence from whoever wants to answer that.

Mr. CHIMERINE. Well, I do not think you can do it with one policy, but one of the things I think, looking back over the last several years, that should have been changed is that we should have been putting much more pressure on foreign governments to stimulate

their own economies instead of adopting export-led growth strategies, and usually those exports are targeted to our market.

I think if we would have had stronger economic growth in foreign countries because of policies they implemented, not only would that help our exporters sell into stronger markets, but one of the reasons the dollar has been so strong is, you know, is that most investors look at those economies and have very little confidence in them.

So you would have had two things happen: stronger growth in those countries, and probably stronger currencies overseas, and our exporters would have benefited from both. I think that pressure has to be put on foreign countries on a regular basis, make it clear to them we are not going to accept, you know, their strategies of exporting to the United States as their only economic policy.

Mr. AKIN. But from a practical point of view, what does that mean you are going to do? Put some tariffs when they try to export at a low cost, something that they have subsidized we are going to put more tariffs on that? Or are you saying we need to really push the—we should have been engaging in more treaty negotiation earlier? What are you saying?

Mr. CHIMERINE. I think it is some of all of those. I am not advocating tariffs, but one thing I believe is telling them, if this keeps up, that we are going to intervene more in foreign exchange markets, and we have got more resources than most of them do, and if their policies are not aimed at stimulating their own economies, but only to export to the United States, keep their currencies undervalued to help them do that, we are going to have to offset that, and one way is with foreign exchange market intervention.

So I am not advocating direct tariffs, but there are things we can do to make it more difficult for them, and to put more pressure on them to look inside their own economies as a way of bolstering those economies.

Mr. AKIN. Thank you. Thank you, Mr. Chairman.

Chairman MANZULLO. Mr. Baird.

Mr. BAIRD. Briefly, our nation is returning to deficit spending. How do you anticipate that will impact the value of the dollar and interest rates and foreign exchange?

Mr. CHIMERINE. I will take a crack at that.

I do not think in the short term it is that big of an issue because the economy is very soft, and you would expect to have fiscal deficits in the short term when you have a recession, or just coming out of a recession. If anything, it would not have bothered me to have some more short-term tax cuts, for example, to stimulate the economy.

The issue is the longer term. Five years from now, if the economy has recovered, and we have got big budget deficits again like we had in the eighties and early nineties, I think that would be counterproductive. It will put upward pressure on our interest rates, which tends to attract more foreign capital, which pushes up the value of the dollar. And it is the smaller and middle-sized manufacturers and farmers who take it in the neck when that happens.

Chairman MANZULLO. Mr. Bartlett.

Mr. BARTLETT. Thank you very much.

Dr. Chimérine, you mentioned that trade deficits do matter. I have had a concern for a long while that these big trade deficits, over \$400 billion last year, that is more than a billion dollars a day of trade deficit, at least to some extent, represents wealth moving from this country to other countries. Now, if what you are buying is a bridge that will be here for a hundred years, and to some lesser extent, a car that may be here 10 or 12 years, you may argue that it is not simply a transfer of wealth. But if you look at our hundred plus billion dollar trade deficit with China, if you think about what you buy that is made in China, a big percent of that is on the county landfill by the end of the year, is it not?

So to the extent that we are buying consumable goods, help me understand why this big negative trade deficit is not a problem or why I should not be concerned?

I am really concerned, and it was Mr. Weskamp who mentioned the machine tools in defense. We cannot have the world's best defense and best military without the best scientists, mathematicians, and engineers, and without the best manufacturing. But just help me understand from a simple economic viewpoint why I should not be concerned about \$400 billion trade deficits.

Mr. CHIMERINE. I cannot because I think you should be very concerned about it since I am, and I think some of the problems have been expressed very clearly by the panel this morning.

I mean, I do not think you can have a healthy economy in the long term without a very vibrant manufacturing sector, including smaller companies where a lot of the new innovations come from. A lot of the increases in R&D, and new product development, comes in manufacturing. It is our manufacturing base that is essentially being put out of business. That is essentially what that \$400 billion trade deficit means.

It means our internationally-oriented companies—our exporters and our companies that are competing with imports—are getting hurt very, very badly. Their survival is at stake. I think the U.S. economy will be much worse off if we do not have a healthy industrial sector in the future, and that is what we are talking about. It is a very serious issue, and I think those economists or others who sort of poo-poo it, they may have been right for awhile in the 1990s, but that was an extraordinary set of circumstances where we had huge growth in domestic demand. We are not going to have that again. As a result, in both the short and long-term, our big trade deficit and the fact that it is continuing to rise is a very serious economic problem.

Mr. BARTLETT. I have been concerned. I am not an economist, but I was a producer of wealth. Is it not true that in our society we have those who are consumers and those who are producers of wealth?

I now regrettably am a consumer of wealth. I do not produce wealth anymore in this job, but at one time I did do that as a farmer, as a small businessperson building houses and so forth. To me, I think that the only two segments of our society that produce wealth are manufacturers and farmers. And you know, I do not understand how we can maintain a viable economy if all we are doing is providing service.

So if you push this to an absurdity and if all we do is cut each other's hair, clearly that is not a viable economy. Now I know that is pushing service-based economy to an absurdity. But you know, should we not be concerned about the loss of manufacture?

Mr. CHIMERINE. Yes, we should be very concerned about it and that is my point. Again, you have heard this expression from others, you know, computer chips or potato chips, what is the difference, they are all chips. I think there is a big difference. I do not think we can have as healthy an economy only producing potato chips or hair cuts or other services. We need a very balanced economy, led by a vibrant, strong manufacturing base, because that is where a lot of the wealth is created. That is where your highest paying jobs are created. That is where much of our R&D and product innovation and productivity comes from, and that is exactly the point.

And with a trade deficit of \$400 billion, and rising, largely because of the overvalued dollar, we are jeopardizing manufacturing. We are seeing jobs lost there daily, and it is not healthy for the U.S. economy. I agree with you completely.

Mr. BARTLETT. I know that there are some in our society who benefit from an overvalued dollar, but on balance I think that the dollar, the value of the dollar, is best determined by market forces, not by us or some other country artificially manipulating where it is.

Chairman MANZULLO. Would you yield?

Mr. BARTLETT. Yes, sir.

Chairman MANZULLO. What does the United States do when in the past two weeks Japan has intervened four times to make sure the yen does not get stronger?

Mr. BARTLETT. What we ought to do, I think, is cry foul, and we have not done that.

Chairman MANZULLO. Besides crying foul?

Mr. BARTLETT. Well, of course, two-thirds of all the U.S. dollars, what are there, about \$600 billion in circulation and two-thirds of those are circulating outside our country, so obviously the most force that can be brought to bear on the value of the dollar is outside this country. We are fairly limited because we have only about one-third of all the dollars in circulation.

Mr. CHIMERINE. I am not sure the numbers are that dramatic, but we have the resources to counter—

Mr. BARTLETT. We have some resources and we are not using them, that is true.

Mr. CHIMERINE. The leverage we have is the size of our market, and the fact that most of those economies are very dependent on the U.S. market. If the situation gets bad enough, quite frankly, taking some measures in the short term to limit their access into the U.S. economy might be in order, if they continue to manipulate to gain advantages in foreign exchange markets.

The foreign exchange market is simply not free. That is the point. These currencies are deliberately being manipulated by foreign governments, either by accumulating lots of dollars in their domestic companies when the importers are selling off dollars to raise their own currency to pay their workers. If that was hitting

the marketplace, the dollar would be nowhere as strong as it is now.

And then secondly, if for some reason the dollar does weaken, they run out there and intervene, and we have allowed this to happen, in my opinion, for too long.

Mr. BARTLETT. Thank you very much, Mr. Chairman.

Chairman MANZULLO. Thank you.

I have several questions. Is there any violation of the WTO or perhaps there should be when a country such as Japan intervenes to make sure that its dollar does not change? I mean, to me that is no different than a subsidy.

Anybody want to tackle that question? When Japan intervened four times in the past couple of weeks.

Mr. CHIMERINE. I think one of the problems with the WTO, and I am a very big supporter of it, and in the next trade round, is that a lot of what we would call unfair trade practices, such as currency manipulation, keeping markets closed, false inspection requirements as a way of limiting imports, all these things are generally not handled that well in the WTO.

The WTO deals primarily with tariffs, reducing tariffs, but it does not deal a lot with the unfair trade practice issues. It is very hard, therefore, to take a case like this, where Japan is intervening or anybody else is, or manipulating their exchange rates any other way, take it to the WTO and expect to get any relief. And part of that also is it takes years. The damage is being done in the interim.

So, you know, I wish the international trade rules dealt specifically with that issue. Right now they really do not, and therefore I think we have to address the issue ourselves.

Chairman MANZULLO. I mean, we could have all the hearings we want and write all the books and everything, but when a foreign government can simply intervene in order to keep its currency weak, you know, that is a subsidy. I mean, you would think that there could be an action, a 201 action brought against the country as a whole, and as for countervailing duties in that particular situation.

Mr. RAIMONDO. Mr. Chairman.

Chairman MANZULLO. Yes.

Mr. RAIMONDO. I have gotten feedback that it is a violation of the IMF, International Monetary Fund agreement, and it would be very good to talk to Treasury about that.

Chairman MANZULLO. Well, that would, but, you know, we are not dealing with the IMF money. That is only the countries that you dump it into, such as when we dumped money into Russia and then Brazil, and in South Korea, with particular nations on that, but that is an interesting aspect of it.

Here we are getting beat up internationally and there is nothing we can do about it. So somewhere along the line we have to do something.

Let me ask, Doctor, when was the last time the United States intervened in the foreign exchange market?

Mr. CHIMERINE. Gosh, I would have to look back, Mr. Chairman. We did it aggressively with cooperation of other governments, as

you know, in the 1980s when the dollar reached levels similar to where it is now. There was the Plaza Accord, you might remember.

Chairman MANZULLO. That was the rubber room that Reagan put people into?

Mr. CHIMERINE. I think on a selective basis we may have done some intervening in the 1990s. I just do not remember.

Ms. VELÁZUEZ. It was 1985.

Mr. CHIMERINE. Excuse me?

Ms. VELÁZUEZ. 1985.

Mr. CHIMERINE. 1985.

That was the last time we engaged in really aggressive intervention to bring down—at that time it was an overvalued dollar similar to where it is right now, and it was led by the United States, and we sort of forced other countries to go along with us, and that kind of approach would be in order right now again, in my judgment.

Chairman MANZULLO. Well, we would have to convince the Secretary of the Treasury and the president that would be in the best interest.

Mr. CHIMERINE. I think the Secretary of the Treasury, irregardless of what he might say publicly, deep down knows that you cannot put our manufacturers at a 25 and 30 percent disadvantage and expect them to do well.

Chairman MANZULLO. Let me follow up on that. We had a meeting with the Secretary of Commerce yesterday. The area that I represent, Rockford, Illinois, Ingersoll used to have close to 3,000 employees. And it is being hammered by a number of forces. It will be under 500 probably within the next year, and that is the high price of steel.

And Mr. Raimondo, you deal obviously in buying steel for your products. What are you experiencing in terms of increases in the price of steel?

Mr. RAIMONDO. On a personal basis our company is experiencing 15 to 30 percent price increases in the last four months. It is an absolute nightmare.

Chairman MANZULLO. And in fact we met with the Secretary of Commerce, and small businesses are getting no relief. They are getting zero relief based upon what is obviously a political move that is hurting immeasurably the small business people.

I do not know how the small manufacturers in this country can hang on with that steel policy. I am going to be doing a series of special orders. I am going to be making a lot of noise, a tremendous amount of noise about what is going on to the small manufacturing companies that are—in fact, the larger ones too. They are getting hit big time by these increases, and the steel that you use, is that a common steel? It is not a specialty steel?

Mr. RAIMONDO. Yes, we use a variety of mostly common steel both hot-rolled and cold-rolled. And as an independent individual of a company, I would sure like to participate because in the environment we have where pricing powers are in the big retails, in the small and medium-sized manufacturers are having a really extremely difficult time. When you stack up the dollar and now the steel increases in the 20 and 30 percent ranges, it is a tremendous squeeze, Mr. Chairman.

Chairman MANZULLO. And the steel that you are buying, do you know if it is manufactured domestically or internationally? I presume you buy it from a broker?

Mr. RAIMONDO. No. Actually, the majority of what we buy is from the large mills, the U.S. Steels, the National Steels, the Bethlehem Steels, and course we buy a substantial amount from the mini-mills, Nucor and what have you.

Chairman MANZULLO. Okay, so you are buying directly, and you said 15 to 30 percent?

Mr. RAIMONDO. Depending on the type of steel, yes, 15 to 30 percent.

Chairman MANZULLO. Okay. Mr. Weskamp, you are involved in manufacturing also?

Mr. WESKAMP. Yes, Mr. Chairman.

Chairman MANZULLO. Is this affecting you?

Mr. WESKAMP. To a lesser extent. Really what affects us predominantly is not the cost of raw materials, it is more an issue of pricing and business volumes, offshore competition. The difference that we find in pricing is such that it is driven not by one component of raw material content in a project. We have been involved in on-line bidding with foreign competition, and just to see how far it would go we went down to our cost, and we are still underbid by over five percent. And a typical margin we work on is 25 to 30 percent. We dropped 30 percent. That is not the cost of raw material. There is something else going on, and it is more dollar-based.

Chairman MANZULLO. Mr. Raimondo, you build, is it agricultural silos? Is that it?

Mr. Raimondo. Yes, grain bins that are called silos overseas. We also do pre-engineered metal buildings that we export overseas.

Chairman MANZULLO. Okay. If it cost you a dollar to manufacture, you know, one unit, how much of that dollar is represented by the cost of your steel?

Mr. RAIMONDO. Fifty percent, sir.

Chairman MANZULLO. Fifty percent.

Mr. MAIMONDO. In the case of the grain—that is in the buildings. The grain bins is 60 percent plus.

Chairman MANZULLO. So you are being hit really hard on it.

Mr. MAIMONDO. Very hard.

Chairman MANZULLO. Now there is something the American government can do about the price of steel. That is not theoretical. I am looking at the economist over there and he says theoretical. You know, we deal in theories because it is very difficult on the issue of the high dollar.

But would you all agree that the price of steel is something the administration can do something about?

Mr. MAIMONDO. They already have, just the wrong way.

Chairman MANZULLO. They went the wrong way on it.

Do you have, Mr. Raimondo, in your business, you stated that you did not have a foreign competitor that makes that type of grain bin, is that correct?

Mr. MAIMONDO. No, we do have foreign competitors.

Chairman MANZULLO. Oh, you do?

Mr. MAIMONDO. Yes, we do.

Chairman MANZULLO. Okay.

Mr. MAIMONDO. Yes, we do. We had a project in Algeria that we won this last winter before the steel price increases, but we just know with the dollar we priced it so it would be at a break even winter project, a \$2 million project in Algeria. We beat out the Italians and the French.

Chairman MANZULLO. Okay.

Mr. MAIMONDO. And I suspect next year—we survived the dollar by basically not having profit. And with the steel situation, we will not even be in that competition next year.

Chairman MANZULLO. Is there an overseas competitor that actually builds grain bins in the United States?

Mr. MAIMONDO. No, sir.

Chairman MANZULLO. Okay.

Mr. MAIMONDO. They build them in Italy, in Spain and in France.

Chairman MANZULLO. Okay. Mrs. Velázquez, do you have any further questions?

Ms. VELÁZQUEZ. No, I do not.

Chairman MANZULLO. Okay. I do have another question.

We have been working on this for some time and the 7(a) loan rate that has been fixed, which we believe is too high. One of the things that we have noticed and we held an informal round table on the high cost of capital, one of the theories that is used to bring down a strong dollar is to decrease interest rates. That is—interest rates have been decreased as far as you can, but that decrease is not being passed on to the American manufacturer.

Anybody want to comment on that?

Mr. MAIMONDO. We find that at the NAM to be absolutely true. We have plotted that. In fact, this last week it showed the deterioration in the Wall Street Journal of the banking loans to small and medium-sized manufacturers and business in total, and if they do, they raise the interest rates and put you in a different class, which they do a lot, they simply have been rejecting major industry segments like the printing industry or like the building industry where the banks just have decided they do not want to participate in those industries, in this type of economy. They have really tightened up their portfolios.

Chairman MANZULLO. Mr. Dollar, I have been talking to my farmers back home. We have a very large agricultural community. In fact, we have three potato chip factories, and we also have Honeywell that makes micro chips.

So one, you can work at Honeywell in order to earn enough money to buy the potato chips, so it's chips equals chips.

But what we have been hearing from the folks at the Farm Bureau, and my wife and I have a small cattle operation ourselves, is that the increase in the cost of implements, farming equipment as a result of the increase in steel prices.

Have you been talking to your colleagues? If you are lucky enough to be in a position to buy new equipment, have you been hearing those rumors coming through about any increases in the cost of new farm equipment?

Mr. DOLLAR. No, we do not think it is rumors. We think it is reality, and everybody is hanging on.



Chairman MANZULLO. Could you bring the microphone closer to you? The other microphone, okay.

Mr. DOLLAR. We do not think it is rumor. We think it is reality. Prices are up for everything except what you are getting out of your commodity. It cannot continue. The equipment is getting older and older, and I do not know whether steel is the total cost or not, but it has added cost, and there is nothing. You are just living off the past. You are using up all of your surplus, you are using up assets, and our farmers are in a lot of trouble, and I really—we talk about, you know, a level playing field. We can produce with anybody. But when your commodities as of today are depressing prices of some 50, 60, 70 years ago, there is just no way you can continue going this way. We are in trouble.

Chairman MANZULLO. I guess this would not apply to you so much, Mr. Dollar, but to those who are involved in manufacturing, do you know of any company in the United States, because I am starting to see this back home, Rockford, Illinois is a city of 150,000. It has 1,000 factories. It led the nation in unemployment in 1981 at 25.9 percent. We have about a 33 percent manufacturing base as opposed to about an 18 percent manufacturing base.

And one of the problems that we encountered when I spoke before the International Trade Commission a few weeks ago on a—what was it—on a 332 petition, section 332 petition, which is to measure the impact of Chinese imports on the tool and dye industry and the molding industry, is the fact that the Bureau of Labor Statistics, our own Federal Government that keeps track of data does not understand manufacturing. They listed Rockford, which is the tool and dye center of the world, as having only 570 employees directly related to the tool and dye industry, and there are probably 570 factories. They are small factories that are involved in that.

And I think a challenge to NAM, to AMT and the other organization is we have to do a massive education system to the federal government.

We had Dr. Ferguson here a few weeks ago who is just beneath Dr. Greenspan, and we queried him about—we had a hearing on the rumors out to increase interest rates, which is wonderful. Now there is a rumor out to increase minimum wage. It is just wonderful the things that are happening to the small businesspeople in this country. And we have a tremendous respect for Dr. Ferguson. He is a great American.

And he said that the manufacturing segment is only one of the indicators. And I said, Doctor, have you ever had the feel of machine oil on your hands, or smelt the odor, smelt the odor of machine oil. He said, no, he said, but invite me to your district and I will be there. And we are trying to get him to come out because we really believe that one of the reasons manufacturing in this country has taken such a hit is that the people making the decisions do not understand the nature of manufacturing.

When your own—when the Federal Government says only 550 jobs in Rockford, Illinois are related to the tool and dye industry, there is a huge disconnect. There is a total lack of information, and as a result of that when people say, well, only 550 jobs are affected, we estimated somewhere directly between 10,000 and 15,000 jobs.

I know because I hear from those guys almost daily as to what is going on.

Well, this has been a very interesting hearing. Mrs. Velázquez, did you have any concluding remarks?

Ms. VELÁZQUEZ. No, thank you, Mr. Chairman.

Chairman MANZULLO. Thank you for participating.

Ms. VELÁZQUEZ. Mr. Chairman, I would ask unanimous consent for my opening remarks to be entered into the record.

[Ms. Velázquez's statement may be found in appendix.]

Chairman MANZULLO. Without objection that shall be done.

We want to thank you for coming. We want to hear from you other than at these hearings. If you know of a company that is closing shop because of the high dollar and the high price of steel, let us know about it immediately. If you know of a company that is doing that and moving its operations to China, let us know about that also because that means that the very policies that our government is trying to prevent, they are actually causing because of lack of intervention of the dollar and the whole scenario that is being painted with regard to the tariffs and steel.

Thank you for coming. This hearing is adjourned.

[Whereupon, at 11:10 a.m., the Committee was adjourned.]

Chairman Don Manzullo  
June 12, 2002

Effect of the Overvalued Dollar on Small Exporters

Good morning and welcome to this hearing of the Committee on Small Business. A special welcome to those who have come some distance to participate and to attend this hearing.

Many of our small business exporters and farmers across the country have been hurt, for no other reason than the overvaluation of the dollar. Economists have estimated that the dollar is overvalued by 30 percent and this negatively affects the exporting sector. While dollar has fallen in recent weeks, it is still not where it should be.

Small businesses export their goods overseas and the "strong dollar" has squeezed their profits margin from those least able to absorb it. Their competitiveness abroad has dramatically decreased because of currency fluctuations and exchange rates that affect their prices.

The impact is not just being felt abroad. The overvalued dollar has caused the US to be flooded with cheap imports. Import penetration has caused domestic manufacturers to compete against products from other countries that have a price advantage.

The businesses that I am talking about have been successful exporters for years. These businesses have made no wrong decisions, but have been hurt by US monetary policy.

Compounding the problem, several Asian currencies, particularly those of Japan and China are undervalued, making their exports even cheaper against US. In the last two weeks alone, Japan has

intervened four times to stop the yen from strengthening against the dollar.

The effect of this interference is to artificially inflate the dollar. Many are pleased that dollar has fallen 8 percent in recent weeks and hope it will be a help to affected businesses. This move by Japan is a blatant attempt to manipulate the market.

For this reason, I have joined with my colleagues, Representatives Knollenberg and Kildee, to send a letter to Secretary Paul O'Neill, asking that at the G-8 Finance Ministers' meeting next week he communicate US disapproval of direct government intervention in the currency markets.

The market needs to be the determinate of currency rates and values. Government intervention only skews the market and invites artificial rates that are not reflective of reality.

Trade is important for the small business sector as the number of small business exporters increased by more than three-fold between 1987 and 1999, going from 66,000 to 224,000. Ninety seven percent of all exporters are small businesses.

However, the export gains of the last decade of small manufacturers are being erased by the high dollar. According to the National Association of Manufacturers survey, small manufacturers exporting at least 25 percent of their production has dropped 3.8 percent, well below 1993 levels. Some of the witnesses we have before us will put a face behind this statistic.

We need to ensure that US firms have a level playing field in the global market and not be at a competitive disadvantage.

I now yield for an opening statement by my good friend and colleague, the Ranking Member, Ms. Velazquez of New York.

DONALD A. MANZULLO, ILLINOIS  
CHAIRMAN

NYDIA M. VELÁZQUEZ, NEW YORK

**Congress of the United States**  
**House of Representatives**  
107th Congress  
**Committee on Small Business**  
2501 Rayburn House Office Building  
Washington, DC 20515-6515

STATEMENT  
of the  
Honorable Nydia M. Velázquez  
Small Business Committee Hearing on Monetary Policy  
June 12, 2002

As the world grows smaller due to new technologies and increased transportation options, entering the export arena is a logical next step for many small businesses.

A cursory examination of the state of exporting for small business would appear to be quite bright. A recent study by the Census Bureau revealed that 88 percent of all companies that engage in export are small businesses --- which sounds quite good.

A closer review shows a much different picture, however. If you looked at the market share as an indication of how much we are exporting while small businesses account for almost half of all domestic sales, they make up only one-third of our exports.

This clearly shows that while small businesses enjoy great success domestically, they are having difficulty penetrating foreign markets with the same products.

This has resulted in a \$417 billion trade deficit. Many contend that this dynamic is a result of the overvalue of the dollar. Since 1995, the value of the dollar relative to the currencies of 26 of the United States' major trading partners has risen by over 25 percent.

One course of action under consideration is a move to devalue the dollar. I believe that while everyone would agree that we should not undertake a monetary policy the results in an artificially high dollar, we must tread lightly when pursuing a course of action to correct this inequity.

There are values to a strong dollar. It brings investments into the country and the strong dollar of recent years helped attract some of the capital that helped fuel the long boom of the 1990s. Also, the strong dollar generally translates into lower interest rates and more choices for consumers --- which are all good things. In pursuing a policy that devalues the dollar, the solution may do more harm than good.

If we undertake a devaluation of the dollar, the result could be inflation, loss of consumer choice, and higher interest rates that will suppress homeownership and business investment --- all of which would be detrimental to the economy and Americans everywhere.

The trade deficit and more importantly the difficulties small businesses are having weave a complex issue that cannot be solved simply by manipulating one sector of the economy. We must take a holistic approach that makes capital more accessible, provides technical assistance and continues to tear down barriers to trade.

In particular, we can begin by exploring new avenues for medium-term lending so that small businesses can set up sustained export operations. Current short-term lending resources by the Small Business Administration and the Export-Import Bank are inadequate to help small companies break into overseas markets.

If we increase the amount of small business goods going abroad, local purchases will help increase the value of foreign currencies and stabilize the dollar through the natural mechanism of the market. That way, we will help reduce the trade deficit and gradually bring the dollar back down to earth, making American goods even more competitive overseas.

Small businesses can help us achieve that, if we are smart in how we help them.

**TESTIMONY OF**

**DR. LAWRENCE CHIMERINE**

*PRESIDENT, RADNOR*

*INTERNATIONAL CONSULTING*

**COMMITTEE ON SMALL BUSINESS  
U.S. HOUSE OF REPRESENTATIVES**

**JUNE 12, 2002**

**My name is Lawrence Chimerine. I am currently the President of Radnor International Consulting Corporation, an Economic Consulting firm located in Newtown Square, Pa. (a short bio is attached). I am delighted to testify today before the Committee on Small Business of the U.S. House of Representatives on the important issue of the U.S. trade deficit, on the role played by the overvalued U.S. dollar on the trade imbalance, on it's effects on the economy broadly and on small businesses, and some policy recommendations to bring down the trade deficit. *(I have not received any federal grants, contracts, or sub-contracts in 2002, or in any of the two prior years).***

**Although there are some indications that the economic stagnation and recession which began in early summer 2000 ended earlier this year, the course of the economy during the rest of this year and beyond remains highly uncertain. At best, a slow and uneven recovery may be in the cards. It is therefore essential to find new ways to promote stronger economic growth, and do so in a manner that does not increase the already large budget deficits in the years ahead that are now virtually certain. Fortunately, there is a way to help insure a lasting recovery in**



the years ahead-trade. In fact, it is unlikely that we can even come close to matching the rate of economic growth of the 1990s in future years without some decline in our huge and persistent trade imbalance.

The U.S. trade deficit is now running close to \$400 billion a year not only an extraordinary level in absolute terms, but at nearly four percent, the highest ever as a share of our gross domestic product. Nonetheless, it has been fashionable in some quarters to claim that trade deficits do not matter, since the overall economy has prospered during the last two decades despite the sharp increase in the trade deficit during that period. Some have even called our trade imbalance a sign of strength, because it supposedly reflects the fact that our rapid economic growth has substantially increased the demand for imported products-our exports have allegedly lagged behind because of relatively weak economic growth in other countries. Unfortunately, this analysis is highly misleading. While it is true that some of the rise in the U.S. trade imbalance reflects these macroeconomic factors, a sizable portion is structural in nature, reflecting relatively closed markets overseas, foreign dumping of a variety of products into the American market, and currency manipulation and other factors which have caused the U.S. dollar to become grossly overvalued on foreign exchange markets.

The importance of dealing with the trade deficit and its causes stems from the high probability that demand here at home will not increase anywhere near as fast in the years ahead as it did in the 1990s. In particular, business investment is likely to be constrained by high levels of unused capacity and weak profits in many industries, and the demand for homes and consumer durables seems unlikely to exceed current levels because many consumers have satisfied their needs and pent-up demands. Thus, the negative drag of rising trade deficits will no longer be more than offset by more spending by American businesses and consumers. Quite the contrary; it is vital that this drag be reduced if we are to achieve even modest economic growth. This is also necessary in order to slow the rapid build-up in our foreign debt—sooner or later, foreigners' willingness to hold more dollar assets will wane because of their need to finance more investment at home or for other reasons. We would then likely experience a sharp increase in US. interest rates, an additional threat to long-term growth and prosperity.

How can we reduce our trade deficit, and do so in an orderly manner and without resorting to protectionist measures? First, President Bush, and members of his Cabinet, must exert more pressure on their foreign counterparts to adopt whatever measures are necessary to speed up their economies. In

particular, they should urge Japan to fix its banking problems and adopt other reforms to stimulate domestic spending, and push for interest rate reductions in the European Union. It is also important that the budget deficit thresholds' now in place in the EU be relaxed to allow for more tax cuts and/or government spending as another way to accelerate economic growth - these thresholds are counterproductive for the sluggish economies which now characterize most European Countries. Second, funding for U.S. export financing and promotion programs should be increased substantially to match levels in other industrialized countries - this would help make U.S. companies more competitive in developing country markets, where some of the best export opportunities exist. Third, Congress should pass fast-track trade legislation to help the administration negotiate new trade agreements. The focus of such agreements should be on opening markets overseas. In addition, existing and new trade agreements should be better monitored to make certain that commitments made by our trading partners are kept.

Finally, and most importantly, the value of the U.S. dollar must be brought down over time to bring it in line with underlying fundamentals. While the strong dollar has helped keep inflation and interest rates somewhat lower than would otherwise be the case, these benefits are now being greatly outweighed by its

negative effect on short-term trade flows. Both U.S. exporters and companies that compete with imports are losing market share even when their products are of higher quality than those produced overseas. A recent study by NAM estimates that the overvalued dollar has already cost 500,000 jobs since August 2000. If the excessive value of the dollar remains in place, it will also undermine the long-term competitiveness of American manufacturers and farmers, as they are forced to reduce their investments in productivity-enhancing equipment, software, and research and development because they are not generating the profits to fund such investments. Our government should make it especially clear to the central banks of Japan, China, Taiwan and other countries which are absorbing large amounts of U.S. dollars to keep their currencies undervalued that this will no longer be tolerated. This currency manipulation has the effect of creating the equivalent of legalized dumping for much of their exports to the U.S.

The impact of the overvalued dollar is especially devastating to small manufacturers and farmers, since the volumes they export are generally not large enough to generate the economies of scale that larger organizations realize, which helps them offset some of

the pricing disadvantage caused by the misalignment in exchange rates.

There are some who would argue that these steps, as restrained as they may be, would amount to interference in free markets and are therefore inconsistent with free trade. However, the biggest threat to free trade in the United States is a continuation of current trends. Most people believe that the U.S. is being taken advantage of by many foreign countries in the area of trade. This is why support for free trade declined even as the economy prospered, and is now eroding further as unemployment rises. Thus, to prevent protectionism here at home, it is vital that the system be made fairer as soon as possible.



## Testimony

**of Tony Raimondo**  
*President and Chief Executive Officer,*  
*Behlen Manufacturing Co.*

*on behalf of the National Association of Manufacturers*  
*before the Small Business Committee, U.S. House of Representatives*

*on The Impact of Dollar Over-Valuation on Small Business*

**June 12, 2002**



**Testimony of  
Tony Raimondo  
President and Chief Executive Officer**

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**Before the  
House Small Business Committee**

**On  
The Impact of Dollar Overvaluation on Small Business**

**June 12, 2002**

Mr. Chairman, members of the committee:

My name is Tony Raimondo. I am the President and Chief Executive Officer of the Behlen Manufacturing Co. and a member of the Board of Directors of the National Association of Manufacturers. Behlen Manufacturing Co. is a medium-sized manufacturer of pre-fabricated buildings, grain bins, silos, and other structures, and is headquartered in Columbus, Nebraska. We do business in 50 countries around the world, and I am very proud to state that we are a recipient of the President's E-Award, which is granted to recognize export excellence.

I want to commend you, Mr. Chairman, for holding this hearing on what is one of the most serious problems facing small and medium-sized American manufacturers (SMM's) today – the overvalued U.S. dollar.

I am testifying today both on behalf of my own company and the National Association of Manufacturers, an organization of 14,000 member firms – 10,000 of which are small or medium-sized manufacturers like mine. These smaller firms are a vital part of America's manufacturing backbone. Manufacturing is not the province only of huge multinational firms. In fact, small and medium-sized manufacturers (SMM's) account for 95 percent of all manufacturing firms. We produce 37 percent of the dollar value of U.S. manufacturing receipts – more than \$1 trillion a year – and employ about 9.5 million men and women making things in America.

America's SMM's are among the best in the world. We are innovative, productive, and competitive in all respects – as long as the playing field is level. We invest in the best technologies, invest in our workers, and apply the management and marketing skills necessary to allow us to be leaders in the increasingly globalized world market. We work hard to utilize all the factors under our control to produce the best products at the lowest cost and meet our customers' needs better than anyone else.

## **Overvalued Dollar**

Unfortunately, Mr. Chairman, there is a major factor beyond our control that has tilted the global playing field against us and is causing extremely serious harm to America's SMM's – and that factor is the overvaluation of the U.S. dollar.

After more than a decade of relative stability, the value of the U.S. dollar in terms of foreign currencies began to rise in 1997. The dollar kept shooting up, and by February of this year it had risen fully 30 percent above its early-1997 value. That rise has had a devastating effect on my firm's exports and on SMM's across the country. The dollar has since declined slightly against some major currencies, but still has a long way to go before it returns to normal levels.

The 30 percent rise in the value of the dollar has the same effect as foreign countries imposing a new 30 percent tariff on U.S. – made goods while not imposing any new cost on goods made in other countries. The dollar's rise also amounts to allowing foreign-made products to go “on-sale” in the U.S. market with as much as 30 percent off.

If a new 30 percent tariff had been imposed on U.S. – made goods, Congress and the Administration would be outraged and would have taken immediate action to redress that harmful development. Yet Congress has been silent about the dollar's overvaluation, and the Administration appears actually to have been encouraging it – through constant repetition of a “strong dollar” policy.

Let me explain the effect on my own company. Behlen, like many SMM's, sells globally. As I noted earlier, we do business in 50 countries around the world, selling pre-engineered metal buildings and agricultural storage structures. We have worked hard to develop our international markets and to be more competitive than our French, Italian, and other competitors.

Through our superior productivity, technology, and attention to customer needs, we were able to steadily build up our exports to the point at which in 1998 they reached a high of 15 percent of our total sales – and we were looking to have this percentage grow even more in the following years. Exports were the fastest-growing part of our business.

Then, as the dollar began to appreciate more, we found that though our dollar prices remained unchanged, the cost of our products in terms of euros, yen, and other currencies began to rise significantly. As a consequence, we began losing out to foreign competitors – not because they became more productive or began producing a better product or found new ways to become more efficient. No, we began losing out just because of the rising value of the dollar.

The consequence has been that instead of continuing to grow, our exports have fallen back to their 1996 level – wiping out all our hard-fought gains. This fall has been so dramatic that instead of accounting for 15 percent of our sales, exports now account



for less than 8 percent. In other words, exports as a percent of our shipments have fallen in half. That is our share of the cost of the overvalued dollar.

By working hard and by taking no profit on some sales, we have been able to hold on to at least some of our export business, and have managed to get some new orders in the Ukraine, China, Algeria, Venezuela, and Mexico. But even these sales are at risk unless the dollar returns to more normal levels. Additional export sales just aren't out there for us with the dollar being this over-priced. Unless the dollar returns to more normal levels, Mr. Chairman, how can our firm continue to provide employment for that portion of our workforce that is producing our products for export?

If we were impacted because someone else began producing better products than ours, that would be something I could understand. We would just innovate and work harder. But when we work as hard as we do, and innovate as much as we can and lose business just because of our government's foreign exchange policy, that just is not something we can understand.

#### **Effect on SMM's Across the Country**

The Behlen Manufacturing Co. is not alone in this dilemma. Being on the Board of Directors of the NAM, I meet with many other SMM's – and I can tell you that my story is quite typical of what is happening to SMM's across the country.

I don't think there is a general awareness of how important export sales are for SMM's. Most people seem to think international business is only something for big multinationals. The fact, though, is that small and medium-sized firms comprise 97 percent of all U.S. exporters. Moreover, until dollar overvaluation, smaller firms had been increasing their exports faster than large firms. By 1997, smaller firms accounted for nearly one-third of all U.S. merchandise exports, compared to only one-fourth a decade earlier.

But then the dollar's overvaluation hit us. Overall U.S. exports of manufactures peaked in August 2000, and since then have fallen \$140 billion – about 20 percent. That's an astonishing drop. In fact it is so large that it accounts for almost two-fifths of the entire decline in manufacturing sales and employment in the United States.

The NAM estimates that of that overall drop, at least \$45 billion represents exports lost by SMM's. It goes without saying, Mr. Chairman, that we can't suffer that kind of huge loss without incurring severe setbacks in production and employment. While large companies are affected as well, many multinationals can shift production to other countries as currency values change. Few SMM's have that choice, and for too many SMM's the only options are laying off workers or even going out of business.

One of the most stark indicators of what the overvalued dollar has done to SMM's can be seen in the NAM's annual survey of SMM exports. This survey has shown that the proportion of SMM's exporting at least one-fourth of their production almost doubled from 5 percent of all SMM's in 1993 to about 10 percent in 1998. Unfortunately, as the dollar became overvalued this proportion began to fall. This year only 3.8 percent of SMM's expect exports to be at least one-fourth of their total business – the lowest amount since the NAM began tabulating its survey. In essence, all the gains earlier in the decade have been eradicated for these exporters.

In addition to the thousands of SMM's who are affected by the dollar's impact on their exports, there are thousands more who are affected by unrealistically low import prices in the domestic market – prices that are possible only because the other currencies are undervalued against the strong U.S. dollar.

I know that many NAM member companies and firms that are members of other trade and industry associations participating in the NAM-led "Sound Dollar Coalition" have written to this committee to explain how they are being affected by the dollar. Others have earlier written directly to Secretary O'Neill, and I was so struck by some of their stories that I have appended a number of them to my statement. Their experiences reinforce what I have told you and drive home the importance of restoring the dollar to normal values.

### **Dollar Overvaluation Must be Ended**

The dollar's overvaluation must be ended. I am not a monetary economist – I run a company. I am not going to pretend to tell you exactly what needs to be done to restore the dollar to normal levels. The only point I want to make is that this is a priority problem that merits the highest attention of you, Mr. Chairman; of this committee; of Congress; and of the Administration. The consequences of not acting are severe.

Let me put the problem into perspective. We need the Free Trade Area of the Americas (FTAA), because we need to reduce the very high trade barriers U.S.-made products face all over South America. The NAM estimates that a successful FTAA could triple U.S. exports to South America from \$60 billion to \$200 billion within 10 years of implementation – which is scheduled to begin in 2006. Thus, over *the next fourteen years* the FTAA could generate a \$140 billion increase in U.S. exports. But Mr., Chairman, American exports have *fallen by that much in the last two years*, principally because the U.S. government has done nothing about the overvalued dollar.

America's SMM's are not seeking an artificially cheap dollar. We are not seeking to have the U.S. government devalue the dollar to give us a competitive advantage. What we are asking for is a recognition that the dollar has been allowed to become seriously overvalued, that the overvaluation is imposing a very high cost on SMM's and on the economy as a whole, and that the dollar must be restored to normal levels. We don't want a weak dollar or a devalued dollar – just a sound dollar at normal levels.

Certainly a starting point must be for the U.S. government to stop advocating a “strong dollar” when the dollar is already so over-valued, and to begin working actively to restore the dollar to more normal levels. The U.S. government should also object when other countries intervene in foreign currency markets to prevent their currencies from adjusting to market-driven changes.

Mr. Chairman, I hope you will lend your able and active support to working with your colleagues to see that the Administration begins acting to end the dollar’s overvaluation. I can’t think of anything more important that this committee could do to assure the future of America’s small and medium-sized businesses.

Thank you, Mr. Chairman.

**APPENDIX: Companies All Over the United States Are Being Injured  
by the Overvalued Dollar**

**Selected Examples Provided by Members of the**

**NATIONAL ASSOCIATION OF MANUFACTURERS**

To understand the real extent of the injury being caused to U.S. manufacturers it is necessary to look at the effect dollar overvaluation is actually having on individual companies and their employees. Many NAM member companies have written to the Treasury Department in recent months, urging action to bring relief from the overvalued dollar. Typically they relate that after having been competitive in world markets for years, they are now losing their foreign business. Many tell of export decreases of 25%, and some have lost almost all their export business.

Some of the letters are from large companies that are world industry leaders. Others are from small companies, many of them family-owned. They tell a story of being unable to compete not because of a decline in product quality or productivity and not because of any price increases in dollar terms – but only because of the rise in the dollar’s value relative to other currencies. All of them are losing sales overseas or find they can no longer compete against imports into the U.S. market. Many of them are having to reduce their workforces. Others say they have no choice but to close their U.S. plant and start production overseas. This is the cost of having an overvalued currency.

These are not poorly-managed companies. They are not “whiners”. They are among the best U.S. manufacturers, and many had built large export markets, won government export awards, installed the latest machinery and technology, and proudly sold their American-made products around the world.

Consider, for example, the following excerpts from letters NAM members sent to Secretary O’Neill:

- A small South Dakota firm that has received the President’s “E” and “E-star” awards (the highest export excellence awards given by the U.S. government) said “The value of the U.S. dollar now makes us uncompetitive in almost all world markets...The 30% change in currency value is making us uncompetitive even in our own home market. We are a small business with our only manufacturing facility in South Dakota. We have been forced to make substantial layoffs of production and support personnel to adjust to this catastrophic problem.”
- The president of an 82-year-old Green Bay Wisconsin manufacturing firm that exports to 70 countries and also has received the President’s coveted “E” award, wrote that, “the strength of the dollar has had a profound effect upon our business, especially in the area of employment. A year ago at this time we employed 1,625 people in the Green Bay area. Today that number is down by over 500 people... As this environment of a strong dollar has continued, we have been forced to consider relocating our manufacturing capabilities offshore.”

- “Before the rise of the dollar, our exports were 70% of our business. Now exports are down to 15%”, wrote a New Iberia, Louisiana capital equipment manufacturer.
- A major U.S. paper company wrote, “In the mid ‘90’s about 10% of U.S. coated paper demand was satisfied by imports... most of it from Canada. Now, about 25% of the demand is satisfied by imports... much of it from Scandinavia and Korea... This isn’t happening due to poor quality, or due to productivity differences or to information technology investments. It is a direct result of the disparity between the U.S. dollar and the euro and the won.”
- An Ohio machine tool maker wrote about “the devastating impact” of the undervalued euro on his company and his industry. “Between 1990 and 1998 our exports represented an average of 25% of our total business. In 1999 exports represented only 7% of our bookings and there have been NO export orders in 2000. Our employment is down 33 percent.”
- A Kentucky producer of automotive parts related how they had built a business exporting to two auto manufacturers in Germany, but as the dollar appreciated after 1997, their prices in deutschemarks rose up to 50%. As a result, they have not received any new orders from one of their German customers in the last two years. To keep their other customer, they are moving production out of the United States. “Because of the exchange rate, jobs will be lost at our Kentucky plant,” they wrote.
- A \$2 billion medical equipment manufacturer said, “...approximately 45% of our sales are overseas with a large portion being in Europe. Consequently the strong dollar with respect to the euro has caused us significant impact.” If the situation remains, they said, “we will seriously consider alternatives ... that will include moving jobs from the United States to foreign locations. Although we do not wish to engage in such a move, it may become imperative.”
- “We started exporting our products in 1957 and by the early ‘70’s export accounted for between 30% and 50% of our production,” wrote the president of a New Orleans, Louisiana, “E-star” award winner. “Our machinery can be found just about any place in the world you can think of.” But the overvalued dollar has made the company’s prospects “dismal”, and killed off much of its overseas sales. “Our employment topped out at about 1,040 in the mid ‘90’s, but presently stands at about 720”.
- “Our manufacturing company was founded in 1897 and has met many challenges during these years,” wrote a North Carolina company, “but we are not at all sure we can continue to meet the persistent negative of the overvalued U.S. dollar. Since 1998 our exports have decreased substantially...the price impact on many of our products has been 30-35% due to the overvalued dollar.”

- An Indiana maker of veneer machinery had an even more dire story. “The dollar has risen almost 30% since 1997...foreign companies tell us they wish to buy our machinery but cannot afford it with the difference in currency value. Our foreign sales have dropped over 90% in the last four years...We cannot continue to survive without foreign markets...We need your help desperately.”
- “We are a proud U.S. manufacturer of hardwood veneer located in Princeton West Virginia... our 190 employees have helped us gain a good reputation as a quality supplier to companies in 25 foreign countries.” We are efficient manufacturers with some of the newest and most advanced machinery in the world.. but cannot offset the nearly 30% price increase due to the value of the dollar”, the company’s president said. “Since we export more than 60% of our total production, and most of this to Europe, you can imagine the impact the strong dollar is having on our company and small West Virginia community.”
- “European competitors who at most were a ‘fly in the ointment’ over the years have now entered, with strength, the U.S. market due to the weakening of the euro”, wrote a Massachusetts maker of specialty papers. “If something is not done to bring the dollar in line with the euro, it is likely that big companies will get smaller and small companies will disappear.”
- Typical of many small companies, a Chicago manufacturer informed Secretary O’Neill that, “The current strength of the dollar is quite literally putting me out of business. When the German mark fell below \$.60, I lost the business I had exporting to Canada...now I have lost the ability to manufacture a new part because my customer can import the product from Austria. The Austrian schilling is worth six cents in U.S. currency. If the Austrian schilling were above nine cents, as it was two years ago, I would easily have received the order....Since May of 1998 I have gone from 24 employees to currently 11.”
- A Chattanooga, Tennessee, manufacturer said that despite modifying its products to meet European standards and hiring export sales personnel, they have been unable to keep European customers. “We find ourselves unable to price our products even within 30-40% of the price of comparable European or Japanese products... Without a doubt the reason for our higher prices in the export market is the inflated value of the dollar... We have had no choice but to cut production and lay off workers.”
- And a Keokuk, Iowa, producer summed it up, saying he can not compete against a Swedish firm that has garnered a huge advantage as the Swedish kroner has gone from 7 to the dollar to 11 to the dollar in the last couple of years: “There is no way on God’s green earth you can compete in a global market with that much disparity in currency... which means more down-sizing and loss of American jobs, not because they are not productive, but because of a currency factor which is totally unfair!!”

**TESTIMONY OF ROBERT J. WESKAMP**

**PRESIDENT – WES-TECH, INC.**

**ON BEHALF OF**

**AMT — THE ASSOCIATION FOR  
MANUFACTURING TECHNOLOGY**

**BEFORE THE**

**COMMITTEE ON SMALL BUSINESS**

**U.S. HOUSE OF REPRESENTATIVES**

**JUNE 12, 2002**

**TESTIMONY OF ROBERT J. WESKAMP  
PRESIDENT – WES-TECH, INC.  
ON BEHALF OF  
AMT — THE ASSOCIATION FOR MANUFACTURING TECHNOLOGY  
BEFORE THE  
COMMITTEE ON SMALL BUSINESS  
U.S. HOUSE OF REPRESENTATIVES  
JUNE 12, 2002**

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**I. INTRODUCTION**

Good morning. My name is Robert J. Weskamp. I am the Founder and President of Wes-Tech, Inc. Wes-Tech is located in Buffalo Grove, Illinois, and employs 190 workers. Last year, we celebrated our 25<sup>th</sup> anniversary.

Wes-Tech has three business units operating out of Buffalo Grove: the Assembly Systems Divisions, which is engaged in the design and manufacture of fully automated assembly machines and flexible assembly systems for the automotive and other industries; the Manufacturing Automation Systems Division, which is involved in the design and production of products such as gantries, pallet loading equipment, and conveyors; and the Precision Assembly Systems Division, which specializes in the design and manufacture of high speed connector insertion machines as well as high speed assembly machines for the pharmaceutical, medical, household appliance, electronics and computer industries.

I am also a Director of Ingersoll International Inc. Ingersoll is headquartered in Rockford, Illinois, and most of their operations are in Rockford. They also have a plant in Midland, Michigan and three machine tool companies in Germany. Ingersoll has a reputation for building large one-of-a-kind machines with unique capabilities. Their outstanding reputation has been developed over their 114-year history. Ingersoll is privately held by members of the founding family.

Today, I am testifying on behalf of AMT – The Association For Manufacturing Technology. AMT is a 100-year-old trade association, which today is celebrating its 100<sup>th</sup>



birthday. On June 12, 1902, 17 machine tool builders gathered at the Waldorf Astoria Hotel in New York City to form our association. Today, AMT represents approximately 360 machine tool building and related product firms located throughout the United States. Wes-Tech has been a member of AMT for 10 years, and I serve on the Association's Board of Directors as 2<sup>nd</sup> Vice Chairman and Treasurer. Ingersoll is also an AMT member.

My colleague, Ed Fedor, President, Masco Machine, Inc, testified before this Committee last month on the state of our industry and on the public policy issues, which affect it. I join Mr. Fedor in thanking you, Mr. Chairman, for your strong leadership of the House Machine Tool Caucus. We thank your Co-Chair Congressman Richard Neal (D-MA) as well. The Caucus has given invaluable attention to the troubles we face as an industry, and we are grateful for your enthusiastic support as we struggle to remain competitive in the global marketplace.

Pursuant to House Rule XI, clause 2(g)(4), I am obligated to report to you that AMT has received \$219,000 in fiscal years 1997-2000 and \$84,200 in fiscal year 2002 from the Commerce Department's Market Co-operator Development Program to help pay for our export offices in China and Brazil and for our training center in Monterrey, Mexico.

I appreciate the opportunity to testify before this Committee on the impact of the overvalued dollar on our industry.

## **II. AMERICA'S MACHINE TOOL INDUSTRY**

The machine tool industry is small relative to its importance – machine tools are the basic building block for all other industries including automotive, electronics and appliances. The majority of AMT members are small businesses. Yet, we build and provide the tools of manufacturing technology to a broad and diverse array of industries. Approximately 30% of our industry's output is exported and, both at home and abroad, our industry competes with machine tool companies from around the world.

The U.S. machine tool industry is also at the foundation of America's defense industrial base. Ingersoll, for example, is very proud of the part it has played in the defense of this country. Ingersoll machines helped produce components for the F-16, B-2 Bomber, the USS Sea Wolf, the M1 tank and numerous other weapons. The company won the prestigious E-award from the U.S. Navy during World War II, and its machines played an important part in Ford's Willow Run bomber plant where the famous B-24 Liberator was produced in record time. Today, the nation's defense builders are discussing potential new projects with Ingersoll.

### **III. THE IMPACT OF THE OVERVALUED DOLLAR ON U.S. MANUFACTURING**

The strength of the dollar combined with the efforts of other nations to weaken their currencies have had a triple impact on the health of the U.S. manufacturing technology industry, particularly the machine tool builders.

First, an overly-strong dollar hurts our export competitiveness in an economic environment that places more emphasis on the cost of products than on their value. I might add that U.S. manufacturers are not immune to this type of thinking.

Second, the price advantage provided to foreign competitors through the exaggerated strength of the dollar has led to increases in import penetration in the U.S. machine tool market over the past four years.

Third, perhaps the most insidious impact of the overly strong dollar, however, is in the general decline in U.S.-made parts and components, as more parts and components in "U.S. products" originate from offshore. In other words, many of our traditional customers are driven by the high dollar to purchase less expensive parts and components offshore, instead of manufacturing them here in America. Thus, not only is there a direct effect on U.S. manufacturing, there are secondary and tertiary effects on U.S. manufacturing as well. These three factors have left the U.S. machine tool industry dramatically weakened, which could very well have a deleterious effect on the possibility of a rapid U.S. economic recovery.

The Dallas Federal Reserve Bank's trade-weighted nominal dollar index shows that the U.S. dollar buys 30 percent more overseas than it did five years ago. A strong U.S. dollar provides a windfall for U.S. consumers as they shop and for U.S. tourists as they travel overseas. However, its exaggerated strength has unilaterally given foreign products a 30 percent competitive price advantage over U.S. produced products without any change in marketing or manufacturing methods and technology, either here or abroad. Allow me to give you some firsthand examples.

After eight years of doing business with a customer, we entered bids for several new assembly lines. We were the only bidder with local support, a previous track record with the customer, seven machines already in place and vendor-selected by the plant for this project. Yet we were warned to "sharpen our pencils" for the bidding. Because of the high dollar, bids submitted by all of our European competitors were substantially below ours. In the end, the only feedback we received from our customer was: "Why would we ever do business with you again when we can get it for less from the European producers?" The high dollar has certainly cost us a major order, and it may have cost us the permanent loss of a valued customer.

In another example, we have a four-year history of delivering material handling/machine tool loading to a Big Three Auto supplier. We have over four miles of conveyor and about 50 gantries in place in this Indiana plant. We are a "Preferred Supplier" and a "Mentored" vendor. We followed all of their Minority supplier guidelines, and we are QS-9000TE certified at their request. We went down to "Zero" margin and quoted these projects at our cost, and we were still under bid by 5% by a European competitor that did not meet any of the QS/TE or minority supplier criteria. We lost the contract.

Another customer asked Wes-Tech to build two assembly machines for his automotive end-user customers. On the first project, our customer invested \$820,000 with Wes-Tech and used all midwestern suppliers to assemble their product and export it his customer in Europe.

However, our customer was informed that he is losing the second contract to a European supplier who was able to underbid him because of the high dollar. Wes-Tech lost a customer that had meant \$2.5 million in business over the last two years; and the auto components produced in the Midwest by our customer's workers will now be produced in Europe by European workers – a double whammy for American jobs.

In my last example, Wes-Tech actually won the contracts on which we were bidding, but this victory was less than sweet. The two projects were for a U.S. automotive supplier, for whom we had already done several projects. Because of our foreign competition, we were forced to sell the projects at prices so low that we actually lost money in order to get the business. The good news is that by dropping our prices, we were able to secure the business and protect our technology. The bad news is that despite severe cost-cutting, we still couldn't turn a profit on this deal. We won't be in business very long if this becomes the norm.

This is not the first time U.S. manufacturers have faced the challenges of a strong dollar and its impact on price competitiveness. Typically in the past, U.S. economic strength relative to our trading partners was the primary factor that led to a strong dollar. During these periods, U.S. manufacturers reacted by leveraging the strength of the U.S. economy to increase productivity and offset the price advantage of foreign currencies.

Unfortunately, U.S. manufacturers have not had that luxury during this cycle. The increase in the dollar's strength began almost in tandem with a decline in the general U.S. economy. Why? Because this time the dollar's relative strength is the result of poor industrial, fiscal and monetary policies by our largest trading partners in conjunction with intervention by them to weaken their own currencies. Our foreign competitors have failed to effectively manage their own economies and are intervening in currency markets to weaken their currencies in order to boost their economies through exports. In other words, they are exporting their

unemployment. It is unfair to ask our manufacturers to compete in an environment that is artificially created by foreign governments.

**IV. ECONOMIC RECOVERY IS SLOW TO HIT U.S. MACHINE TOOL INDUSTRY**

The impact on U.S. manufacturers has been devastating both at home and abroad. For example, exports of U.S.-produced machine tools have fallen nearly 20 percent while the total world market has grown only marginally. The result is a significant loss of market share on a global basis for U.S. companies directly related to the overly strong dollar. Anecdotal evidence in Brazil, Eastern Europe, and China support this point. The impact of the overly strong dollar has been even more dramatic at home. Import penetration of the U.S. machine tool market has grown 25 percent in the past two years from 50 percent in 1999 to 63 percent in 2001. Import penetration had been relatively stable at 50 percent since the mid-1980's.

At Ingersoll, business has been drastically impacted by the overly strong dollar. In years past, Ingersoll has exported 35% of the machines they built. Today, the high dollar eliminates almost all opportunity to export machines. Of course, the increased import penetration in the US market has also affected Ingersoll.

Ingersoll was, at one time, one of the largest machine tool makers in the world. The overly strong dollar and other problems faced by the machine tool industry have changed that. Ingersoll employed over 2,200 people at its peak. This is large for a machine tool company. Since its peak, the employment level has continually declined. One and one-half years ago, Ingersoll employed over 1,400 in the US. By the end of 2000, employment was down to 1,225. At the end of 2001, employment was down to 850. Today, Ingersoll's employment is approximately 650 and going down. There is a very real possibility that Ingersoll will qualify as a small business this year. Most of the employment cutbacks have been through lay-offs in Rockford, Illinois.

Two years ago AMT issued a report highlighting the dramatic increases in manufacturing productivity accomplished by the machine tool industry during the past decade. Those productivity increases enabled U.S. machine tool builders to keep pace with the dramatic decline in foreign machine tool prices created by the overly strong dollar. But, by mid-2001, even the most highly productive U.S. builders could no longer keep pace with the ever-strengthening dollar; and companies began to experience a challenge in cash flow. Companies in business for more than a hundred years found themselves at the mercy of banks striving to reduce debt risk, resulting in an increasing frequency of foreclosures.

The current general economic recovery in the United States would normally portend a recovery in the machine tool industry within two or three quarters. But, apparently this time, my industry's recovery will be delayed. The root of the delay is probably the most devastating impact of the dollar's artificial strength. U.S. manufacturers (our customers) are incorporating greater quantities of foreign sourced components into their final products. The U.S. manufacturing process has less machining than in the past reflecting the stronger dollar's impact on component costs; and has resulted in many of our customers becoming marketers of foreign parts and components integrated into U.S.-designed products. In other words, the unrealistically strong U.S. dollar has contributed to the "hollowing out" of America's industrial base.

Imported durables as a percent of durable shipments have grown more than 60 percent in the past 5 years. Some of this change reflects the globalization of manufacturing, but the majority reflects the impact of an artificially strong dollar. The trend towards greater foreign content in "U.S.-made" products will take years to change, even if the dollar weakens. Manufacturing processes do not change overnight.

V. **THE U.S. GOVERNMENT MUST TAKE ACTION**

Over the past four weeks, the U.S. dollar weakened against most currencies. This small decline has already spurred action in Japan, whose central bank moved to weaken its currency

by further reducing interest rates two weeks ago and is seeking additional means to further weaken the Yen. Similar actions are being discussed in Europe with respect to the Euro. The U.S. government must warn our trading partners to stop their interventionist policy and to let the currency markets move on their own.

The U.S. Treasury must realize that its policy has not worked. Treasury claims it has "sent a message." But our trading partners are not listening, and so a more direct warning needs to be sent. The official U.S. position ought to be that the dollar should reflect the underlying strength of the U.S. economy. That is most decidedly not the case today. The dollar is still overvalued. The alternative to a change in the current high dollar policy is likely to be a continuing debilitation of the manufacturing sector, the very sector that historically creates the highest value jobs and contributes one third of GDP with only 12 percent of the workforce.

The overly strong dollar is ruining the US machine tool industry and America's industrial base at large. If the American machine tool industry does not exist, where will America's defense companies go for their machines? Would we dare put our classified projects offshore? The US is rapidly losing machine tool capability and this is a real threat to our country. Mr. Chairman, we must not allow this to happen. That is why I am pleased that you are holding this hearing to call attention to the continuing problem of the overvalued dollar.

Thank you. I would be pleased to respond to your questions.



**Statement  
of the  
American Farm  
Bureau Federation**

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**TO THE  
HOUSE SMALL BUSINESS COMMITTEE  
REGARDING  
THE EFFECT OF THE OVERVALUED DOLLAR ON SMALL EXPORTERS**

**Presented by**

**Wayne Dollar  
President  
Georgia Farm Bureau**



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*As the national voice of agriculture, AFBF's mission is to work cooperatively with the member state Farm Bureaus to promote the image, political influence, quality of life and profitability of the nation's farm and ranch families.*

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**FARM BUREAU** represents more than 5,000,000 member families in 50 states and Puerto Rico with organizations in approximately 2,800 counties.

**FARM BUREAU** is an independent, non-governmental, voluntary organization of families united for the purpose of analyzing their problems and formulating action to achieve educational improvement, economic opportunity and social advancement and, thereby, to promote the national well-being.

**FARM BUREAU** is local, county, state, national and international in its scope and influence and works with both major political parties to achieve the policy objectives outlined by its members.

**FARM BUREAU** is people in action. Its activities are based on policies decided by voting delegates at the county, state and national levels. The American Farm Bureau Federation policies are decided each year by voting delegates at an annual meeting in January.

**STATEMENT OF  
THE AMERICAN FARM BUREAU FEDERATION  
TO THE  
HOUSE SMALL BUSINESS COMMITTEE  
REGARDING  
THE EFFECT OF THE OVERVALUED DOLLAR ON SMALL EXPORTERS**

**Presented by**

**Wayne Dollar  
President  
Georgia Farm Bureau**

**June 12, 2002**

Mr. Chairman, members of the Committee, I am Wayne Dollar, President of the Georgia Farm Bureau and a member of the American Farm Bureau Board of Directors as well as a livestock, corn, peanut, soybean, wheat, timber and pecan producer from Ochlocknee, Georgia. I testifying today on behalf of the American Farm Bureau Federation. AFBF represents more than 5.1 million member families in all 50 states and Puerto Rico. Our members produce nearly every type of farm commodity grown in America and depend on access to foreign markets for our economic viability.

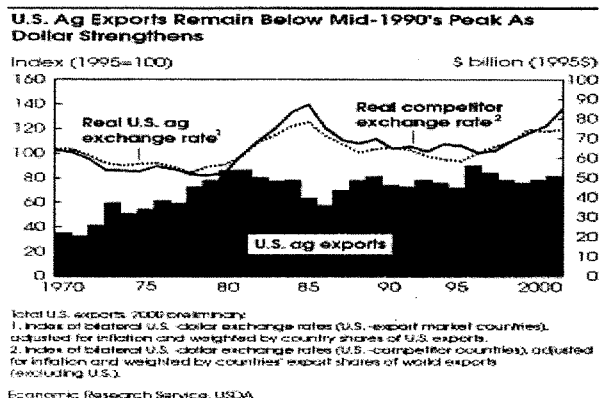
We appreciate the opportunity to testify on the importance of the exchange rate to U.S. agriculture. Overvaluation of the dollar is one of the most pressing international economic problems facing America's agriculture and manufacturing sectors. U.S. farmers and ranchers have been losing export sales for the past three years because the dollar is pricing our products out of the market -- both at home and abroad. In addition, the higher exchange rate of the U.S. dollar has resulted in rising agricultural imports due to increased purchasing power. The purchasing power of the dollar grew 21 percent from 1995 to 2000 in comparison to the exchange rate value of those nations that supply food to our country.

Agriculture is one of the most trade dependent sectors of our economy. Our sector has maintained a trade surplus for over two decades, but that surplus is shrinking. One of the primary factors affecting our declining trade balance is the strong value of the dollar.

In addition, the value of the dollar has significantly impacted agricultural employment. According to a recent USDA study, agricultural employment lost 87,000 jobs between fiscal years 1997 and 2000, a period in which the real agricultural exchange rate was rising rapidly and U.S. agricultural exports were stagnant.

The sharp rise of the dollar since 1995 has reduced our ability to compete in foreign markets. In 1996, U.S. agricultural exports reached a record \$60 billion, but declined sharply to a low of \$49 billion in 1999. This decline came as the U.S. dollar strengthened. USDA estimates that 14,300 jobs are lost for every \$1 billion decline in agricultural exports. The short-term outlook for agricultural exports is not expected to improve significantly. Slow U.S. and global economic

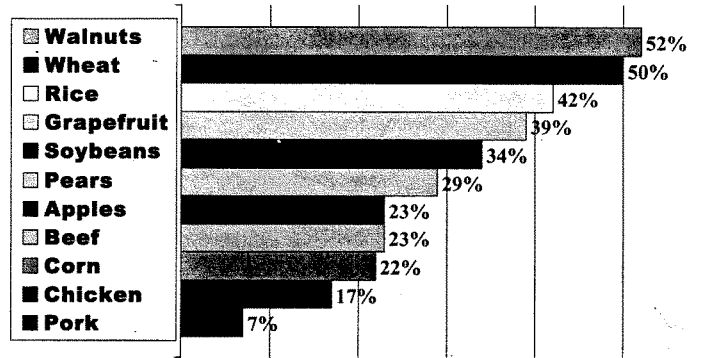
growth in 2001-2002 and a strong U.S. dollar will result in weak prices for the agricultural sector, according to USDA. The continued strength of the U.S. dollar will be a primary constraint on agricultural export growth.



We are also deeply concerned about countries that engage in currency devaluations in order to gain an export advantage for their producers. The real trade-weighted exchange rates for agricultural exports from all of the major competitor countries, including Canada, Australia, Argentina, China and Malaysia, have exhibited a long-term trend of depreciation against the dollar, contrary to market fundamentals. This trend has persisted over several decades, leaving it hard to conclude that this is not a deliberate monetary policy of these and other governments.

U.S. agriculture relies on exports for one-quarter of its income. In addition, about 25 percent of agricultural production in the United States is destined for a foreign market. A number of our commodities are highly dependent on trade for a sizeable portion of their production. For some crops, like walnuts and wheat, about one out of two acres is exported. Exports now account for nearly one-quarter of our apple, beef and corn production and more than one-third of grapefruit and soybean production.

### Percent of Production Exported



As productivity growth of U.S. farms and ranches continues to exceed the growth in U.S. population, our dependence on trade will increase. Only four percent of the world's consumers live in the United States. It is estimated that 99 percent of the growth in the global demand for food over the next 25 years will be in foreign markets.

Our country is also a major importer of food and fiber. The aggregate import share of U.S. food consumption has been rising steadily, along with the strength of the U.S. dollar. For nearly 20 years, imports accounted for 7.5 percent of total U.S. food consumption. The share of imports climbed to 8.6 percent in 1996 and 9.3 percent in 1999. These jumps in import share coincided with the strong value of the dollar and U.S. economic growth.

With a strong dollar, we have the double challenge of our products being less competitive in other markets while products from other countries are more competitive in U.S. markets.

In addition, there is a strong relationship between the value of the dollar and the domestic price of our commodities. As the value of the dollar rises, foreign buyers must spend more of their currency to purchase our exports. This causes foreign buyers to decrease their consumption of U.S. commodities or buy from our competitors instead. The resulting drop in consumption drives U.S. commodity prices down even further.

Net farm income is not directly tied to the rise and fall of the U.S. exchange rate; rather it is the exchange rate that affects the price competitiveness of our exports. The resulting change in the volume of trade – increased exports when exchange rates are low and decreased exports when exchange rates are high – directly impacts farm income. As you know, U.S. agricultural commodity prices are the lowest they have been in over two decades. Further price depressions stemming from the strong value of the dollar are exacerbating an already dire situation.

The exchange rate is the single most important determinant of the competitiveness of our exports. Other important determinants of U.S. agricultural export values include income growth rates in developing countries, the growth and productivity of the foreign agricultural sectors against which we compete, export subsidies use by our competitors and weather conditions.

USDA's Economic Research Service estimates that movements in exchange rates have historically accounted for 25 percent of the change in U.S. agricultural exports. The elasticity of export demand for all agricultural products with respect to the value of the dollar is 1.38. This means that a one percent increase in the value of the dollar is associated with a 1.38 percent reduction in the value of U.S. agricultural exports.

The elasticity of export demand for individual agricultural commodities is 1.77, thus resulting in a 1.77 percent decline in the export value of specific commodities when the U.S. dollar appreciates 1 percent. The export dependency of U.S. agriculture, combined with the highly elastic response of U.S. agricultural export values to changes in the exchange rate underscores the need to maintain a stable exchange rate policy without overstating the value of the dollar.

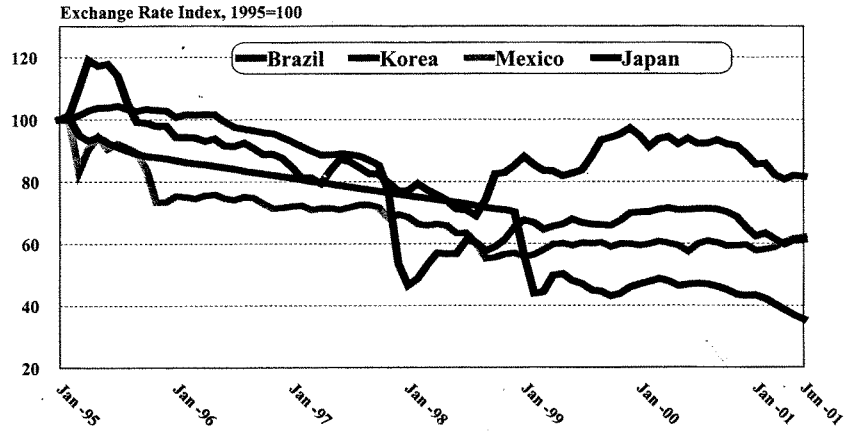
The increasing strength of the dollar, and steady depreciation of the currencies of our major export competitors, has had a profound impact on our ability to export. In fact, the rising appreciation of the dollar is one of the primary reasons why the agricultural economy did not experience the economic prosperity that most other sectors of the U.S. economy enjoyed between 1995 and 1999. The dollar's increased purchasing power, and rising U.S. disposable income encouraged Americans to buy more imported products, while high prices of U.S. food and agricultural exports, in foreign currency terms, discouraged demand for our goods. As a result of the rapidly appreciating dollar, our competitors gained an advantage in third-country markets over our exports without even adjusting their sales price.

It is abundantly clear that the strong dollar is severely handicapping our ability to compete. Agricultural analysts note that macroeconomic fundamentals point to continued weak export performance in the near future.

For some commodities, the rising value of the dollar has directly contributed to the export competitiveness of our foreign rivals. Sharply depreciating currencies such as the Canadian and Australian dollars, the European euro, the Brazilian real and the Korean won have enabled our competitors to out-compete us in a number of third-country markets.

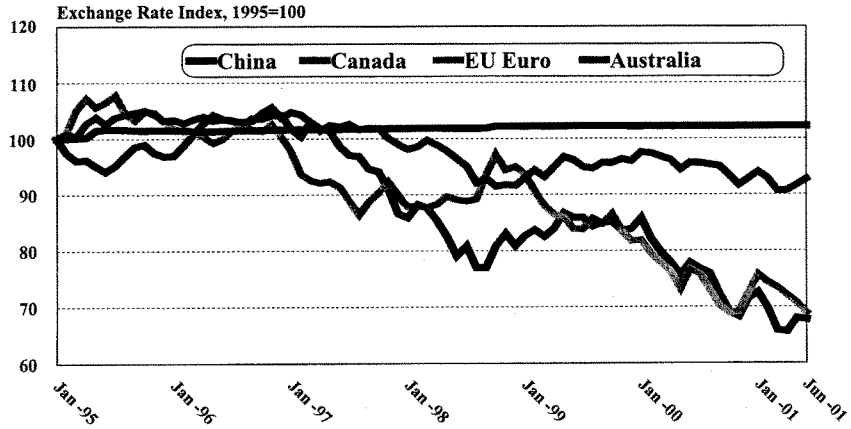
The strong dollar is enabling our competitors to expand their production and gain market share at our expense. Recent USDA estimates note that U.S. corn export sales have fallen 3 percent and wheat shipments 10.5 percent as a result of the appreciation of the dollar.

Selected Exchange Rate Indices, Foreign Currency/U.S. Dollar



Federal Reserve Bank, St. Louis

Selected Exchange Rate Indices, Foreign Currency/U.S. Dollar



Federal Reserve Bank, St. Louis. Prior to 1999 the euro was the ECU.

Meats

Since 1995, the dollar has appreciated 42 percent against the currencies of beef producing countries. The rise in red meat imports from 6.4 percent in 1996 to 8.9 percent in 2000 is explained in part by the strength of the dollar. In addition, the recent announcement by McDonald's to buy imported beef was largely driven by the price advantage it faced vis-à-vis its competitors, other U.S. fast food chains that have historically used imported beef trimmings. Imported trimmings are cheaper than U.S. trimmings due to the strong U.S. dollar.

Horticultural Products

During the period 1995-2000, U.S. imports of fruits and nuts jumped 33 percent, largely due to the dollar's 18 percent gain with respect to the currencies of foreign suppliers of these commodities to the United States. The dollar rose only 3 percent against currencies of foreign vegetable importers to the United States. The appreciation of the Mexican peso in price adjusted terms helped to mitigate the strength of the dollar against the currency of Mexico, the country that supplies the majority of U.S. vegetable imports.

A Farm Bureau-commissioned study documented the impact of the exchange rate on corn, wheat, soybeans and melons.

Corn

U.S. corn prices in Japan have been affected by adverse exchange rate movements. The U.S. landed corn price decreased from \$3.64/bu in 1995 to \$3.31/bu in 1998. The U.S. dollar appreciated 39 percent relative to the Japanese yen, from ¥94.23/\$ to ¥130.81/\$. The yen price of U.S. corn increased from ¥343/bu to ¥433/bu, an increase of 26 percent even though the U.S. dollar price had declined 9.1 percent. U.S. exports of corn to Japan fell 11.3 percent, from 16 mmt to 14.2 mmt.

Wheat

Exchange rates had similar impacts on the Mexican wheat market. Between 1995 and 1999, the price of U.S. wheat delivered to Mexico declined from \$3.95/bu to \$3.20/bu. The U.S. dollar appreciated 48 percent relative to the Mexican peso (NP) during this period from NP6.45/\$ to NP9.58/\$. This appreciation led to a 20 percent increase in the peso price of U.S. wheat from NP25.46/bu to NP30.64/bu, though the U.S. dollar price of wheat declined 19 percent. However, even with higher prices in peso terms, the volume of U.S. wheat exports to Mexico rose significantly during this time, from 791,000 mt to 1.8 mmt (130 percent). This contrasts with the Japanese results for two main reasons. First, Japan is a mature market with an established demand, extremely sensitive to price and geographically distant from major grain suppliers. Second, the growth of the Mexican market, coupled with its proximity to U.S. suppliers, has more than compensated for the increase in peso wheat prices.

### Soybeans

Between 1996 and 1998 the U.S. average annual farm price for soybeans declined from \$7.27/bushel (bu) to \$5.93/bu, an 18.5 percent drop. Over the same period, the U.S. dollar appreciated 20 percent relative to the Japanese yen, going from ¥108.81/\$ to ¥130.82/\$. When the yen price of U.S. soybeans landed in Japan is compared over this period of time it is important to note that the price of U.S. soybeans in dollars fell from \$9.09/bu to \$8.16/bu, but in yen the landed price actually *increased* from ¥989/bu to ¥1,068/bu, an increase of eight percent. The cost of U.S. soybeans to Japanese buyers increased primarily due to the appreciation of the U.S. dollar even though U.S. prices had fallen significantly. The result was higher priced U.S. soybeans in Japan when compared to soybeans from Brazil, which fell from ¥986/bu to ¥958/bu, allowing Brazilian soybeans to be sold on Japan for about \$1.00/bu less than U.S. soybeans. U.S. soybean exports to Japan declined during this period from 3.9 million metric tons (mmt) to 3.7 mmt (200,000 mt, or 5 percent), while exports from Brazil increased from 379,000 mt to 524,000 mt (145,000 mt, or 38 percent).

### Poultry

Recent empirical evidence supports the strong relationship between exchange rates and agricultural trade. Kapombe and Colyer<sup>1</sup> found that a 1 percent increase in the Japanese yen-U.S. dollar exchange rate led to a .96 reduction in Japanese demand for U.S. broilers. In addition, they also found that a 1 percent increase in the Hong Kong-U.S. exchange rate resulted in a .56 percent decline in Hong Kong demand for U.S. broilers, while a similar change in the Mexican peso-U.S. dollar exchange rate led to a .58 drop in Mexican demand.

### Melons

Other empirical studies have also documented the importance of the Mexican peso-U.S. dollar exchange rate in influencing U.S. imports of melons (Espinosa-Arellano, Fuller, and Malaga)<sup>2</sup>. Their results suggest that the 1994-95 Mexican peso devaluation increased U.S. imports of watermelon, honeydew, and cantaloupe by 36, 18 and 4 percent, respectively in the short run. In fact, a survey of historical empirical literature since the early 1970s has revealed that in 32 separate studies of the role of exchange rates on U.S. agricultural trade, the exchange rate was found to be an important explanatory variable in 24 of the studies (Kristinek)<sup>3</sup>.

<sup>1</sup> Kapombe, C.M. and D. Colyer. "A Structural Time Series Analysis of U.S. Broiler Exports." *American Journal of Agricultural Economics*, 21 (December 1999): 295-307.

<sup>2</sup> Espinosa-Arellano, J.J., S. Fuller and J. Malaga. "Analysis of Forces Affecting Competitiveness of Mexico in Supplying U.S. Winter Melon Market." *International Food and Agribusiness Management Review* 1, No. 4 (1998): 495-507.

<sup>3</sup> Kristinek, Jennifer. "The Impact of Exchange Rates of Beef and Cattle Trade in North America." Texas A&M University, 2001.



**Conclusion**

American farmers are the most productive in the world. However, the comparative advantages that our producers generally enjoy, abundant, fertile natural resources, access to high quality inputs and technology, for example, are mitigated by the rising appreciation of the dollar. The strong value of the dollar has, in many instances, shut our exports out of foreign markets and increased import competition in the U.S. market.

In short, U.S. agriculture is part of a worldwide food production system. We do not advocate isolation as a means to shield our sector from the economic forces that shape world trade. However, we cannot effectively plan our farming and ranching enterprises in a world where exchange rates suddenly depreciate by 50 percent, as happened with the Mexican peso in late 1994, or shift more slowly, such as the 50 percent decline in the Brazilian real from 1995 to 2000.

Exchange rate issues are certain to increase in importance as U.S. agriculture produces more for export markets and U.S. food and fiber markets become more open to imports. If these issues are not resolved by macro economic policies, there will be continued pressure to find solutions in traditional farm policies.

Effective long-range financial planning at the farm and ranch level and the overall economic health of U.S. agriculture depends on more stable exchange rates that do not overvalue the U.S. dollar against our competitors' currencies.

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Statement of  
**Vargese R. George**  
President and CEO  
Westex International, Inc.  
Washington, DC

*On behalf of the*  
**SMALL BUSINESS EXPORTERS ASSOCIATION**

**"Impact of the High Value of the Dollar  
on U.S. Exports"**

*Before the*  
Committee on Small Business  
U.S. House of Representatives  
12 June 2002

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Chairman Manzullo, Representative Velazquez, members of the Committee, good morning. I am Vargese George, President and CEO of Westex Group, Inc. Westex is a Washington, DC-based export house has been supplying products and materials to construction projects around the world for twenty years. I had the privilege of testifying before this Committee several years ago, and I am happy to be returning.

I am also here on behalf of the Small Business Exporters Association. SBEA is the nation's oldest and largest nonprofit association of small and mid-size exporters. SBEA also serves as the international trade arm of the 65,000-member National Small Business United, which is the nation's oldest small business advocacy organization.

The number of smaller exporters has tripled to over 200,000 in the last twenty years. Yet this still represents less than 5% of all small businesses. If we are to expand the vast potential for small business exporting, key issues like the high value of the dollar must be addressed.

So the Committee's concerns in this area are well placed, in our opinion.

One frequently reads about how the dollar is affecting America's *large* exporting companies. But the impact on *smaller* exporters is at least as important, and possibly more so.

In Westex's case, the high dollar has cost us dearly in such markets as the Middle East and South Asia. Our offers or quotations are always denominated in U.S. dollars, since small and medium-sized exporters generally cannot take the risk of exchange rate losses. We have seen our overseas customers switching their purchases to our major competitors in Europe and the Far East. We also have been hurt when other governments stepped into projects where we were bidding to offer extremely generous terms of finance on behalf of their exporters – including provisions to cover exchange rate losses by their companies when they bid in foreign currencies.

Over the last year alone, we estimate losses from these factors at over \$2 million.

While the dollar has dropped about 9½% against the euro and the Swiss franc since the beginning of February, it is still high against most foreign currencies, by historic standards. And it is still useful to focus on the steps that can be taken whenever the dollar is high.

How should our country deal with the high dollar? How should exporters?

#### **Options for the Government**

There are a couple of things that the government should avoid. But also some things that it can usefully do.

**Exchange rates.** First, we should not try to "talk down" the dollar. The dollar is high mainly because this country offers foreign (and domestic) investors many opportunities for safe investments with good growth potential. So we have a large net inflow of capital from abroad.

To try to bring down the dollar by telling investors that money isn't safe here, or won't grow in value, would have terrible long-term effects on our economy. Fortunately, no one is seriously proposing this as a government option.

But some do propose intervention in currency markets. Once in a while, this may be appropriate. Sometimes momentum in currency trading loses touch with underlying economic fundamentals. But not often. Most of the recent episodes of intervention have cost the intervening countries the equivalent of billions of dollars, without changing much. In a few celebrated episodes, like George Soros' bet against the Bank of England, interventions have simply made currency speculators rich – with only the barest effect on exports.

Secondly, we need to keep the international economic context in mind. It's just as correct to say that the euro and the yen and the Canadian dollar are low, as it is to say that the U.S. dollar is high. When overseas economies improve and offer relatively better investment opportunities, the dollar will decline in relative terms against these currencies. This seems to be underway now, at least with respect to the euro.

Nations have shown, over time, the kinds of economic policies that tend to attract capital. But in the end it's up to each country to choose its own set of economic policies. So there is only so much that the U.S. can do to influence foreign economic growth prospects.

**Trade agreements.** What the government *can* do is to push hard for trade agreements in our key foreign markets. There is no reason to exacerbate the dollar problem by letting Europe and Japan sign free trade agreements all over the world -- while our companies continue to face tariffs and trade barriers. And yet that's going on now. The European Union has signed more than thirty free trade agreements in the last eight years, and has fifteen more in the pipeline. Japan is getting active, too. Both the EU and Japan are now targeting Latin America, endangering one of the largest export markets for U.S. goods and services.

Meanwhile, the U.S. has signed just two free trade agreement since 1994, with Israel and Jordan. Giving President Bush Trade Promotion Authority would help. SBEA understands that the concerns of workers who are hurt by imports must be taken into account. We trust that the final TPA legislation will do so. But the US is at a growing competitive disadvantage in its exporting, and exporting creates good, high-paying jobs at home. So SBEA strongly urges Congress to keep moving on TPA.

Incidentally, foreign trade agreements are probably a bigger threat to smaller exporters than to larger ones. The largest exporters deal with tariff and trade barriers by investing in production facilities that are inside the foreign tariff walls and trade barriers. Smaller companies don't have that kind of economic leverage. Foreign governments that are determined to keep them out usually succeed.

**Identification of export opportunities.** Another area where government can help is in identifying global opportunities for American exporters, especially niche opportunities for smaller exporters. Whatever the value of the dollar, there will always be situations where American goods and services can best satisfy the requirements of foreign buyers. With its officers stationed in U.S. Embassies and Consulates around the world, the Commerce Department's Commercial Service is well positioned to dig for these opportunities. Obviously, the CS should coordinate with private sector vendors of trade leads.

Once good opportunities have been identified, all the government's export promotion agencies need to coordinate better in *quickly* getting that information out to American companies that can act on it.

That is a theme of the Bush Administration's recent *National Export Strategy* report. It's also something that the SBA's Office of International Trade has been working on. It should be a high priority for Congressional oversight.

### Options for Exporters

So what are an *exporter's* options at a time of when the dollar is so high? There are actually several.

**Sourcing.** Larger exporters, again, probably enjoy more maneuver room. Many large companies have become hubs of global supply and distribution systems. When the dollar is high, they can source more of their supplies from abroad. That's obviously a problem for domestic suppliers, and one that Chairman Manzullo's "Working Group on SME Exporters" has been creatively addressing, but for now it's a fact of life.

Small exporters are far more likely to operate on a local, rather than global, scale, and therefore are much less likely to opt for foreign sourcing as a way to deal with the high dollar.

So smaller exporters have to find other ways to cope.

**Package Deals.** A more positive approach for companies of all sizes is to place greater emphasis on offering attractive export *packages* that include service agreements, software, training and follow-up visits. The U.S. has enormous competitive strengths as a service exporter. And companies that play to those strengths can overcome the raw differential in the price of goods that may be offered by a foreign competitor. It's amazing how few of our major foreign competitors seem able to offer truly complete packages of goods and services.

**Terms.** Besides packaging goods and services together, one of the best things that exporters can do when the dollar is high is to offer foreign customers better terms. In other words, stretch out their payments.

If a company's foreign customers are used to paying in 30 days, it should consider offering them six months. If they get six months now, offer two years. (In this, exporters are no different than automobile manufacturers. Back when the average car cost \$10,000, most buyers got two or three year deals. As average prices rose past \$20,000, carmakers began offering three to five year financing.)

But like carmakers, exporters can't afford to carry those notes themselves. Particularly if they're smaller exporters. They need somebody to handle the financing.

### Government and Exporters Working Together: Export Financing

Simply put, export financing is much more available and flexible abroad than in the United States. For American exporters to compete in offering attractive payment terms to foreign buyers, that needs to change. American banks, the federal agencies involved in export finance, and Congress all have a lot of work to do. Here's a list:

**More banks need to get into export financing. And more of them need to work with smaller exporters.** Accomplishing that won't be easy. With consolidation in the banking industry, fewer banks are involved in international trade. Those that are involved often want to deal solely with larger exporters. One large New York bank now sets a minimum of \$20 million on export transactions that it finances. In much of Europe and Asia, by contrast, banks seek out potential exporters from among their regular commercial customers and try to identify opportunities that would move those companies into exporting.

Export finance agencies like the Export-Import Bank of the US and SBA need to do more missionary work with American banks. Regional and local banks need to be shown that export financing can be profitable and need not be complicated. They should be shown that the risks are understandable and can be managed. That credit can be scored, just like in a domestic transaction. That they can insure against buyer default and political risk. That federal guarantees are available through Ex-Im and SBA, and that these guaranteed loans can be sold on the secondary market.

Perhaps bank regulatory agencies like the Federal Reserve Board and the Office of the Comptroller of the Currency should see if they can help, too.

More banks in export finance would mean more competition to handle export deals. And more competition would bring service innovations and faster processing times.

For its part, Congress may need to offer a way for banks to externalize more of the costs of developing small export deals, perhaps through tax law changes. The public would benefit from an increase in exporting by smaller companies. Exporters tend to pay higher wages, show faster productivity gains and employment growth, and develop more innovations than non-exporters.

**SBA and Ex-Im need to improve their performance in export financing for smaller companies.** With enough encouragement, the private sector could take on most of the work of export financing in this country, even for smaller transactions. But that day still appears to be a long way off. In the meantime, Ex-Im and SBA remain not only the export finance banks of "last resort", but in many cases the export finance banks of "only resort".

So both agencies also need to do a better job of explaining to *exporters* how to finance their transactions. Very small and first-time exporters should be shown how to offer short-term (less than 180 day) financing to their overseas buyers. More experienced exporters (and banks) should be guided into medium-term (180-day to five year) financing.

For this to happen, federal export financing transactions must be simplified and speeded up. As of now, the slowest and most expensive of these is Ex-Im's medium-term financing.

(Ex-Im's recent reauthorization calls for the Bank to put more of its processes online and speed them up. That's a step in the right direction. And we are grateful for Ex-Im's efforts to work with trade associations, including SBEA, to help lower the banks' costs in making these loans.)

Ex-Im has the authority to counteract subsidies to foreign exporters offered by the official export credit agencies of other countries. It can meet and match those deals on behalf of U.S. exporters. But Ex-Im needs to move more quickly in these cases, and not wait until the deals are signed.

We have to keep our eyes on the ball. There is no better way to deal with the high dollar than to expand export financing options in this country. And we're not doing a good enough job of it.

### **Building A Coherent Export Promotion Strategy**

Smaller exporters can help surmount the nation's international trade challenges, including the high dollar, if federal policies are shaped by their needs. That is why the Bush Administration's recent *National Export Strategy* report is so heartening.

The report calls for several initiatives that would build on the recent growth in small business exporting:

- A more seamless presentation of the government's export promotion programs.
- An end to the "stovepipe thinking" in export promotion agencies – where officials representing one agency have no idea what other agencies are doing.
- A true "customer service" orientation, and
- An ongoing process of interagency consultation, implementation and follow-up.

In its recent meetings, Chairman Manzullo's "SME Exporter Working Group" has identified other helpful initiatives, including

- developing partnerships between large exporters and domestic suppliers, and
- giving companies a single government point of contact for all export promotion activities.

This would help immeasurably, too.

Is the high dollar a difficult problem for exporters? Absolutely. Are there initiatives that would help deal with it? Definitely.

**Luketin, Bridgette**

**From:** William G Lanier [wgl3@meadwestvaco.com]  
**Sent:** Friday, June 14, 2002 10:31 AM  
**To:** Largent, Piper  
**Subject:** Overvalued Dollar

When the dollar is highly valued compared to other currencies, it adversely impacts national economic growth. At our packaging company, we see the issue through the currency exchange rate and its effect on our annual earnings performance. Each year we lose hard-earned income due to the foreign exchange rate factor.

In my view, a clarification of the treasury policy is in order to be certain that it is not seen as endorsing and even stronger dollar. The treasury must make it clear that the value of the dollar should be consistent with economic reality and market conditions. The policy should provide a commitment to further reductions in interest rates and to cooperating in exchange markets as appropriate.

Millions of workers and their families depend directly on the continued strength and competitiveness of American manufacturing.

William G. Lanier  
Mead Westvaco Packaging Systems





Since 1921

**GILLESPIE DECALS, INC.**

An authorized 3M Scotchprint® manufacturer

June 12, 2002

The Honorable Donald Manzullo,  
Chairman, House Small Business Committee  
Attn: Piper Largent  
2361 Rayburn House Office Building  
Washington, DC 20515-6315

Re: Strong Dollar

Representative Manzullo,

Gillespie Decals, Inc. is a small manufacturer in Wilsonville Oregon. We have a significant client with plants in the UK, Italy, Brazil, Australia and Japan. Increased pressure from local competition in these areas has caused us to lose business because the exchange rate favors local suppliers. In our case the lost business is about \$25,000 per year, or one production worker.

We ship about \$250,000 per year overseas to our clients and they shop globally to remain competitive in their business.

I urge your support of a stabilizing the dollar. A sound dollar will make us more competitive.

Sincerely,

Kerry R. Gillespie, President  
Gillespie Decals, Inc.

**Luketin, Bridgette**

---

**From:** Richard T Neveu [rtn@meadwestvaco.com]  
**Sent:** Monday, June 10, 2002 11:06 AM  
**To:** Largent, Piper  
**Subject:** US Dollar

The U.S. dollar has soared nearly 30 percent since 1997 and is now at a 16 year high. That means the dollar has made your exports 30 percent more expensive while your import competition is getting a 30 percent discount!

During this time, the U.S. government has steadfastly supported the dollar's dramatic rise with its "strong dollar" policy. The government has also looked the other way while Japan, Korea and China, among others, have manipulated their currencies to keep them from adjusting to market forces. As a result, the overvalued dollar has cost hundreds of thousands of U.S. jobs.

Many small and medium-sized manufacturers (SMM's) have been driven out of export markets while other SMM's have been hit by a wave of artificially low-priced imports .

. SMM exports have fallen an estimated \$45 billion in the last 18 months!

. The decline in exports is virtually across the board ? from high tech equipment to furniture, from machine tools to plastics. The import impact has also been great ? paper products, textiles, foundry products, among others, have been hurt .

. The Coalition for a Sound Dollar estimates that 750,000 jobs in the manufacturing and agricultural sectors have been lost in the last 18 months because of the overvalued dollar .

Please help out America's Paper Industry by promoting a policy to weaken the US Dollar.

Best Regards,  
Richard T. Neveu

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Note: Please update your email address for this user to reflect the new MeadWestvaco Corporation. MeadWestvaco employee email addresses are in the format of user@MeadWestvaco.com

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**SPECIAL METALS CORPORATION**

3200 Riverside Dr.  
Huntington, WV 25705-1771 U.S.A.  
304.526.5613 Fax: 304.526.5526

**T. GRANT JOHN**  
President

June 11, 2002

The Honorable Donald Manzullo  
Chairman, House Small Business Committee  
Attn: Piper Largent  
2361 Rayburn House Office Building  
Washington, DC 20515-6315

Dear Chairman Manzullo:

We understand that the House Small Business Committee will hold a hearing on June 12, 2002 to assess the impact of the strong dollar on small business. Special Metals Corporation, a mid-sized manufacturer of high-performance nickel alloys, along with its U.S. subsidiaries, filed for Chapter 11 reorganization on March 27, 2002. The strength of the U.S. dollar, coupled with increased competition from foreign imports, were factors that contributed to the Company's filing for reorganization.

The overvalued dollar has soared to nearly 30% over the last few years, which places us at a significant disadvantage with our foreign competitors. According to the U.S. Department of Commerce, total imports have risen from 17.5 million in 1994 to 49.3 million in 2001. Import penetration in 2001 increased to 26.3% from 1994's 13.8%. Based on data from SSINA, apparent consumption has increased from 1994's 127.1 million to 187.4 million in 2001.

For the first time in recent history, Special Metals' sales decreased in the first quarter of 2001. Our U.S. operations have lost market share on both the domestic and international fronts as a result of the overvalued dollar. In the first six months of 2001, our U.S.-based workforce has been reduced, through layoffs and reductions-in-force by over 150 jobs – and more will likely follow.

We urge you, the Committee members, Congress, and ultimately, the Administration to level the playing field and give U.S. companies a fighting chance against our foreign competitors. We hope the Administration quickly recognizes the importance of adopting a "sound dollar" policy in which markets determine exchange rates based on economic fundamentals – and the U.S. acts to keep other countries from manipulating their currencies. Our company's future may well depend on it.

Sincerely,

*/s/ T. Grant John*

T. Grant John

**Luketin, Bridgette**

**From:** Dennisycha@aol.com  
**Sent:** Tuesday, June 11, 2002 6:32 PM  
**To:** Largent, Piper  
**Cc:** sounddollar@nam.org  
**Subject:** Voice for Sound Dollar

The Honorable Donald Manzullo,  
Chairman, House Small Business Committee  
Attn: Piper Largent  
2361 Rayburn House Office Building  
Washington, DC 20515-6315

Dear Mr. Manzullo:

We, G&W Electric Co., would like to ask our government by writing this letter to reconsider its current Strong Dollar Policy and adopt policies that will bring the dollar back to normal.

As a manufacturer of electrical equipment since 1905, we have been focusing on developing market outside of the US as our key growth strategy. In one particular year, we've had over 40% of our total revenue come from overseas. However, in light of the strong dollar against most of currencies worldwide, we have been sadly witnessing the dramatic decline of our export businesses in recent years.

Our European competitors have a significant advantage over us in currency exchange in the international bidding. To mention one particular case, we have been a leading supplier of HV cable accessories to MEA (Metropolitan Electricity Authority) of Thailand, a local utility in Thailand who provides electricity to over 13million residents in the metropolitan Bangkok area for over the past 15 years. The proven quality and competitiveness of our product over the years have been the main reason for our long success with this particular customer who procures the goods through international bidding. However, in the past 24 months period, there had been a total of (4) international tenders for HV cable and accessories issued by MEA, and we had lost all these opportunities, a worth over \$2 millions, to the competitors from Europe. ABB, our toughest competitor out of Sweden, had won the 3 out of those 4 international tender while one had been awarded to a company in Germany. We have lost these tenders despite our cost cutting effort but for one main reason – the strong Dollar made our product less competitive than those from Europe.

Mr. Chairman, the current strong dollar policy simply does not put US manufacturers in the equal level playing field against competitors from overseas. Please end the "strong dollar policy" and adopt a "sound dollar policy" instead.

Sincerely yours,

John H. Mueller  
President

**Luketin, Bridgette**

**From:** Bonnie [admin@smithberger.com]  
**Sent:** Tuesday, June 11, 2002 12:18 PM  
**To:** Largent, Piper  
**Subject:** Overvalued dollar

The Honorable Donald Manzullo,  
Chairman, House Small Business Committee

I am President of Smith Berger Marine, Inc., a small manufacturing company in Seattle, WA. We employ 22 people and have been producing products for the marine industry since the 1930's. We produce sections of mooring systems for large oil rigs and drilling vessels in addition to producing a line of standard deck equipment for use on ships. We are an employee owned company and have done our best over the years to treat our employees well.

We were very excited earlier this year when we came up with a new and, we felt, much less expensive mooring system for the large rigs. We presented our designs to a well known and respected company and got a very positive response.

At the end of the bidding process, we were informed by the customer that they had decided to go with a Canadian company, **because they had beaten us on the pricing!** Quite frankly, we were aghast, since we had figured that our product would easily be 10% cheaper than the existing system.

Based on our subsequent research, we now are convinced that we were beaten as a direct result of the overvaluation of our dollar. Times are slow right now for us and it was a huge blow to lose such a big project. We have had to go on a 4 day work week so that everyone can keep their job, while doing some much needed cost cutting for the Company.

If we are to stay in business, we must be able to compete with foreign companies. Most of the business being done right now is being done by foreign customers or foreign subsidiaries of U.S. companies. We cannot afford to move our manufacturing facilities offshore (nor do we want to). But how can we keep on when our new system ends up being too expensive due to the value of the dollar?

If you are serious about supporting manufacturing in this country, then you must consider the thousands of small manufacturers like us. I guess the attitude can be, who cares about 22 people in Seattle? Well, I do!

Thank you for your time.

Best regards,  
Bonnie L. Warrick  
SMITH BERGER MARINE, INC.  
email: admin@smithberger.com  
phone: 206.764.4650  
fax: 206.764.4653

**Luketin, Bridgette**

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**From:** Rachel [rachel@lincolnparkboring.com]  
**Sent:** Tuesday, June 11, 2002 11:51 AM  
**To:** Largent, Piper

2002                    The Honorable Donald Manzullo  
Chairman, House Small Business Committee  
2361 Rayburn House Office Building  
Washington, DC 20515-6316

June 11,

Attn: Piper Largent

The current situation of the strong U.S. dollar is having devastating effects on the U.S. machine tool industry. Our sales are down 60% and my work force has been cut in half. Canada and Europe have a .50 + cents on the dollar price advantage. Efficiency & technology can not overcome this huge disparity.

We have a family owned business for over 45 years. We have invested heavily in the United States of America by new construction and buying almost exclusively American made machinery. Your help is directly needed for the continued survival of Lincoln Park Boring Co.

Sincerely,  
Richard N. Yesue

**ANGUS INDUSTRIES**

---

*William F. Knese*  
*Vice President & Chief Financial Officer*

*Direct: (605) 884-1465*  
*Fax: (605) 884-1480*  
*Email: [wknese@angus-palm.com](mailto:wknese@angus-palm.com)*

June 11, 2002

**Via Email: [Piper.Largent@mail.house.gov](mailto:Piper.Largent@mail.house.gov)**

The Honorable Donald Manzullo  
Chairman, House Small Business Committee  
ATTN: Piper Largent  
2631 Rayburn House Office Building  
Washington, DC 20220

Dear Don:

You may remember we met a number of times when my wife, Suzan-Oda, and I lived in Rockford, IL. We send greetings to you and Freda from the Plains.

Today, I am writing to voice our company's concern about the current strength of the US dollar.

Our dollar is overvalued, purely and simply.

This overvaluation has cost Angus Industries lost sales, and has significantly lowered margins as our foreign competitors continue to enjoy a large cost advantage that results solely from the dollar's value. Our company can beat any of our competitors on a level playing field, but because of the strength of the dollar, the playing field is not level. The dollar's value has increased nearly 30% in four years, and our orders are now going to overseas competitors.

As a result of the lost sales opportunities, our volume is down and our operations have laid off employees - good people with valuable skills, who are not working because of the strength of the dollar.

We are proud of our work ethic and our productivity. We'll match what we do against anyone. But we can't compete under the load of the overvalued dollar. Please act to help us and the many companies like us, and bring down the strength of the US dollar.

Sincerely,

**ANGUS INDUSTRIES**

*William F. Knese*

Cc: Senator Tom Daschle  
United States Senate  
509 Hart Senate Office Building  
Washington, DC 20510

Senator Tim Johnson  
United States Senate  
324 Hart Senate Office Building  
Washington, DC 20510

Representative John Thune  
United States House of Representatives  
1005 Longworth HOB  
Washington, DC 20515



**Luketin, Bridgette**

**From:** Ed Hutchinson [ehutchinson@stolitzka.com]  
**Sent:** Tuesday, June 11, 2002 10:48 AM  
**To:** Largent, Piper  
**Subject:** Overvalued dollar

We urge your support on returning the dollar to realistic values. As a VERY SMALL manufacture we feel this is affecting our business (even indirectly) dramatically. Our business, as well as most manufactures in Ohio have been hit very hard in the last year.  
I urge you to do anything in your power to help in getting this slow down turned around ASAP!

Regards,

Edward J. Hutchinson V. President

F. J. Stolitzka @ Son Inc.  
237 N. Adams St  
Akron Ohio 44304

**Luketin, Bridgette**

---

**From:** Tjeill@aol.com  
**Sent:** Tuesday, June 11, 2002 9:58 AM  
**To:** Largent, Piper  
**Subject:** DOLLAR TO STRONG

TO: The Honorable Donald Manzullo,  
Chairman, House Small Business Committee  
Attn: piper Largent  
2361 Rayburn House Office Building  
Washington, DC 20515-6315

From: Thermal Laminating Corporation  
2220 Greenleaf Street  
Evanston, IL 60202

PLEASE BRING OUR DOLLAR BACK TO NORMAL LEVELS. Our export has fallen over 40% due to a strong dollar and strong Competition from Korea and China. Please stop taxing the small business and giving our money to the big corporations. Why tax us Korea backs their business. We have gone from a workforce of 40 to 15. Give us the breaks you gave the airlines and others.

Regards

**Luketin, Bridgette**

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**From:** jleonard@cpmas.com  
**Sent:** Tuesday, June 11, 2002 8:27 AM  
**To:** Largent, Piper  
**Subject:** Dollar Policy

The Honorable Donald Manzullo,  
Chairman, House Small Business Committee  
Attn: Piper Largent  
2361 Rayburn House Office Building  
Washington, DC 20515-6315

Chairman Manzullo:

As an attorney who represents many small to medium sized businesses, I am writing to express my concerns about the U.S. policy on the "strong dollar." Many of my clients are suffering from the hand-cuffs which are placed on them by "strong dollar" policy, and are unable to effectively compete abroad where their exports are too expensive. I understand there are benefits to this policy as well, but I question whether they outweigh the burdens placed on our domestic businesses and ask the committee to explore the issue thoroughly and impartially on behalf of the American people. If you do, I have a sincere belief that the policy will be changed and true market-levels will return which are beneficial to American manufacturers and the entire economy.

With warmest regards,

Jeff Leonard, Atlanta, Georgia

**Luketin, Bridgette**

---

**From:** Gary Gron [ggron@jjburning.com]  
**Sent:** Monday, June 10, 2002 8:16 PM  
**To:** Largent, Piper  
**Cc:** 'sounddollar@nam.org'  
**Subject:** Overvalued dollar

Piper,

J & J Burning company manufactures steel fabrications for the capitol equipment market. The general state of our economy has hurt our business. Additionally, foreign competition (Canada, Mexico, Korea, etc.) has hurt our business. Our customers and customers of our customers demand selling prices be stable or reduced. Insurance rates along with many other fixed costs continue to rise. Our customers are feeling the pinch. They are exploring every avenue to maintain market share. One of the avenues used is purchasing steel fabrications from the countries listed above. The strength of our dollar as put us in a non-competitive position. Our company shipped 11 million dollars in 1998. Last years shipments totaled 6 million. Sixty five percent of our work force is currently laid off. We are quoting labor rates not seen since the early eighties. Like many manufacturers in Michigan we are fighting for survival.

Our government must adopt policies that will bring the dollar back to normal levels. Our survival depends on it. Manufacturing continues to decline in the U.S. If this trend continues we could become a Service country. That would be detrimental for many reasons.

Gary Gron  
J & J Burning Company  
24622 Mound Road  
Warren, MI 48091  
586-758-7619

**Luketin, Bridgette**

---

**From:** stan@fwaf.com  
**Sent:** Monday, June 10, 2002 3:10 PM  
**To:** Largent, Piper  
**Cc:** sounddollar@nam.org; jlm@nffs.org  
**Subject:** Strong Dollar

The Honorable Donald Manzullo  
Chairman, House Small Business Committee  
Attn: Piper Largent  
2361 Rayburn House Office Building  
Washington, DC 20515-6315

I am happy to learn that the House Small Business Committee is looking into the effects of the strong dollar on small business's. We recently lost a job to Canada. It was strictly a money issue due to the strong dollar.

If the dollar was reasonable valued, that job would still be in Fort Worth, Texas.

Thanks for your attention. I hope you are able to accomplish something beneficial.

Thanks

Stan Bass  
Fort Worth Aluminum Foundry

**Luketin, Bridgette**

**From:** INVENEERS@aol.com  
**Sent:** Monday, June 10, 2002 4:14 PM  
**To:** Largent, Piper  
**Cc:** sounddollar@nam.org  
**Subject:** Dollar Too Strong

**Indiana Veneers Corporation**  
1121 East 24th Street  
Indianapolis, Indiana 46205  
Tel: 317-926-2458 Fax: 317-926-8569  
Url: [www.indianaveneers.com](http://www.indianaveneers.com)  
.....

June 10, 2002

The Honorable Donald Manzullo  
Chairman, House Small Business Committee  
Attn: Piper Largent  
2361 Rayburn House Office Building  
Washington, DC 20215-6315

Dear Chairman Manzullo:

As your Committee wrestles with the Overvalued Dollar Issue, please keep the small independent manufacturers in mind. We understand the high dollars gives our fellow Americans, especially wealthy tourists, a strong buying power for foreign goods and services, but is that worth the risk of lost jobs and manufacturing business?

The high dollar is still having a negative impact on the selling of hardwood veneer into the export market. We feel the dollar is still too strong and far above the normal operating window of opportunity. One might argue the dollar is only a small part of the equation. But, when it is mixed with all the other factors, the end result is not pleasant.

Our overseas customer's purchasing power has been highly restricted by the dollar and they are asking us to make price concessions. Our raw material costs, already impacted by negative timber policies cultivated by the previous administration, have not softened and in fact are still on the increase for the high quality logs we require. Labor costs and manufacturing costs for us continue to rise. We are not in a position to offer our customers price concessions to counter the strong dollar.

Please keep the dollar in line, and please do not forget about the small U.S. manufacturers working the global market who rely on your leadership on this issue.

Sincerely yours,  
**Werner Lorenz**  
Werner L. Lorenz  
President and Owner

**Luketin, Bridgette**

---

**From:** Landas, Rebecca - GSO [RLandas@unifi-inc.com]  
**Sent:** Monday, June 10, 2002 2:21 PM  
**To:** Largent, Piper; 'sounddollar@nam.org'  
**Subject:** House Small Business Committee Dollar Hearing

**Importance:** High



honorable.donald.manzullo.stro... Please see the attached letter from Mr. Willis C. Moore, III, Executive Vice President & CFO of Unifi, Inc.

Thank you,

Rebecca Landas for Billy Moore

<<honorable.donald.manzullo.strong.dollar.policy.doc>>

Rebecca H. Landas  
Executive Assistant to Billy Moore  
UNIFI, INC.  
Office: (336) 316-5676  
Fax: (336) 294-4751

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Unifi, Inc 7201 W. Friendly Avenue, Greensboro, NC, USA, www.unifi-inc.com

June 10, 2002

The Honorable Donald Manzullo, Chairman  
House Small Business Committee  
Attn: Piper Largent  
2361 Rayburn HOB  
Washington, DC

Dear Honorable Manzullo:

As you begin your hearings on the U.S. strong dollar policy, please take notice of the devastation this policy is causing the U.S. textile industry. As Executive Vice President/CFO of Unifi, Inc., one of the world's largest producers and processors of textile yarns, I have had to idle machines and lay off employees during the last year. We have seen our revenue decline by nearly 28% in the first six months of the current fiscal year. Much of this decline can be attributed to low-priced Asian imports, which increased by 77% since 1995 as a result of the strong dollar against the Asian currencies.

The future of the entire industry and thousands of jobs rest upon assuming an ever-increasing role in the global marketplace. Our ability to compete will be severely handicapped by maintaining an over-valued dollar.

All quotas on the yarns we produce were eliminated on January 1, 2002. Our market at home is being invaded by low-priced Asian imports. Our opportunities for exports are at the same time being eroded by the strong dollar. This industry needs some relief and we need it now.

The government can bring the dollar back down if it wants to. Back in the mid-80's, the dollar became terribly overvalued. As a consequence, President Reagan and Treasury Secretary Jim Baker changed U.S. policy and, through concerted action, brought the dollar back down. The Bush Administration can do the same.

I hope you will use this opportunity in the House Small Business Committee hearings to deliver this urgent message.

Sincerely,

Willis C. Moore, III  
Executive Vice President/  
Chief Financial Officer

WCM/rhl

(moore.honorable.donald.manzullo.strong.dollar.policy)

7201 West Friendly Avenue \* Greensboro \* North Carolina \* 27410 \* 336-294-4410





April 29, 2002

The Honorable Paul Sarbanes  
 Chairman, Senate Banking Committee  
 Attn Laurie Better  
 Room 534, Dirksen Senate Office Building  
 Washington, DC 20510

**Cattron Group Incorporated**  
 140 West Shenango St.  
 Sharpsville, PA 16150  
 Tel: (724) 962-3578 Fax: (724)962-2766

Dear Senator Sarbanes:

We are a small business located in Northwestern Pennsylvania, founded in 1946. At our location in Sharpsville (Mercer County) we design, manufacture, market and service remote control equipment for industrial equipment such as cranes and locomotives. In the mid 80's we began making export sales, and in the early 1990's we sought to increase our market opportunities by setting up operations in foreign countries to satisfy our customers' needs. In our global economy, more and more of our large customers, have global operations and need to deal with a supplier who can supply them with products and technical services worldwide. We currently have operations in five foreign locations – Canada, UK, South Africa, Brazil, and Germany.

Results in the early years of our experience were very encouraging, with export sales increasing and the foreign entities performing above expectations. However, as the dollar strengthened, these operations have found it more and more difficult to compete because they purchase virtually all their engineering of services and goods from our manufacturing facility in Sharpsville, Pennsylvania. Even though their cost may be the same, a domestic manufacturer, or one from a country with a weak currency, can offer equipment at a much lower price and still make a profit.

This has caused our international sales to fall, resulting in fewer orders to the US plant, and fewer workers needed in Pennsylvania to supply our foreign affiliates. In addition, the sales that are made are at a much lower profit margin, allowing little or no profits to be brought back to the US parent company.

Since they must buy from us in US dollars, last year our Brazilian and South African operations had translation losses equal to 43% of their sales volume. These two regions have some of the highest potential for industrial development and sales, but obviously, it is impossible to develop a foreign affiliate with these costs. In addition to giving up valuable opportunities for future growth, if we are forced to close these operations we will see immediately reduction in manpower needs (employment levels) in Pennsylvania. We need your action to stop this cycle and strongly urge you to:

- State publicly the dollar is out of line with economic fundamentals
- Stop giving the impression we are happy with the dollar, no matter how strong
- Commit to cooperate with other major countries to ensure that market forces can work to bring about more realistic exchange rates.

Respectfully,

James C. Robertson  
 President and Chief Operating Officer  
 Cattron Group Inc.

dem

cc: Senator Phil Gramm  
 Senator Arlen Specter  
 Senator Rick Santorum  
 Congressman Phil English  
 Coalition for a Sound Dollar

Providing management and administrative support  
 services to all CATTRON™ Companies and Divisions.

**Luketin, Bridgette**

**From:** Robert F. Rozman [rfr@diehlmachines.com]  
**Sent:** Monday, June 10, 2002 12:59 PM  
**To:** Largent, Piper  
**Cc:** Souder  
**Subject:** Position of the US Dollar

The Honorable Donald Manzullo  
Chairman, House Small Business Committee

As the president of a small industrial wood machinery manufacturer that has been in business since 1909, I write and urge you to allow our dollar to return to normal levels. We no longer have any domestic machinery competitors and our ability to export has been virtually eliminated, where as 5-6 years ago, it represented 25% of our business!

As manufacturers of machinery that support industrial wood processing in this country, we have seen:

- Our furniture industry move 30% of its production to China in the past two years...following the shoe & textile industry
- Our millwork industry (windows & doors) move 45% of its business to South America over the past 5 years
- Our ability to compete with German machine manufacturers extremely difficult, even though they are at a labor cost and market position disadvantage. Yet when the DM was at 1.4 to the Dollar in 1995, we were able to compete very effectively and enjoyed the best year in our company's history. Since that point however, the DM has move up to 2.15 to the Dollar and has been there for the past three years. If it were allowed to float to its real value, we and many other manufacturers could compete.
- Our work force has been cut in half (35 men in our shop) over the past five years because we simply cannot compete with our international competitors, especially the group in Southeast Asia who enjoy not only a lower labor coast to begin with, but are also artificially subsidized by our strong dollar.

We're not looking for an advantage, but we are looking for a level playing ground. Whether we want to recognize it or not, this country's economy was built on a manufacturing base that added value to the raw material it created. Manufacturing jobs like ours provide a \$14-\$20/hour pay rate in addition to providing health insurance and retirement benefits for an important group of American families that also deserve to enjoy a financially sound career. Please take a closer look at who provides these kind of jobs and recognize that when they're not working and we're not working, the tax base in our state and many others just doesn't come out right anymore. Maybe more fast food, more electronic retailers and more broad based retailers who sell everything from soup to nuts will make the service economy fly, but at their wage and benefit levels, let's hope you in government can find a new formula for covering the deficits we're going to create with all those lost wage related and manufacturing generated tax dollars.

**Luketin, Bridgette**

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**From:** Richard Troon [rtroon@weilerinc.com]  
**Sent:** Monday, June 10, 2002 12:02 PM  
**To:** Largent, Piper  
**Cc:** sounddollar@nam.org  
**Subject:** Valuation of US Dollar

Dear Sir:

The relatively strong dollar in recent times has negatively impacted our small company. Exports typically account for about 30% of our business. With the stronger dollar, our exports are down over 20% this year so far. We increasingly encounter resistance due to price. Our prices in US dollars were not increased, but the real cost to our foreign customers has as a result of the stronger dollar. Our largest competitor is based in Europe, so it has not faced the same issues.

We have had to lay off employees due to our weakened export sales, with even more layoffs looming on the horizon if business doesn't pick up. Please consider the impact of applicable economic policies on businesses such as ours and their employees.

Richard J. Troon, Jr.  
Chief Financial Officer  
Weiler and Company, Inc.  
1116 E. Main St.  
Whitewater, WI 53190  
262-473-5254, Ext. 180



June 10, 2002

The Honorable Donald Manzullo,  
Chairman, House Small Business Committee  
Attn: Piper Largent  
2361 Rayburn House Office Building  
Washington, DC 20515-6315

Dear Representative Manzullo,

I am writing to advise you of the significant disadvantage being caused us by the overvalued dollar.

The 30% or so overvaluation gives us two choices regarding sales to our Canadian customers: increase prices sufficiently to make the business profitable and lose the business; or retain the business by maintaining price levels and lose money on each pump we ship.

We've opted for the latter since it's almost impossible to recover lost customers, but we obviously can't go on losing money indefinitely – and of course we're not paying taxes on money we're not making.

We're confident that our government can pursue the necessary changes in monetary policy to restore a win-win for both Liberty and our customers. We support a more broad-based solution than the cherry-picking approach that has been applied to the steel and lumber industries, leaving the majority of us to fight for ourselves.

Thank you for your attention to this matter.

Sincerely,

Charles Cook, CEO

Liberty Pumps  
7000 Apple Tree Ave  
Bergen NY 14416

585 494 1817

**Luketin, Bridgette**

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**From:** Rick Ahaus [rahaus@ahaus.com]  
**Sent:** Monday, June 10, 2002 11:28 AM  
**To:** Largent, Piper  
**Cc:** sounddollar@nam.org  
**Subject:** Overvalued Dollar

Mr. Donald Manzullo, Chairman  
House Small Business Committee

Dear Mr. Manzullo,

Our company designs and builds special application equipment for assembly of automotive heat exchangers (radiators, heater cores, etc). We export to Europe and most of our competitors are in Europe. With the strong dollar our competitive position has been severely compromised and we are losing orders to our European competitors not because they are more efficient but because of the overvalued dollar. These are orders for US plants and the dollar is taking away US sales as well as the European opportunities.

I send this information to you as you prepare for Hearings on the matter.

Thank You for reading.

Yours,

F.A. "Rick" Ahaus, Pres.  
Ahaus Tool and Engineering, Inc.

**Luketin, Bridgette**

---

**From:** Vladislav A Babinsky [vab@meadwestvaco.com]  
**Sent:** Monday, June 10, 2002 10:16 AM  
**To:** Largent, Piper  
**Cc:** sounddollar@nam.org  
**Subject:** sound dollar

Dear Sirs/Madam,

I would like to express my support of the importance of the issue of overvalued dollar, and the importance of developing efficient corrective actions to ensure reasonable dollar value. Your consideration is greatly appreciated.

Thanks  
Vladislav Babinsky  
Meadwestvaco

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Note: Please update your email address for this user to reflect the new MeadWestvaco Corporation. MeadWestvaco employee email addresses are in the format of user@MeadWestvaco.com

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**MeadWestvaco**

Hon Donald Manzullo  
Chairman House Small Business Comm  
Attn Piper Largent  
2361 Rayburn House Office Building  
Washington, DC 20515-6316t

June 10, 2002

Dear Sirs:

Since the current situation of the overvalued US Dollar is putting the packaging, wood products and the entire economy in such dire straits, I have to request that the US government do something to halt these manipulative trade barriers being foisted on us by foreign companies and their economies. MeadWestvaco continues to be put at a competitive disadvantage by subsidies and other practices which inhibit our ability to export competitively, bring in subsidized imports and result in layoffs of taxpaying Americans.

Please do what you can to bring the US dollar back to realistic levels.

Thanks.

Sincerely,

J.J. Dawson  
Sr. Market Specialist

Consumer Packaging Division  
320 Hull St.  
Richmond, VA 23224

**Luketin, Bridgette**

---

**From:** R. Scott Wallinger [RSWALLI@meadwestvaco.com]  
**Sent:** Monday, June 10, 2002 9:23 AM  
**To:** Largent, Piper  
**Cc:** Alex H. Stoddard; Ned Massee  
**Subject:** Overvaluation of U.S. Dollar: effect on paper exports/imports

The overvaluation of the dollar that has been occurring is unacceptable and should be addressed actively as a part of the overall economic and trade policy of the federal government. For ten years I oversaw the export of my company's paper and chemical products to countries around the world, and the current exchange rate trends have placed our exports in jeopardy while giving competitors increased incentives to export into the United States with a significant exchange rate advantage. And I see other manifestations, e.g., a New Zealand joint venture partner in a US-based LLC has delayed payment of its quarterly cash call because almost daily the cost in NZ dollars has been decreasing.

The United States needs to fully recognize and accept that exchange rate policies are an important aspect of international trade. Other countries have consistently managed their currencies to give them a favorable trade and market position. It's time for the U.S. to wake up and realize that an excessive currency valuation is giving competitors to US companies and the US economy a discount that undercuts the soundness of the US itself.

R. Scott Wallinger  
 Senior Vice President  
 MeadWestvaco Corporation  
 One High Ridge Park  
 Stamford, CT 06905  
 203-461-7560  
 rswalli@MeadWestvaco.com

R. Scott Wallinger  
 Senior Vice President, Forestry  
 MeadWestvaco Corporation  
 MeadWestvaco Corporate Center  
 1 High Ridge Park  
 Stamford, CT 06905  
 Tel 203-461-7560  
 Fax 203-461-7574  
 E-mail rswalli@MeadWestvaco.com  
 Asst: Ms. Ann Austin  
 Tel 203-461-7415  
 E-mail maausti@MeadWestvaco.com

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June 8, 2002

The Honorable Donald Manzullo  
Chairman, House Small Business Committee  
Attn. Piper Largent  
2361 Rayburn House Office Building  
Washington, DC 20515-6315

VIA FACSIMILE / EMAIL

Re: Please help small businesses compete. Adopt policies that will bring the dollar to normal levels.

Dear Chairman Manzullo,

I am the Engineered Wood Products Manager for LaValley Building Supply, Inc., headquartered in Newport, NH. We are a small to medium-sized manufacturer of structural wood components, employing approximately three hundred employees at our eight locations in New Hampshire and Vermont.

I write you today out of complete desperation. The products my company manufactures, wood roof and floor trusses, wall panels and millwork products, are becoming increasingly disadvantaged when compared to my Canadian competition. The U.S. dollar has soared nearly 30 percent over the last few years! This means that our Canadian competition has gained nearly a thirty percent advantage over the domestic producers. Combine this fact with the recently imposed lumber and steel tariffs and you will see why we feel that our very own government is trying to kill our companies.

Please work to return the value of the dollar to more normal levels. I want the administration to end its "Strong Dollar" policies and adopt more "sound dollar" policies. These policy shifts are absolutely necessary if we are to prevent serious damage to both small and large manufacturers. The number of American jobs at stake is staggering. Wood component manufacturers across the northern tier of the nation are feeling this crunch. Some have decided this fight cannot be won. They have chosen to move their operation across the border and take advantage of the situation. See attached letter re: Century Truss in Michigan. One plant, 100-150 American jobs gone north across the border. WHY?

American jobs and the very survival of small American businesses are at stake. Won't you please help us? Thank you for listening. I, and my company are depending on you to do the right thing.

Sincerely,

Stanley K. Sias, Engineered Wood Products Mgr.

<b>Newport, NH</b> 351 Sunapee St. PO Box 267 03773 603-863-1050 1-800-LaValleys Fax: 603-863-3984	<b>W. Lebanon, NH</b> Colonial Plaza PO Box 5143 03784 603-288-5641 1-888-383-2553 Fax: 603-298-5009	<b>Claremont, NH</b> Pleasant & Mulberry Sts. PO Box 396 03743 603-543-0123 Fax: 603-543-1592	<b>N. Wapote, NH</b> 121 Church St. 03609 603-445-5544 Fax: 603-445-5084	<b>Ludlow, VT</b> Industrial Park Pleasant St. Ext. 05149 802-228-4865 1-800-830-5803 Fax: 802-773-7546	<b>Outland, VT</b> 48 Windcrest Rd. Route 7 South 05701 802-775-0834 1-909-639-0834 Fax: 802-775-9335	<b>Middleton, NH</b> Middleton Building Supply 5 King's Highway 03887 603-473-2314 1-800-847-8989 Fax: 603-473-8531	<b>Dover, NH</b> Middleton Building Supply 58 Old Rochester Rd. 03820 603-742-8200 1-800-333-0969 Fax: 603-742-8528
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**www.lavalleys.com • email: lavalley@lavalleys.com**

April 16, 2002

### **Largest Truss Manufacturer in Michigan to Build Plant in Ontario**

Century Truss Company, Michigan's largest manufacturer of wood roof truss systems has announced construction of a new truss manufacturing plant in Corunna, Ontario just outside of Sarnia. Located in Brighton, Michigan, Century currently operates a 71,000 sq ft state of the art facility, which they intend on duplicating in Canada. Primary products produced in Michigan include wood roof and floor trusses, light gauge steel trusses and engineered "I" joist packages. Randy Bergeron, Chairperson of Century Truss Company recently met with CCG Detroit BDO Drew Dilkens to discuss the company's plans for their Corunna operation. Their initial focus will be wood roof trusses. Once the manufacturing process for this product is operating consistently the next move would include wood floor trusses and eventually light gauge steel trusses. Bergeron stated that over 90 percent of the products produced in Canada will be for export back to the United States – primarily the building market within a 90-100 mile radius of the production facility. The \$12 million (Cdn) investment is expected to create 100 jobs immediately and 150 by 2004. The Michigan facility will continue to build trusses but approximately half of the positions are expected to be eliminated through attrition. Randy mentioned that the softwood lumber issue and impending 29% tariff were the most significant factors that led to this investment. He further commented that even without a tariff, his cost of lumber is 15% less expensive when purchased in Canada as opposed to buying Canadian lumber in Michigan. He mused that these two factors combined create a competitive cost advantage somewhere near 40% not including productivity factors. Century is scheduled to begin Canadian operations in the fall of 2002.

#### **Other noteworthy points:**

- Century Truss is a private company that was founded in 1975
- Randy Bergeron and Ron Bergeron (brothers) are the Chairperson and President respectively
- 80% of the lumber used by Century is Canadian SPF
- Century Truss purchases \$12 million of Canadian lumber per year
- Century Truss has been pondering this investment since 1995
- The impending tariff on Canadian softwood lumber was the prime catalyst for their decision to invest in a Canadian facility.
- Even without a tariff on lumber, Bergeron says he will have a 15% cost advantage on the price of lumber when purchased in Canada (as opposed to purchasing Canadian lumber in Michigan)
- Bergeron sited the cost of Canadian labour as another competitive advantage over domestic manufacturers

*Sarnia was chosen because of its proximity to the largest building markets in Michigan, its lower wage scales (as compared to Windsor), and its more moderate view of labour unions.*



Homac Mfg. Company  
Ormond Beach, Florida

12 SOUTHLAND RD., ORMOND BEACH, FLORIDA 32174 U.S.A.

TELEPHONE 386-677-9110 FAX 386-673-5497

June 7, 2002

The Honorable Donald Manzullo,  
Chairman, House Small Business Committee  
Attn: Piper Largent  
2361 Rayburn House Office Building  
Washington, DC 20515-6315

Dear Mr. Chairman:

The strength of the U.S. Dollar has severely impacted our ability to export our electrical products to other countries. This has left us fighting to survive in a very competitive world to meet our sales quotas.

I am urging you to resolve this issue with the Committee to bring the Dollar down to normal levels.

Thank you for your assistance.

Sincerely,

R. Belahi  
International Sales Manager  
E-mail: [rbelahi@homac.com](mailto:rbelahi@homac.com)

Cc: Mark Hammer, Andy Chaguaceda, Kim Harmon

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[www.homac.com](http://www.homac.com)

**Luketin, Bridgette**

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**From:** RMann@Pandjiris.com  
**Sent:** Friday, June 07, 2002 1:54 PM  
**To:** Largent, Piper  
**Cc:** JSNICK-NAM@NAM.ORG  
**Subject:** June 12th, House Small Business Committee, hearing to find out how small business is affected by the strong dollar.



House Small Business  
 Committee...

June 7, 2002

The Honorable Donald Manzullo,  
 Chairman, House Small Business Committee  
 Attn: Piper Largent  
 2361 Rayburn House Office Building  
 Washington, DC 20515-6315

Dear Chairman Manzullo,

Please take whatever measures you can to encourage the Administration to end its "strong dollar" policy, to state that the overvalued dollar and the resulting trade deficit are serious problems, and to adopt a "sound dollar" policy in which markets determine exchange rates based on economic fundamentals and the United States acts to keep other countries from manipulating their currencies.

Since 2000, Pandjiris, Inc.'s export sales have dropped from nearly \$3 million per year to almost zero. There is little other cause for this reduction besides damage from the overvalued dollar. As a small manufacturer of arc welding positioning equipment and automated welding systems, the overvalued dollar is having a serious impact on Pandjiris, our exports, our sales, and our employment. Since 2000, Pandjiris reduced its workforce by over 30%, due in part to the reduction in our export sales and domestic sales. Our domestic sales are adversely affected in part by increased competition from imports for us and for our customers, who are also experiencing decreased export sales.

Many of our customers are moving their operations overseas, which makes our offerings less competitive simply because of shipping costs, customs duties, and other trade barriers. To add the overvalued dollar to the equation is overwhelming. Besides making it impossible to make in-roads into new areas, our existing customers are also looking to new sources because of the current value of the dollar. This year Pandjiris lost a very substantial order (\$1 million --- for us this is very significant) to a Scandinavian company, primarily based on the overvalued dollar. The customer, a UK shipbuilder, previously purchased three similar systems from Pandjiris in the past decade and widely touted our weld seamer in the shipbuilding industry. They explained to us at this time they could not justify the price differential when considering the current value of the dollar, even though we aggressively priced our quotation in light of our presently dismal order book.

Pandjiris is growing financially vulnerable due to the extended recession in manufacturing in the USA and the adverse impacts of decreased export sales. Three of our domestic competitors have gone out of business or been acquired and down-sized by foreign companies in the last two years. While Pandjiris is not a big company, we are recognized around the world as a leader in weld positioning equipment and fixed welding automation systems. We need the help of the Administration to maintain our survival. The United States stands to lose some of its underlying core in defense and shipbuilding if companies like Pandjiris continue to fall to foreign competition.

Please persuade your Committee to do whatever it can to help small businesses by getting the government to adopt policies that will bring the dollar back to normal levels.

Sincerely,

Robert E. Mann  
President  
Pandjiris, Inc.  
5151 Northrup Ave.  
St. Louis, MO 63110  
e-mail: [rmann@pandjiris.com](mailto:rmann@pandjiris.com)  
fax: 314-776-8763  
phone: 314-776-6893

(See attached file: House Small Business Committee Chair.doc)

---

***PANDJIRIS, INC.***

5151 Northrup Ave.  
St. Louis, MO 63110  
314-776-6893  
314-776-8763 (Fax)

June 7, 2002

The Honorable Donald Manzullo,  
Chairman, House Small Business Committee  
Attn: Piper Largent  
2361 Rayburn House Office Building  
Washington, DC 20515-6315

Subject: Small Business is Adversely Affected by the Strong Dollar.

Dear Chairman Manzullo,

Please take whatever measures you can to encourage the Administration to end its "strong dollar" policy, to state that the overvalued dollar and the resulting trade deficit are serious problems, and to adopt a "sound dollar" policy in which markets determine exchange rates based on economic fundamentals and the United States acts to keep other countries from manipulating their currencies.

Since 2000, Pandjiris, Inc.'s export sales have dropped from nearly \$3 million per year to almost zero. There is little other cause for this reduction besides damage from the overvalued dollar. As a small manufacturer of arc welding positioning equipment and automated welding systems, the overvalued dollar is having a serious impact on Pandjiris, our exports, our sales, and our employment. Since 2000, Pandjiris reduced its workforce by over 30%, due in part to the reduction in our export sales and domestic sales. Our domestic sales are adversely affected in part by increased competition from imports for us and for our customers, who are also experiencing decreased export sales.

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dollar, even though we aggressively priced our quotation in light of our presently dismal order book.

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Please persuade your Committee to do whatever it can to help small businesses by getting the government to adopt policies that will bring the dollar back to normal levels.

Sincerely,

Robert E. Mann  
President, Pandjiris, Inc.  
email: [rmann@pandjiris.com](mailto:rmann@pandjiris.com)



June 7, 2002

**The Honorable Donald Manzullo,  
Chairman, House Small Business Committee  
Attn: Piper Largent  
2361 Rayburn House Office Building  
Washington, DC 20515-6315**

**BY FAX: 202-225-3587**

We are a manufacture of air compressors with factories in Indiana and New Hampshire.

Collectively we have lost over \$1,000,000 in sales over seas to non US companies due to pricing. Our competitors continuously beat our prices by 20-30%.

We have also lost business in the US market due to foreign competition selling at less than competitive prices. For example: We bid a job in Georgia at \$28,000. All of the US competition was at \$28-29,000 on this job. The job was taken by a Belgium Firm at \$23,000. This must stop!

We must control the weak dollar and bring it back to normal levels to enable us to compete in this market.

We have had to lay off over 30 people in our plants. This work would enable us to keep these people working.

Very Truly Yours

Sullivan-Palatek  
Steve Van Loan  
President



**Luketin, Bridgette**

---

**From:** John C. Fuhr [jfuhr@paratherm.com]  
**Sent:** Friday, June 07, 2002 12:12 PM  
**To:** Largent, Piper  
**Cc:** sounddollar@nam.org; 'Andy Andrews'  
**Subject:** The overvalued Dollar

Representative Manzullo:

I just received word from the NAM that your committee will be looking into problems stemming from the overvalued US Dollar.

We can personally attest to the damage the too-strong dollar has done to our export sales. 2001's export sales decreased more than 19% when compared with our year 2000 export sales. Paratherm's 2002 export numbers to date are below those of 2001. This is in contrast to increasingly rising export sales in the early 90's (they began to tail off as we approached year 2000).

Our export manager is finding it increasingly difficult to compete in all areas of the world. We would appreciate any action that can be taken to reduce the Dollar's strength so that Paratherm can be more competitive.

John C. Fuhr  
President  
Paratherm Corporation  
Conshohocken PA USA  
610-941-4900

June 7, 2002

The Honorable Donald Manzullo  
Chairman, House Small Business Committee  
Attn: Piper Largent  
2361 Rayburn House Office Building  
Washington, D. C. 20515-6315

Fax: 202-225-3587

Re: The Over-Valued U.S. Dollar

My company has been in business in this small Kansas community since 1935. We manufacture equipment for the commercial production of foodstuffs, aquatic feeds, and companion animal foods. We employ a total of 300 people including sales & service personnel in permanent offices in Europe and Asia.

Two years ago, our worldwide sales slumped 30% as a result of the over-valued U.S. dollar. We were forced to react to that condition by discharging 20% of our staff and all executive salaries were reduced 20%.

Other factors, including more intense foreign competition, have played a role in this reversal, but obviously, to do business with us, our clients and customers are required to pay a 30% premium as a direct result of the over-valued U.S. dollar.

If it's in your hands to correct this situation, please do so.

Respectfully yours,

WENGER MANUFACTURING, INC.

Don Wenger

**Luketin, Bridgette**

---

**From:** Jim Krimmel [krimmel@zaclon.com]  
**Sent:** Friday, June 07, 2002 12:54 PM  
**To:** Largent, Piper  
**Cc:** 'sounddollar@nam.org'  
**Subject:** Overvalued Dollar

Dear Piper - This is just a short message from a small manufacturer in Ohio concerning the impact of the overvalued dollar on my company and our 37 employees. Zaclon, Inc. is a producer of specialty industrial chemicals used mainly in the metal finishing and construction industries. We employ 37 people in high paying manufacturing jobs. Currently, approximately 10% of Zaclon's products are exported to Canada and Latin America. Our primary competition overseas comes from European producers. Because of the overvalued dollar versus the Euro, it has proved difficult to grow our export sales (and grow the company) for the past several years. Our current strategic plan is to double export sales by 2007 and many quality, service, and cost control programs are in place to accomplish this.

One absolutely critical factor that will contribute to our success or failure is the value of the dollar versus the Euro. Please convey to Representative Manzullo my strong support for reasonable policies that help achieve a fairly valued dollar. It is critical to the growth of my company and the well being of our employees.

Thank you  
Jim Krimmel - President  
Zaclon, Inc.

"ITS NEW AND IMPROVED!! Visit our website <http://www.zaclon.com> for the latest industry, company, and product news."

June 6, 2002

The Honorable Donald Manzullo,  
Chairman, House Small Business Committee  
2361 Rayburn House Office Building  
Washington, DC 20515-6315

Attn: Piper Largent

Subject: The value of the dollar

Dear Sir:

We are a small (100 employees) contract tooling and machining company, mostly involved in building assembly equipment for transplant (Japanese) automobile manufacturers. The dollar / yen evaluation makes it very difficult to compete against the Japanese for equipment that will installed in this country. A weaker dollar would help to level the playing field.

We also built a joint facility to build parts for a Japanese robot manufacturer. The project started in 1994 when the yen was roughly 82 to the dollar. Late in 1997, the yen along with a number of other southeastern Asian currencies fell through the floor. The net result was the robotic parts manufacturing returned to Japan; net loss of business to our company was several million dollars per year.

Daily, there are reports of more projects being lost by US firms to off shore companies. We will never compete for wages with China, India or even Mexico, but a weaker dollar would slow the rate of bankruptcies our industry is experiencing.

American industry has been strapped by the American way of life, high wages, high healthcare costs, the EPA, OSHA, the EEOC and high taxes, not to mention the value of the dollar.

We all know that manufacturing created the middle class. As manufacturing disappears, so does the middle class and the ability for Uncle Sam to raise income through taxes. In fact, it's a double whammy because the needs will rise and the ability to service those needs will diminish.

Allowing the dollar to weaken will certainly strengthen manufacturing's competitive position on the world market.

Thank you for your attention and consideration.

The die on the world marketplace has been cast. "Things" are going to change and for certain segments of American manufacturing, the future does not bode particularly well. Permitting the dollar to weaken will slow down the rate of change and allow us to compete longer and stronger.

Sincerely,

William E. Lukens  
President / CEO Stillwater Technologies, Inc.

## Tusco Display

239 S Chestnut Street P O Box 175 Gnadenhutten OH 44629.0175 • 740.254.4343 • Fax 740.254.4839

June 7, 2002

The Honorable Donald Manzullo  
Chair, Small Business Committee  
UNITED STATES HOUSE OF REPRESENTATIVES  
Attn: Piper Largent  
2361 Rayburn House Office Building  
Washington DC 20515-6315

Dear Chairman Manzullo:

My company has been in business since 1948. We design and manufacture displays and fixtures used in retail stores to sell products for such clients as Black & Decker, Goodyear, Owens Corning, Rubbermaid, and Rust-Oleum. We employ 70 people in our town of 1500 people.

The too-strong US dollar is hurting our business. We recently lost a substantial order for Black & Decker because they could save \$100,000 by buying it off-shore. The difference was the exchange rate. More of our competitors are buying from or even establishing manufacturing plants outside the US, especially China. To remain price competitive, we are being forced to do the same, costing our people their jobs here. The survival of my company is at risk, Congressman.

We believe firmly that market forces should determine the value of currency exchange rates. I encourage you to support a "sound dollar" policy to replace the "strong dollar" policy that has been the norm for too many years.

My company and my associates – some with us for over 40 years – thank you for your consideration.

Sincerely yours,

Michael R Lauber  
President & CEO

**Luketin, Bridgette**

**From:** James Gaiser [jag@GaiserTool.com]  
**Sent:** Friday, June 07, 2002 12:34 AM  
**To:** Largent, Piper  
**Subject:** Keeping jobs and the strength of the American dollar

**The Honorable Donald Manzullo,  
Chairman, House Small Business Committee  
Attn: Piper Largent  
2361 Rayburn House Office Building  
Washington, DC 20515-6315**

Honorable Donald Manzullo,  
Gaiser Tool Co. in Ventura, California employs 231 people. Our sales are being damaged by the exchange rate, and this has resulted in the loss of 124 jobs in the last two years. We have been in business forty years, since 1962, and wish to continue. With the strength of the dollar, competing in the foreign markets is becoming prohibitive. Please consider this as you create direction and policies. Create a balance that allows our countrymen to get a good value when purchasing foreign goods as well as to facilitate keeping our jobs in America.

Thank you for your time!

Best regards,  
Jim Gaiser  
President and CEO  
Gaiser Tool Company  
4544 Mc Grath Street  
Ventura, CA 93003  
Phone 805 644-5583  
Cell 805 701-7501  
General fax 805 644-2013  
Private office fax 805 644-2660  
jag@gaisertool.com  
www.gaisertool.com

**Luketin, Bridgette**

**From:** Keith Wood [keithw@powrgrip.com]  
**Sent:** Thursday, June 06, 2002 7:50 PM  
**To:** Largent, Piper  
**Cc:** sounddollar@nam.org

The Honorable Donald Manzullo  
Chairman, House Small Business Committee  
Attn: Piper Largent  
2361 Rayburn House Office Building  
Washington, DC 20515-6315

Dear Rep. Manzullo:

I would like to add our voice to the requests for help in battling a too-strong US dollar. As a small manufacturer we have seen a dramatic drop in exports during the past couple of years. At one point our exports were 50% of our total sales. Now they are running about 26%.

Even more serious is the rash of copies of our products that have been coming from Australia and Korea. We are finding that, in many cases, these products are being sold for about our cost of materials. One of the more successful copies is coming from Australia, which has been blessed with a much more favorable exchange rate trend than the 30% U.S. dollar increase, which is quoted as average worldwide.

The strong dollar, in combination with protectionist policies that have increased our raw materials costs, has caused us to explore having some of our newer products sourced from overseas. Even some of our core product lines may be threatened if the current exchange rate trend continues.

While I am not at all certain what Mr. O'Neal really can do about the dollar exchange, I do resent his claim that it isn't a problem. Apparently it has been too long since he was forced to try manufacturing competitively in a world arena.

Thank you,

Keith Wood  
Wood's Powr-Grip Co., Inc.  
Laurel, Montana



**Luketin, Bridgette**

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**From:** Winton, Pat [PWinton@GLOBE-USA.com]  
**Sent:** Thursday, June 06, 2002 5:59 PM  
**To:** Largent, Piper  
**Cc:** 'sounddollar@nam.org'  
**Subject:** HOUSE SMALL BUSINESS COMMITTEE ON OVERVALUED DOLLAR

GLOBE

The Honorable Donald Manzullo,  
Chairman, House Small Business Committee  
Attn: Piper Largent  
2361 Rayburn House Office Building  
Washington, DC 20515-6315

Dear Representative Manzullo:

My partner and I own a small equipment manufacturing operation making machines and tooling for the worldwide small electric motor market. This company has been in business since 1919. Exports were first recorded in 1936. During the 70's, 80's and 90's, exports represented 30 to 40 percent of our revenue. In the past two years, exports have been zero.

Throughout the 90's, we invested 4 to 6 % of our revenue in research and development and demonstrated that we had the leading technology in our industry.

Our competition in this niche market is Italian and Japanese. In 1995 and 1996, we were competitive. Now we are told we are 30% too high in price and the orders have not been given to us. As a result, we have reduced our workforce from 150 in 2000 to 15 at the present time.

I do not think the real story of the OVERVALUED DOLLAR is being told.

Our foreign customers tell us we are 30% too high. They purchase from Italy and Japan. Our exports are zero.

Our domestic customers tell us we are 30% too high. They purchase from Italy and Japan. Our domestic business is virtually zero.

Please help us survive. The STRONG DOLLAR POLICY is killing capital equipment manufacturers. All we expect is an equal playing field.

Respectfully submitted.

W. Patrick Winton  
President  
Globe Products Inc.  
5051 Kittridge Rd.  
Dayton OH 45424


**TAYLOR FORGE ENGINEERED SYSTEMS, INC.**

First & Iron Streets • Paola, Kansas 66071  
 Tel: 913-294-5331 • Telex: 62192610  
 FAX: 913-294-5337



June 6, 2002

**The Honorable Donald Manzullo,**  
 Chairman, House Small Business Committee  
 Attn: Piper Largent  
 2361 Rayburn House Office Building  
 Washington, DC 20515-6315

**The Honorable Dennis Moore**  
 House Small Business Committee  
 431 Cannon House Office Building  
 Washington, DC 20515

Reference: The Too Almighty Dollar

Gentlemen:

As the owner of a small manufacturing company who exports over 50% of what we produce, I have been beating the drum of the overvalued U.S. dollar for more than a year now. I now write to you with my cause, as I believe there is enough support behind this issue to start to get attention in Congress, at the Treasury, and in the Administration.

We are fabricators of steel plate, and our industry has been complaining about unfair trade practices by our foreign competitors for the past couple years. And though I am convinced this is in fact happening, making meaningful progress toward solving this problem is difficult, long, expensive, and political. The equally debilitating problem is the rise in the dollar over the past 24 to 36 months.

Several issues have lined up in support of a weaker dollar. If we expect our economy to recover, we need to bring our trade deficit closer to balance. I do not believe this means import less, but export more. As a fabricator of steel plate, if we have any hopes for the Section 201 trade case succeeding, nullifying the penalties with a stronger dollar will sink this effort. If the administration expects to get results from their energy policy, they are going to need domestic capacity. Many companies like ours have gone out of business over the past 2-3 years and we will be incapable of supporting a program increase.

The direct effect on our company is seen on both domestic and international projects. In 1998 over 30% of our total sales were going to Korea. Today, 0% is going to Korea. In 1998, we had minimal competition from Italy, some from Canada, and none from Korea for domestic business. Today, almost 40% (by weight) of the steam drums purchased for combined cycle power plants in

*Traditionally Dependable*

the U.S. are coming from Korea; over 50% of the reactors for refinery applications are coming from Japan, Italy and Belgium. Canada is able to buy "dumped plate" and circumvent the trade case sanctions and penalties by shipping in fabricated product at \$0.63 Canadian to \$1.00 USD.

It appears to me that the dollar is not moving in step with the rest of the economy. History has shown that minimal action by Congress, the Treasury, or the Administration regarding an overvalued dollar is enough to make some impact. More aggressive steps are necessary, but a policy statement would be a start. Open markets, fair trade, and free trade, apply to monetary policy as well manufactured goods.

My hope is that mine becomes one of many voices from the U.S. manufacturing industry voicing the same concerns. Thank you for your time. I would be happy to hear your comments.

Very truly yours,  
TAYLOR FORGE ENGINEERED SYSTEMS, INC.

Michael G. Kilkenny  
President

\\Primary\_tfes\Workgroups\Sales - Contract Adm\Kilkenny M\Docs\Dollar ltr.doc

*Traditionally Dependable*

**Luketin, Bridgette**

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**From:** BarbaraRials@parkdalemills.com  
**Sent:** Thursday, June 06, 2002 5:24 PM  
**To:** Largent, Piper  
**Cc:** sounddollar@nam.org  
**Subject:** Message from Andy Warlick - Parkdale

[As dictated by Andy Warlick]

Dear Representative Manzullo,

I am delighted that your committee is looking into the over-valued U.S. dollar. With the increase in the value of the dollar, we have lost considerable export opportunities. In fact, all of our export opportunities to Europe have dried up.

We are now losing our own market due to the under-valued currencies of many of our competitors around the world. Countries that were not competitive with us from a productivity and investment standpoint are now beating us 20-30% on pricing all due to the value of their currency against the U.S. dollar. This has caused considerable financial stress, not only for our company, but for our entire industry.

The message coming from Washington is clear - "Do not manufacture anything in the United States. Outsource." We are seeing our customer base begin to stop off plants, lay off employees and stop investing in the United States so that they can outsource and take advantage of this overvalued dollar. At this point, we would be fools to invest in the United States. Please look at returning the dollar to its normal level; one that has sound support from consistent financial data. Many countries around the world are taking advantage of U.S. manufacturers because our Administration wants a strong dollar. They interfere with our currency by using their governments to purchase our dollars and run up the value in order to have export advantage.

This is not free trade. This is not fair trade. This is economic suicide.

Sincerely,

Andy Warlick  
Parkdale Mills  
704-874-5005



June 6, 2002

The Honorable Don Manzullo  
Chairman, House Small Business Committee  
Attn: Piper Largent  
2361 Rayburn House Office Building  
Washington, DC 20515-6315

Dear Mr. Manzullo:

I am sending this letter to detail my concerns about the overvalued U.S. dollar. As a small business owner I have been put at a severe disadvantage, when trying to compete with foreign machinery builders. The reasons for this are numerous and not the smallest reason is the overvalued U.S. dollar. This alone gives most foreign competitors a 30% price advantage over U.S. companies. Our business has gone down by 47% in the last two years alone.

A good example is two sales that we lost this year to an Italian company. On comparable machines quoted my severely discounted price was approximately \$80,000.00 and the Italians were in at \$50,000.00 delivered and installed. At a 38% price difference the customer bought the other machine. Last year this company lost 20% of the workforce to lay-off and then the ones remaining had to take a 20% cut in salary for 42 weeks. The insurance benefits were also cut back by about 20%. On top of this the foreign governments give their companies tax incentives, and subsidies to participate in our trade shows to help them gain market share in our country. Our government gives us a new set of egregious regulations to meet, such as the ergonomics standard.

If the U.S. Government wants more tax revenue from business they need to look at ways to make it easier for U.S. Companies to compete in a global market. If that means adjust the value of the dollar, do it. If that means increasing tariffs on import goods, do it. Time is running out for another endangered species, the American Worker.

Sincerely,

A handwritten signature in black ink that reads "Art Galiffa".

Art Galiffa  
President  
Cemco Inc.

**Luketin, Bridgette**

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**From:** Frank Smith [franksmith@beamsind.com]  
**Sent:** Thursday, June 06, 2002 4:18 PM  
**To:** Largent, Piper  
**Cc:** sounddollar@nam.org  
**Subject:** Strong vs. Weak Dollar

Dear Sirs,

This email is in response to information received by NAM and the upcoming considerations on the valuation of the dollar. I own a small manufacturing company and we purchase approximately 25% of our inventory from Europe. The strong dollar has been a great asset to our company and has allowed us to save a significant amount on these goods. This in turn has allowed us to stay competitive (with a superior product) in the markets as we face increased competition from Asia. In the recent weeks as the dollar has weakened against the European currencies I have already seen an 8% increase in my costs. While I am sure the NAM has many other companies that are effected negatively by a strong dollar, I for one am able to be more competitive and keep employment levels high by keeping the dollar strong. I of course may benefit from my customers increased sales if they are effected favorably by a weaker dollar but I am unsure of that. All I can be sure of is that my costs will go up quickly and keep me from being able to compete if the dollar continues to lose ground against the European currencies.

Best regards as you consider what is best for the overall U.S. economy,  
Frank Smith  
Beam's Industries, Inc.

**Luketin, Bridgette**

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**From:** mike nelson [mike@maydaymfg.com]  
**Sent:** Thursday, June 06, 2002 3:46 PM  
**To:** Largent, Piper  
**Cc:** JSÖNICK-NAM@NAM.ORG  
**Subject:** Overvalued U.S. dollar

The Honorable Donald Manzullo,  
Chairman, House Small Business Committee  
Attn: Piper Largent  
2361 Rayburn House Office Building  
Washington, DC 20515-6315

The overvalued dollar has had a significant negative effect on our exports and on our employment level. Our exports have been reduced over 1 million dollars and our employment level has been reduced by 10 employees as a direct result of the overvalued dollar negatively impacting our competitive position in the global marketplace.

Please improve the competitiveness of U.S. manufacturers by adopting policies that will keep the dollar at normal market levels.

Sincerely,

Mike Nelson  
President  
Mayday Manufacturing  
1500 I35W  
Denton, TX 76207  
Ph 940-898-8301  
Fx 940-898-8305  
Email mike@maydaymfg.com

**Luketin, Bridgette**

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**From:** Morgan, Fred [famorgan@thern.com]  
**Sent:** Thursday, June 06, 2002 3:41 PM  
**To:** Largent, Piper  
**Cc:** sounddollar@nam.org  
**Subject:** FAIR PLAY

The Honorable Donald Manzullo,  
Chairman, House Small Business Committee  
Attn: Piper Largent  
2361 Rayburn House Office Building  
Washington, DC 20515-6315

BY FAX: 202-225-3587

FAIR PLAY:

TERN, INC. - MFG. OF WINCHES, CRANES, AND HOISTS:

As a small winch and crane manufacturer we have lost out on numerous export projects in the past five years. In fact, 1996 and 1997 were some of our better years for export. We have file drawers full of Export Bid proposals totaling multi-millions of dollars. But no business. Should we keep quoting? Should we continue to develop business relationships with other quality distributors and dealers abroad? The number one question is: If American's cannot produce goods that are competitive we will eventually end up letting a number of employees go as well as probably end up selling the business or eventually just go out of business. Surely as a small privately owned family company we are not in this boat alone.

What do the foreign distributor's say regarding American made products?

"Your American made products are high quality. You are quoting the right product. But, your prices are 40% higher than the competition!" One Asian contact stated--50% higher. We have given deeper discounts and still no business. We are still too high.

Why export? Because manufacturing is one of the grass root economic builders of capital providing millions of jobs. For the most part providing decent wages for our employees with health benefits, pension plans, and a host of other amenities. And we pay our fair share of taxes helping our local, state, and federal governments sustain valuable services to its people.

I am proud of our employees. I tell them over and over again--"It is their performance that keeps our shipping doors open." But, in the end--our performance and utilizing our resources wisely and effectively cannot make up a 40% to 50% price differential.

It's time for fair play. It's time for across the board exchange rates. Then put us up against anyone in the world. We will get our fair share of export business.

Thank you for the opportunity to express my thoughts....

Best Regards.

Fred A. Morgan  
President



**Luketin, Bridgette**

**From:** Tim Brown [tbrown@mereen-johnson.com]  
**Sent:** Wednesday, June 05, 2002 3:08 PM  
**To:** Largent, Piper  
**Subject:** US Dollar Valuation -

A message for the Honorable Donald Manzullo, Chairman, House Small Business Committee

Mereen-Johnson Machine Company is a 20 million dollar gross sales company with manufacturing facilities in Minneapolis, MN and Webster, SD. We specialize in the production of industrial woodworking machinery. I serve as our company's Export Sales Manager. We have been manufacturing and marketing our product in the US market since 1905 and have actively marketed and exported our product abroad since 1980. Export sales have historically represented approximately 20% of our gross sales.

Due primarily to the increase in the US dollar valuation against foreign currencies in recent years our export sales now represent approximately 4% of our gross sales. This has led to layoffs of hourly employees and salary cuts to our employees for both plants. In addition to the loss of export sales, the strong dollar has caused many of our foreign competitors to pursue the US market. This additional competition has now effected our domestic market share in a very negative way.

I strongly urge your committee to consider policies that promote a reasonable and stable dollar valuation (lower than present rates) that will allow for a level playing field and encourage US companies to bring manufacturing back to US factories. This will encourage employment, a strong personal and corporate tax base, lower dependency on government programs and general prosperity.

I be happy to discuss our views with you at your convenience. Direct Line - (612) 302-3335

Best regards,

Timothy L. Brown

Tim Brown  
Mereen-Johnson Machine Company  
4401 Lyndale Avenue North  
Minneapolis, MN 55412  
tbrown@mereen-johnson.com  
Ph: 612-302-3335  
Fx: 612-529-0120

**ESTABLISHED 1883**

June 6, 2002

The Honorable Donald Manzullo,  
Chairman, House Small Business Committee  
Attn: Piper Largent  
2361 Rayburn House Office Building  
Washington, DC 20515-6315

THE  
**ADAMS**  
COMPANY

Post Office Box 268  
100 East Fourth Street  
Dubuque, Iowa 52001

Telephone 319/583-3591

We understand your committee will shortly be holding a hearing focusing on the issue of the strong dollar and how it is affecting domestic manufacturers.

Our company is a small manufacturer of two distinctly different product lines. We are family owned and have been in business since 1883. One of our product lines is made for other original equipment manufacturers in a wide variety of industries. The other goes to small and medium sized retailers.

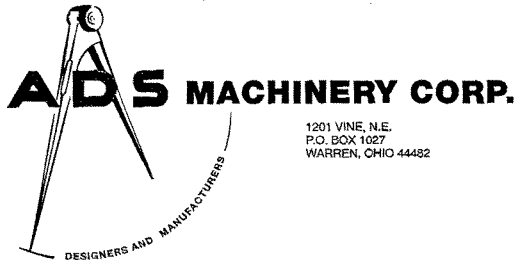
In both of our product lines we have experienced the effects of increased foreign competition. It has resulted in both loss of domestic sales and loss of indirect export sales with a consequent loss of jobs in our factories. Although difficult to quantify because of the weak economy I estimate the effect could easily be as great as 25 percent!

The value of the dollar is a serious issue with potential long-term effects on our manufacturing base. We already suffer from a competitive disadvantage with respect to labor and regulatory costs. An artificially strong dollar is an additional competitive burden and foreign business is taking full advantage of it.

The Adams Company



John C. Hendry  
President



1201 VINE, N.E.  
P.O. BOX 1027  
WARREN, OHIO 44482

PHONE: (330) 389-3501  
FAX: (330) 389-1130  
E-Mail: ADS@ADSMACHINERY.COM  
Web Site: WWW.ADSMACHINERY.COM

ISO9001  
CERTIFIED

The Honorable Donald Manzullo  
Chairman, House Small Business Committee  
Attn: Piper Largent  
2361 Rayburn House Office Building  
Washington, D.C. 20515-6315

June 7, 2002

Chairman Manzullo:

Our company is a privately owned design and manufacturing firm with more than 45 years of quality service. We may be the only American owned company left, doing what we do. However economic conditions have reduced our business to almost nothing for over two years. Meanwhile the U.S. dollar has increased nearly 30% which makes our exports that much more expensive and discounts foreign Imports. We have released our contract engineers, eliminated all part time positions, and implemented three reductions in force then reduced hours for those who are left. However the economic recovery so desperately needed by small business continues to be retarded by the overvalued dollar. We ask that your committee help Congress understand how important it is to return the dollar to normal levels. The overvaluation is doing great damage to production, sales, jobs and most certainly, the future existence of companies like ours. We need your help to survive. The government must adopt policies that will bring the dollar back to normal.

Respectfully

Jim Shipley  
Director of Human Resources  
A-D-S machinery Corp.

JUN. -10' 02 (MON) 12:16 ADVANCE BRONZE

TEL: 3309482736

P. 001

www.advancebronze.com

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PHONE 948-1231  
FAX# (330) 948-2736**Advance BRONZE INC.**

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139 OHIO STREET

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LODI, OHIO 44254-0280

The Honorable Donald Manzullo  
Chairman, House Small Business Committee  
Attn: Piper Largent  
2361 Rayburn House Office Building  
Washington, DC 20515-6315

6/10/02 202 225 3587

Dear Rep. Manzullo,

Re: Strong dollar

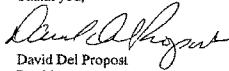
WE NEED YOUR HELP.

We are a small business trying to cope with the severe downturn in the manufacturing sector of our economy. Our strong dollar has been needlessly costing our economy jobs. We constantly hear from our customers that they are curtailing operations for two reasons. The first is that they can buy the completed product offshore at a cost much lower than their production costs. The second reason is that our customer's customer has done the same thing.

The strong dollar has had a great NEGATIVE impact on our manufacturing sector. We are constantly required to bare costs of regulation after regulation and then try to complete against a dollar that is too strong.

Please do what you can to adopt policies that will bring our currency value to reasonable levels.

Thank you,



David Del Propost  
President  
Advance Bronze Inc

**AMERICAN BRONZE CORPORATION**

FOUNDERS. MANUFACTURERS IN BRASS AND BRONZE



2941 BROADWAY AVENUE  
CLEVELAND, OHIO 44115  
PHONE: 216/341-7800  
FAX: 216/341-0735  
AMBRONZE@CLEVELANDNET.COM  
www.americanbronzecorp.com

June 10, 2002

The Honorable Donald Manzullo  
Chairman, House Small Business Committee  
Attn: Piper Largent  
2361 Rayburn House Office Building  
Washington, DC 20515-6315

Dear Congressman Manzullo:

In the last two years, we have lost major customers to Mexico, Canada, Turkey and China. The plumbing valve industry has all but moved to China. Our sales are off dramatically and we have reduced our blue collar and white collar work force by almost one half – all good paying jobs.

Our company has been in business since 1950. I have never seen worse conditions. We will survive because we have no choice, but it will be a far different company. Unless the strong dollar, and other unfair trade practices, are revoked, I see more and more foundries closing. As it is, every day I receive notice of another foundry auction.

We have always been an automated high production, highly competitive foundry. I am not used to being high bidder, but the high priced dollar is overwhelming us.

Please review your options and give American manufacturers a chance to keep high volume work here.

Yours very truly,

AMERICAN BRONZE CORPORATION

  
Gerald Goldstein  
President

*Ambronze Process Castings*



June 6, 2002

The Honorable Donald Manzullo  
 Chairman, House Small Business Committee  
 Attn: Piper Largent  
 2361 Rayburn House Office Building  
 Washington, D.C. 20515-6315

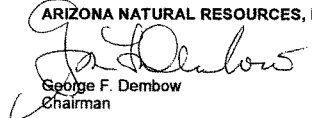
Dear Representative Manzullo,

We at Arizona Natural Resources are contract packagers and private labelers of cosmetics, toiletries, and candles. Over the past year and one half we have lost existing business to competitors in Canada and Guatemala which has cost us over seven million dollars in gross revenue. As the US dollar has gotten stronger, we have lost business to offshore companies on products that are mainly sold at retail in the United States.

We are aware that you are holding hearings regarding the "strong dollar" policy of the current administration. We feel that the U.S. dollar is way over valued at this time and we implore you to vote for policies that bring the dollar down in relation to other currencies. We have already had to discharge 120 employees. We hope we will not have to release more people as we lose business to offshore companies.

Thank you for your consideration.

Very truly yours,

**ARIZONA NATURAL RESOURCES, INC.**  
  
 George F. Dembow  
 Chairman

GFD/hjf



June 11, 2002

The Donald Manzullo  
Chairman, House Small Business Committee  
Attn: Piper Largent  
2361 Rayburn House Office Building  
Washington, DC 20515-8315

Dear Sir:

I am asking for your assistance, as well as your fellow colleagues, to do something about the overvalued dollar that has hurt the Foundry industry the past three years and continues to do so.

You should look into how many foundries have been closed over this same period and continue to do so. The overvalued dollar, along with NAFTA, have reduced a once proud industry to a mere shadow of itself. At one time, we were the third largest employer in the country. At the present time, I haven't a clue where we stand - somewhere around 150th. In case your committee was never informed, just about every product starts with some type of a casting. If you can get a copy of May's Modern Metals, you will see why this overvalued dollar is so critical.

As a fellow member of the Non-Ferrous Society, we are requesting that something be done, and quickly, to help this old and proud industry.

Sincerely,

ATLAS FOUNDERS, INC.

Henry E. Sullivan,  
Vice President

HES/js

 **AUTOMATIC SPRING**  
P R O D U C T S C O R P.

Coil Springs • Flat Springs • Stampings • Wire Forms • Torsion Springs

June 10, 2002

The Honorable Donald Manzullo  
Chairman, House Small Business Committee  
Attn: Piper Largent  
2361 Rayburn House Office Building  
Washington, DC 20515-63158

Fax: 202 225 3587

Dear Chairman Manzullo:

Automatic Spring Products Corporation is located in Grand Haven, Michigan. We employ 281 workers and we need your help.

We, like many small manufacturers, have been adversely impacted by the overvalued US dollar. Because of the value of the dollar, we have lost domestic and export sales. Last year we lost our sixth largest customer to a competitor in Canada who was offering a price reduction of over 30%. Early this year our fifteenth largest customer, a German owned company that we sell to in Mexico, demanded a large price reduction since they could buy the same parts for that much less from Germany. This month when we discussed the cost impact of the steel tariffs with our fifth largest customer we were told that they already have lower prices from a spring manufacturer in Great Britain and if we submitted a price increase to cover the increase in the cost of steel due to the recent steel tariffs, they would replace Automatic Spring as a supplier. We have seen our customers move to Mexico and then to China. We are very concerned about our future as a component manufacturer in the US. Do we have to relocate to Mexico or Canada to survive?

Sincerely,



Gordon Ritter  
VP Sales & Finance



Jun 07 02 01:24p

Batesville Products Inc. 812-537-5693

p. 1



434 margaret street lawrenceburg, indiana 47025  
phone: 812-537-2275 800-758-2372 fax: 812-537-5693

June 7, 2002

The Honorable Donald Manzullo  
Chairman, House Small Business Committee  
Attn: Piper Largent  
Washington, DC 20515-6315

Dear Congressman Manzullo

It has been almost a year since I wrote to Secretary of the Treasury, Paul O'Neill voicing my concerns about the negative impact of the overvalued dollar on U.S. manufacturers. In that time, we have seen several of our customers shift projects away from us to other countries. Almost daily, I read in the paper where another American company is shifting the production of its goods offshore. Manufacturing in the U.S. is taking a beating, and at least one of the reasons is the overvalued dollar.

One area where you can assist in a manufacturing recovery would be the stabilization of our currency. With increases of 30% since 1997 the dollar is near its highest level in 15 years. The result is lower export opportunities for our goods and higher export realities for our manufacturing jobs. Although we, as a small manufacturing company, do not export heavily many of our customers do. Within the past couple of years we have seen an increase in the number of these customers who are undertaking "global sourcing initiatives" looking to move manufacturing jobs out of the U.S. These same companies are seeing their export sales slipping because of an exchange rate that benefits their foreign competition.

I urge you to take whatever actions you can to bring the dollar back in line with other currencies so that we can compete on a more level playing field with realistic and fair exchange rates.

Sincerely,  
Batesville Products, Inc.

A handwritten signature in black ink that reads "Rick Weber".

Rick Weber, president

e-mail: [batesvil@one.net](mailto:batesvil@one.net) website: [www.batesvilleproducts.com](http://www.batesvilleproducts.com)  
engineering tooling permanent mold castings CNC machining plating/powder coating assembly

**Belmont** METALS INC.  
330 BELMONT AVENUE \* BROOKLYN, NEW YORK 11207-4000

TEL 718-342-4900  
FAX 718-342-0176

June 10, 2002

The Honorable Donald Manzullo  
Chairman House Small Business Committee  
Attn: Pipet Largent  
Washington DC

Fax #202-225-3587

**RE: Overvalued Dollar.**

Gentlemen:

This is to advise that our business is being affected by the overvalued dollar. In our opinion, our export business has fallen, as well as, moving of domestic production off shore to reduce manufacturing costs.

We have had to reduce our work force because of this.

The jobs and the survival of small businesses such as ours are very vulnerable to the value of the dollar.

We hope your committee can take action to bring the dollar back to normal levels.

Yours very truly,

BELMONT METALS INC.

  
Robert V. Henning  
President

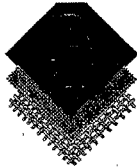
RVH/ml

[DON61002]

Jun-10-2002 05:26pm From=BELTON INDUSTRIES

+864-338-5584

T-540 P.001/002 F-971


**BELTON  
INDUSTRIES INC.**

Post Office Box 127  
 Belton, South Carolina, USA 29621  
 864-338-5711 • FAX 864-338-5594  
[www.beltonindustries.com](http://www.beltonindustries.com)

June 10, 2002

The Honorable Donald Manzullo  
 Chairman, House Small Business Committee  
 Attn: Piper Largent  
 2361 Rayburn House Office Building  
 Washington, DC 20525-6315

BY FAX: 202 225 3587

Dear Chairman Manzullo:

With the understanding that your Committee is undertaking hearings on the impact of the overvalued dollar, we wish to submit our comments for the record. Our company believes it has been substantially impacted by abnormal policies and circumstances that have created a valuation imbalance between the dollar and the currencies of Canada, Europe and Asia. Our Company has been in business since 1916 and is a manufacturer of specialty fabrics for industrial, agricultural, civil engineering, and specialty packaging solutions. We are very much a *non traditional* textile manufacturer.

By 1998 we, in spite of continual productivity gains, began to see an erosion of our domestic business as our customers were losing business at an unprecedented rate to overseas competitors. During the same period we began losing export opportunities causing our sales to Europe and Australia to drop by nearly half. By 2000 our largest customer had closed most of its US manufacturing and began to be an importer and reseller of foreign made products. After over twenty years of running to maximum capacity we first cut back to only 72% of capacity. By early 2001 the same foreign competitors that we had been successfully competing against for over ten years, were quoting prices more than 20% lower than those of just a few years ago. The ability to do this was not due to some stratospheric gain in productivity on their part, but simply the value of the dollar rising faster than we could cut cost or create productivity gains to off set it. We had slashed margins to dangerous levels trying to hold business and work force in place; but by third quarter of 2001 we had to further cut production and staffing to 49.3% of capacity. We are holding on to a pool of surplus employees in hopes of finding business to climb back to 62% of capacity. However, if this does not happen soon, we will have to further trim our work force. To put it simply our labor force has shrunk from 208 employees to 154, and if we cannot find profitable work to raise our capacity significantly, we will have to lay off a further 20 people.

Additionally we have restricted capital spending to only those things necessary to prevent machine failures or those that give a six months pay back. Needless to say the capital spending budget is only 1/4th of that of normal times. As banks have become frightened of the smaller members of the manufacturing community, we are also subjected to reduced credit facilities and much higher interest rates.

GEOCOIR®

GEOJUTE®

ECONO-COIR®

ANTIWASH®

Jun-10-2002 05:26pm From-BELTON INDUSTRIES

+864-338-5594

T-540 P.002/002 F-971

While the currencies of most countries will weaken as their trade deficits increase, that doesn't seem to hold for the U. S. for the simple reason the world is on a de facto dollar standard. As a result the two most important wealth producing engines of the U. S. economy, Manufacturing and Agriculture are put at risk. We are being made to bear more than our fair share of the cost of stable world currencies.

We commend your effort to finally get some understanding of the complexity of this situation and hopefully the imbalance can be corrected before the pending calamity becomes a totally destructive reality.

Respectfully yours,  
Belton Industries, Inc.



Carroll B. Hart, Sr.  
President

TOTAL P.01



Brass • Bronze • Aluminum • Special Alloys

The Honorable Donald Manzullo  
 Chairman, House Small Business Committee  
 Attn: Piper Largent  
 2361 Rayburn Office Building  
 Washington D.C. 20515-6315

Bridesburg Foundry as many, many, foundries are being hurt by the strong dollar relating to cheap imports. This company has survived through two world wars, depressions, and recessions. We have produced and are still producing castings for the military. With your help we can be around if the military would need us in the future.

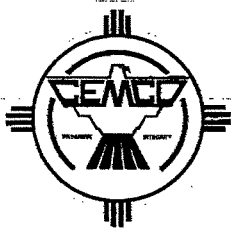
*V. J. Rivette*  
 Pres.

Please visit us at our web site [www.bridesburg.com](http://www.bridesburg.com)

PLANT OFFICE: FRONT & GRAPE STS. • P.O. BOX 269 WHITEHALL, PA 18052-0269 • PHONE: 610-266-0900 • FAX: 610-266-0911

JUN. 11. 2002 6:25PM CEMCO INC

NO. 023 P. 1

**CEMCO Inc.**7912 Pan American NE  
Albuquerque, NM 87109P.O. Box 92500  
Albuquerque, NM 87199-2500  
Office 505-821-5000  
cemcoturbo@aol.com

June 11, 2002

The Honorable Donald Manzullo,  
Chairman, House Small Business Committee  
Attn: Piper Largent  
2361 Rayburn House Office Building  
Washington, DC 20515-6315

Dear Chairman Manzullo,

I am writing to urge you and your committee to act now to bring our US Dollar to a level that will promote sales of our goods and services. We at CEMCO are being killed by the overvalued US Dollar at its present level. Our Export sales are dwindling.

I am a manufacturer of a basic industry tool, which is rock crushing equipment. The use of our equipment affects the entire spectrum of our economy. Should you take a pill, aspirin, or use glass, or a thousand other things we overlook in our routine lifestyle, then you are using material that has been processed or crushed.

The emerging nations of the Third world, that wish only to improve their lifestyle, or attain some semblance of our good fortune, cannot.....why? Because they cannot afford to buy our equipment, and due to our Dollars' overvalue, we are not able to land as many sales as we have the ability to produce. That translates into less available jobs for our people here in America. Specifically, if one of my crushers sells for approximately \$100,000.00 US Dollars, it becomes extremely difficult to sell, even to good neighbor Canada at \$150,000.00 CDN. The folks in Canada are not dumb; they will go to China or elsewhere to buy their goods. The same situation exists in Mexico; the Peso to USD exchange all but makes it impossible to sell capital goods. I could name all other currencies, as we do business in many countries around the world.

While a strong Dollar is good for us as tourists visiting trendy places in the world, it certainly does hurt sales of U.S. capital goods elsewhere in the growing world economy.

I implore you to promote the realistic value of our US Dollar; do not continue to promote policies that sustain an artificially inflated Dollar value. If we do not bring the Dollar to a realistic value soon, there will be a price we are going to pay that will further damage our economy. That price is loss of American jobs.

Sincerely

Neil R. Hise, President

## CHEMICAL PRODUCTS CORPORATION

CARTERSVILLE, GEORGIA 30120

POST OFFICE BOX 5470

TELEPHONE 770-386-2144  
FAX 770-386-6053

June 11, 2002

Dear Sir or Madam:

Time only allows brevity. I thank you for hearing the case of the "strong dollar" as related to United States manufacturing.

The cost burden that the "strong dollar" has on our company has been tremendous. Certainly, the strong dollar issue could fill pages with "tales of woe" from American manufacturing, especially smaller manufacturers.

Most smaller manufacturers have facilities only in the United States or at most, NAFTA (larger manufacturers have the ability to hedge on currency by shifting production to more currency friendly locations outside the U.S.). Put quite simply, as in the case of our company, a "strong dollar" allows competitors to import products into our country at a 30% discount and remain as financially whole as before. Put another way, foreign competitors can import something previously priced at \$1.00 and sell it for \$.70. U. S. manufacturers, and certainly our company, have no choice but to meet those prices or lose the business. (By the way, purchasing transactions have become particularly brutal over the past several years from the influence of the large retailers and foreign imports). The effect of this is 30% off the "bottom line." In many cases, margins did not exceed 30%; therefore, many companies are simply faced with a loss.

Upon meeting with our employees and sharing this with them, coupled with a simple but demonstrative arithmetic exercise, I was absolutely astounded at the lack of awareness of this influence on domestic pricing. Needless to say, our employees became enlightened; I fear that many others in our nation, even those one would expect to be aware, suffer from the same lack of awareness.

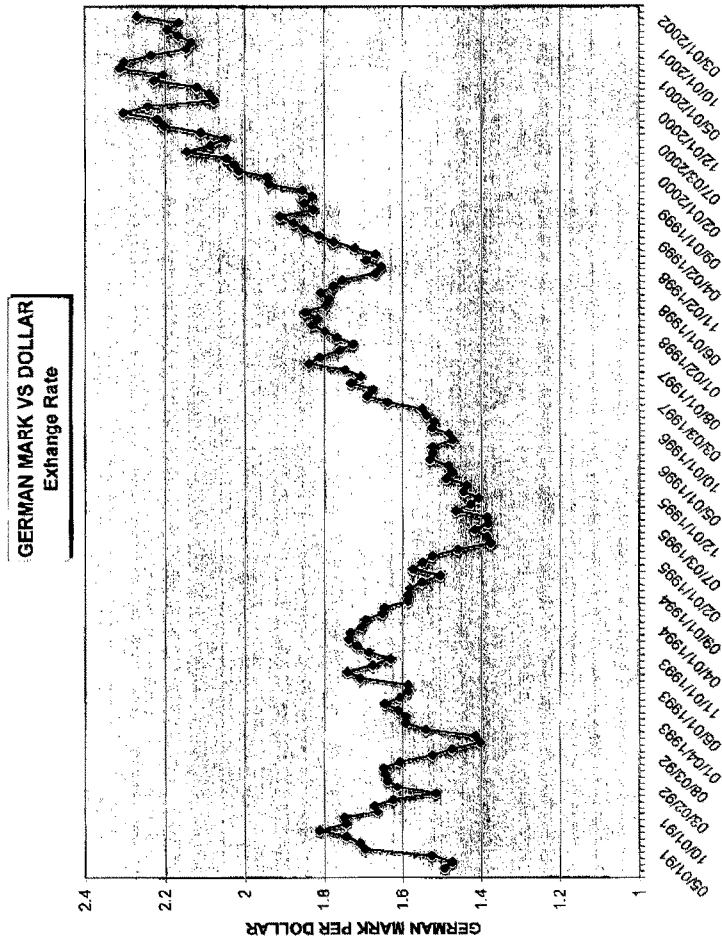
It also astounds me as to how the U.S. currency posture has changed since about 1995. As an example please note the attached graphic representing the German Mark vs. the Dollar for the period of 1991 to present (The Euro was not in effect at that time).

Please do what is in your power to restore manufacturing to an equal playing field; this is a serious problem with U.S. manufacturing and be aware that many U.S. jobs are at stake.

Respectfully,



L. Ballard Mauldin  
President







June 10, 2002

The Honorable Donald Manzullo  
Chairman, House Small Business Committee  
Attention: Piper Largent  
2361 Rayburn House Office Building  
Washington, DC 20515-6315

Dear Chairman Manzullo:

Cim Tech Plastics, Inc. is a QS9000 registered custom molder, which has been in business since May of 1992. We mold plastic components for local manufacturers that eventually get assembled into useable products such as electrical connectors, relays, automotive switches and more. As manufacturers relocate assembly of their products to cheaper overseas labor sources, our company and employees suffer. The annual sales of our organization has decreased 30 percent in the past two years. This decrease has resulted in fewer employees with reduced pay and benefits.

The U.S. dollar must be valued such that our products and goods can be competitively produced and sold in this global economy. Manufacturing is crucial to maintaining and elevating our standard of living. The standard of living we enjoy as Americans is our freedom. This freedom must be protected!

Cordially,

**Cim Tech Plastics, Inc.**

A handwritten signature in black ink, appearing to read 'Charles E. Pertile'. The signature is written in a cursive, flowing style.

Charles E. Pertile  
President

Cc: Coalition for a Sound Dollar

**Continental  
Heat  
Treating, Inc.**

13643 S. Norwalk Blvd.  
Santa Fe Springs  
California 90670  
562-944-8808  
800-622-8624  
FAX 562-944-1499



June 10, 2002

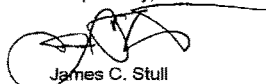
The Honorable Donald Manzullo,  
Chairman, House Small Business Committee  
Attn: Piper Largent  
2361 Rayburn House Office Building  
Washington, DC 20515-6315

Subject: Overvalued Dollar

Dear Sir,

The Dollar is overvalued and it is hurting my business. I service U.S. Manufacturing companies. My customers are losing money on export sales and are also being undercut by cheap imports. My business has been affected with slow sales and also layoffs due to import pressures on U.S. manufacturing. This committee needs to help small business by getting the government to adopt policies that will bring back the dollar to normal levels. U.S. small business and manufacturing jobs are at stake.

Respectfully,



James C. Stull  
President

■ **Federal Bronze  
Casting Industries, Inc.**

■ 9 Backus Street  
Newark, New Jersey 07105  
Phone: 973-689-7575  
Fax: 973-689-7078

## Federal Bronze

The Honorable Donald Manzullo  
Chairman, House Small Business Committee  
Attn: Piper Largent  
2361 Rayburn House Office Building  
Washington, DC 20151

June 10, 2002

Dear Congressman Manzullo,

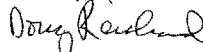
As a small business employer in New Jersey, I would like to make you aware that my foundry has increasingly been negatively affected by low priced castings produced in China and sold to US customers at prices far below what it would cost our company to produce them here. There are several important reasons behind the unprecedented growth in imports of ferrous and non-ferrous castings:

1. US monetary policy has allowed the dollar to become artificially inflated in comparison to other currencies. This has the unintended effect of imposing the equivalent of a 30 percent added tariff on US goods and permitting imports to be sold at artificially low prices in the U.S.
2. U.S. trade policy encourages free and open access to our markets but this is often done without thought to the negative effects that flooding our country with low-cost foreign made goods can have on domestic manufacturing and unemployment.
3. Foundries and manufacturing companies in China and other developing countries have a huge advantage based on their low wage structure. If this were not more than enough pressure on domestic manufacturing, these foundries do not have to cope with the burdens imposed by U.S. environmental protection and occupational safety & health rules and regulations.

Like our company the majority of ferrous and non-ferrous foundries are small business. More than 90% of the 2000+ firms in our industry have fewer than 100 employees, but those employees must not become victims of America's desire to foster the progress of developing countries.

As a member of the Senate Ways and Means Committee I ask that you initiate the necessary steps to ask the USITC to undertake a Section 332 investigation of the ferrous and non-ferrous foundry industries and particularly the conditions of competition between U.S. and Chinese foundries. Preserving American jobs must be a top priority in the effort to spur the U.S. economic recovery.

Sincerely,



Douglas J. Reichard  
Vice President

■ Federal Bronze  
Casting Industries, Inc. ■ 9 Backus Street  
Newark, New Jersey 07105  
Phone: 973-589-7575  
Fax: 973-589-7078

## Federal Bronze

The Honorable Donald Manzullo  
Chairman, House Small Business Committee  
Attn: Piper Largent  
2361 Rayburn House Office Building  
Washington, DC 20151

June 10, 2002

Dear Congressman Manzullo,

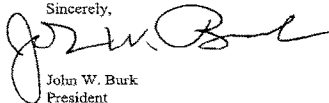
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Sincerely,



John W. Burk  
President



Fountain Foundry, Inc.  
 1815 W. 14th Street  
 P.O. Box 1818  
 Pueblo, Colorado 81002  
 Phone: 719-544-7593  
 Phone: 719-744-0444  
 Fax: 719-545-6971  
 E-Mail: fountainfoundry@aol.com

The Honorable Donald Manzullo  
 Chairman, House Small Business Committee  
 Attn: Piper Largent  
 2361 Rayburn House Office Building  
 Washington, DC 20151

June 10, 2002

Dear Congressman Manzullo,


As a small business employer in Colorado, I would like to make you aware that my foundry has increasingly been negatively affected by low priced castings produced in China and sold to US customers at prices far below what it would cost our company to produce them here. There are several important reasons behind the unprecedented growth in imports of ferrous and non-ferrous castings:

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Sincerely,

  
 Douglas Reichard  
 Vice President



Fountain Foundry, Inc.  
1815 W. 14th Street  
P.O. Box 1618  
Pueblo, Colorado 81002  
Phone: 719-544-7593  
Phone: 719-744-0444  
Fax: 719-545-6971  
E-Mail: fountainfoundry@aol.com

The Honorable Donald Manzullo  
Chairman, House Small Business Committee  
Attn: Piper Largent  
2361 Rayburn House Office Building  
Washington, DC 20151

June 10, 2002

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Sincerely,

John W. Burk  
President

FOX HILLS Industries, Inc.



5831 Research Drive  
 Huntington Beach, CA 92649  
 Phone: 714-893-1940  
 Fax: 714-897-9892  
 E-Mail: foxhills@aol.com

The Honorable Donald Manzullo  
 Chairman, House Small Business Committee  
 Attn: Piper Largent  
 2361 Rayburn House Office Building  
 Washington, DC 20151

June 10, 2002

Dear Congressman Manzullo,

As a small business employer in California, I would like to make you aware that my foundry has increasingly been negatively affected by low priced castings produced in China and sold to US customers at prices far below what it would cost our company to produce them here. There are several important reasons behind the unprecedented growth in imports of ferrous and non-ferrous castings:

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Sincerely,

A handwritten signature in black ink, appearing to read "John W. Burk". The signature is fluid and cursive, written over the typed name.

John W. Burk  
 President



June 10, 2002

The Honorable Donald Manzullo  
 Chairman, House Small Business Committee  
 2361 Rayburn House Office Building  
 Washington N.C. 20515-6315

Mr. Chairman:

Thank you for taking the time to sponsor a hearing on the competitive disadvantages created by the strong U.S. currency. Our family has owned and operated a small manufacturing company that has designed, manufactured and serviced high temperature stainless steel dyeing machines and process control systems for the textile industry since 1921. We take great pride in the innovations we have brought to our industry. By consistently reinvesting in our technology and product development we have developed a worldwide reputation in our industry for state-of-the-art equipment and service. That philosophy has served us well throughout our history and allowed us to grow to be one of the hundred largest privately owned companies in North Carolina by the mid 1980's.

During our first 75 years of existence we were profitable every year but one. Over the last five years going back to the Asian currency crisis we have seen our many years of profitable operations come to an abrupt halt. Our sales volume now stands at less than one third what our average volume was for the ten-year period prior to 1999. As you can imagine our employment has been drastically reduced over the last 3 years just to minimize the losses we now struggle with.

As we all know, it is very difficult to be a successful manufacturer of any product in the U.S. We have very high social and labor costs in this country that we do not always like but can certainly understand. We have disproportionately high litigation cost and risk which is extreme and almost never understandable. Even with these and all the many other cost issues that are not in our favor we have proven for many years that we can compete with our counterparts throughout the world. However when you add in a currency that suddenly becomes 30 percent stronger than most other major currencies the task begins to become insurmountable. We not only see our domestic customer base shrink because their products are no longer price competitive; we also see our own products at the same time increase in price. The few customers that do need additional machinery are now able to purchase foreign made equipment with the strong dollar leaving us with shrinking margins and shrinking market share.

POST OFFICE BOX 308 STANLEY, NORTH CAROLINA 28154 U.S.A.  
 STREET ADDRESS: 1310 CHARLES RAFFER JONAS HWY., MT. HOLLY, 28120 U.S.A.  
 TELEPHONE: 704-822-5000 / FAX: 704-822-0753/704-827-0476 / WWW.GASTON-COUNTY.COM



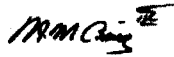
GARTON COUNTY DYKING MACHINE COMPANY  
STANLEY, NORTH CAROLINA 28164

Page 2  
The Honorable Donald Manzullo  
June 10, 2002

With a drastically reduced domestic market for our products the obvious answer is to export to markets outside the U.S. but with a currency that is not competitive that is not a realistic option. It is our opinion that without a competitive currency the manufacturing base of our economy will continue to erode at a frightening pace. I hope your bringing more attention to this issue will help influence the policies that seem to keep our currency at what we feel are dangerously high levels relative to the rest of the world.

Thank you again for taking time to study this most important issue.

Very truly yours,



H. M. Craig, III  
Vice President

HMCIII/sd

Jun-11-2002 09:40am From:Haynes Int|

765-456-6175

T-198 P.002/002 F-702

**HAYNES**  

---

**International**

---

Francis J. Petro  
President & CEOHaynes International, Inc.  
1020 West Park Avenue  
P.O. Box 9013  
Kokomo, Indiana 46904-9013  
765-456-6000  
FAX 765-468-8905

June 11, 2002

The Honorable Donald Manzullo  
Chairman, House Small Business Committee  
Attn: Piper Largent  
2361 Rayburn House Office Building  
Washington, DC 20615-3587

Dear Sir:

I am writing you about a serious issue that has had a negative impact on our company's ability to compete effectively in export markets while substantially strengthening the ability of foreign competitors to increase their share of the U.S. market. The issue is that the U.S. dollar has soared nearly 20 percent since 1997 even when taking into account the most recent falloff in the dollar's value. That means that the products we export are significantly more expensive than they were in 1997 (20 percent more expensive) while import competition continues to benefit from a sizeable discount (20 percent discount).

Our company, Haynes International, Inc., manufactures and sells high-performance nickel- and cobalt-based alloys in wrought mill shapes including bar, billet, sheet, plate, pipe and tubing, wire, and slab. We employ approximately 900 people in Kokomo, IN and 900 people throughout North America. Of the 900 people employed in North America, approximately 480 are hourly employees represented by the United Steel Workers of America.

We firmly support an end to the "strong dollar" policy and encourage the Bush Administration to adopt a new policy aimed at restoring the value of the dollar to more normal levels.

We appreciate anything you can do to put an end to the "strong dollar" policy. In particular, we ask that you contact the Bush Administration about this matter.

Very truly yours,



Francis J. Petro

FJP:dlt



P. 01/01

June 6, 2002

The Honorable Donald Manzullo  
 Chairman, House Small Business Committee  
 Attn: Piper Largent  
 2361 Rayburn House Office Building  
 Washington, DC 20515-6315  
 Fax: (202) 225-3587

RE: Small Business Committee on the Overvalued Dollar

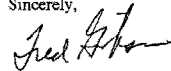
Dear Chairman Manzullo:

I am the president of a small shell and tube heat exchanger manufacturing company in Tulsa, Oklahoma. We employ 75 persons with above-average paying jobs and ship about \$12,000,000 of product each year. This is down from 90 persons and \$15,000,000 in sales three years ago. Our export sales have decreased by about 17% over the past three years. We associate some of this lost revenue and jobs to the fact that the dollar is so strong against foreign currencies. One of our main competitors overseas is Korean companies who generally underbid U.S. heat exchanger companies by 40%.

We are a member of an association that includes most of the shell and tube heat exchanger manufacturers in the U.S. Total association sales are down by 40% over the past three years, while export sales are down by over 70%. As you can see, much damage has been done because of the heavy loss in export sales, partially because of the strong dollar.

Please allow the dollar to return to normal values.

Sincerely,



Fred Gibson  
 President

FG/dlc



HENDRIX MANUFACTURING COMPANY, INC.  
P.O. BOX 919 • MANSFIELD, LOUISIANA 71052-0919

June 7, 2002

VIA TELEFAX (202) 225-3587

The Honorable Donald Manzullo  
Chairman, House Small Business Committee  
Attn: Piper Largent  
2361 Rayburn House Office Building  
Washington, DC 20515-6315

Re: The Overvalued Dollar

Dear Representative Manzullo,

Hendrix Manufacturing Co., Inc. is a small business in a rural Louisiana parish that employs between 100-150 people. Hendrix plays a major role in the area's tax base and as an employer of its residents. Simply stated, the overvalued dollar is hindering our ability to survive and remain in business.

Our exports have decreased by more than ten percent. This is in addition to our lost sales because of imports that can be bought much cheaper. The reason is not technology, better management, or a superior workforce. The overvalued dollar is the culprit for the loss of export business and imports hurting domestic sales.

Secondly, in 1999, we employed between 150-200 people as one of the larger employers in the Parish. In the few years since, we have had to reduce our workforce. Our workforce may suffer further reductions due to a loss of sales despite our product being fairly priced. The overvalued dollar has given our foreign competition an unfair advantage.

In sum, our survival and hence, jobs for our employees, depends on being able to compete fairly. The overvalued dollar is taking away our ability to compete. We need you to be the leader in adopting policies that will bring the dollar back to normal levels. The "strong dollar" policy needs to end. The overvalued dollar and the resulting trade deficit must be recognized as serious problems. Finally, America must prevent other countries from manipulating their currencies.

Sincerely,

A handwritten signature in black ink, appearing to read "G. B. Hall III", is written over a horizontal line.

G. B. "Sonny" Hall III  
President/CEO

GBH:wad



Homac Mfg. Company  
Ormond Beach, Florida

12 SOUTHLAND RD., ORMOND BEACH, FLORIDA 32174 U.S.A.

TELEPHONE 386-677-9110 FAX 386-573-5487

June 7, 2002

The Honorable Donald Manzullo,  
Chairman, House Small Business Committee  
Attn: Piper Largent  
2361 Rayburn House Office Building  
Washington, DC 20515-6315

Dear Mr. Chairman:

The strength of the U.S. Dollar has severely impacted our ability to export our electrical products to other countries. This has left us fighting to survive in a very competitive world to meet our sales quotas.

I am urging you to resolve this issue with the Committee to bring the Dollar down to normal levels.

Thank you for your assistance.

Sincerely,

R. Belahi  
International Sales Manager  
E-mail: [rbelahi@homac.com](mailto:rbelahi@homac.com)

Cc: Mark Hammer, Andy Chaguaceda, Kim Harmon

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[homac@homac.com](mailto:homac@homac.com)

[www.homac.com](http://www.homac.com)

06/07/02 08:47 FAX 12154437361 HULL CO. /N.B. 001  
 FROM : SP Industries (VirTis/Hull) PHONE NO. : 8452555320 Jun. 07 2002 08:27AM P2



June 6, 2002

The Honorable Donald Manzullo  
 Chairman, House Small Business Committee  
 Attn: Filip Largent  
 2361 Rayburn House Office Building  
 Washington, DC 20515-6315

Dear Mr. Manzullo,

This letter is to express our continuing concern about the administration's position on the strong dollar.

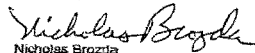
We are a small business that has been exporting pharmaceutical manufacturing equipment for over thirty years. In some years, we have sold more than 20% of our volume to China, Japan and Europe.

Since the rise in the value of the dollar versus the major world currencies and the Euro, our exports have dropped to less than 5 percent of sales. This change is directly related to extra cost that the over-priced dollar places on our products.

Not only does the dollar at current levels hurt our exports, but it also makes our foreign competitors less costly in the U.S., hurting our U.S. sales as well.

The strong dollar policy being followed by the administration hurts exporting businesses and worsens the balance of payments. Please take action to return the dollar to more reasonable levels.

Sincerely yours,

  
 Nicholas Brozda  
 Vice President

P.O. BOX 187 • 3535 DAVISVILLE ROAD • HATBORO, PA 19040 • U.S.A.  
 TEL (215) 672-7800 • FAX (215) 672-7807 • E-MAIL S.A.I.E.S@HULLCOMPANY.COM • WWW.HULLCOMPANY.COM

06/07/02 08:30 TX/RX NO.6503 P.002

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P. 002



Government Relations  
1838 H Street, N.W., 11th Floor, West Tower, Washington, DC 20003  
Tel: 202.882.0480 Fax: 202.982.0484  
www.ipc.org

Chairman of the Board

June 11, 2002

Stanley C. Plzak  
SMTC Manufacturing Corporation  
Appleton, WI

The Honorable Donald Manzullo  
Chairman, House Small Business Committee  
2361 Rayburn House Office Building  
Washington, DC 20515-6315

Chairman-Elect

Peter J. Murphy  
Perko Corporation  
Methuen, MA

Dear Chairman Manzullo :

Treasurer

Leo Reynolds  
Electronic Systems Inc.  
Sioux Falls, SD

On behalf of the IPC, Association Connecting Electronics Industries, I am writing to you to express our concern regarding the over-value of the dollar. IPC is a U.S.-based trade association dedicated to the competitive excellence and financial success of its more than 2,500 member companies which represent all facets of the electronic interconnection industry, including design, printed wiring board manufacturing and electronics assembly. As a member-driven organization and leading source for industry standards, training, market research and public policy advocacy, IPC supports programs to meet the needs of a \$44 billion U.S. industry employing more than 400,000 people.

Immediate

Past Chairman

Ron Underwood  
Circuit Center Inc.  
Dayton, OH

The electronic interconnection industry has experienced fierce competition from Asian competitors, in particular, China and Taiwan. Currently, these countries are able to manufacture printed circuit boards and assemblies at considerably lower costs than their American counterparts. In many cases they have a 40 to 50 percent advantage. One of the major factors in this advantage is the strength of the U.S. dollar. The value of the dollar is up 30 percent against major currencies since 1997. That's just like placing a new 30 percent tariff on U.S. products. U.S. produced printed circuit boards and assemblies are being priced out of foreign markets – and even out of our own markets.

President

Dennis P. McGuirk

Nearly, 60 percent of IPC members are made up of small- and medium-sized manufacturers. With exports falling at a steady rate for the past eighteen months, these are the businesses that are suffering the most.

Chairman of the

Technical Activities  
Executive Committee  
Michael Hill  
Dynamic Details, Inc.  
Sterling, VA

The over-inflated value of the dollar is hurting the U.S. manufacturing sector more and more while the Administration continues to advocate a strong dollar policy. I urge you to examine the current U.S. policy toward the strong dollar. It is imperative that the U.S. reassesses its policy and realigns the dollar to accurately reflect its value in the global market. Until that happens, American manufacturers will continue to falter.

IPC Government Relations

Office

Farr Abrams

Director, Environmental Policy

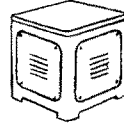
John Kania

Director, Government Relations

Sincerely,

Dennis P. McGuirk  
President

# Inter-Lakes Bases



INTER-LAKES BASES INC. • 17480 MALYN BOULEVARD, FRASER, MICHIGAN 48028 • (810) 294-8120 • FAX: (810) 294-8132  
586 586

June 11, 2002

The Honorable Donald Manzullo,  
Chairman, House Small Business Committee  
Attn: Piper Largent  
2361 Rayburn House Office Building  
Washington, DC 20515-6315

FAX # 202-225-3587

RE: House Small Business Committee Hearing

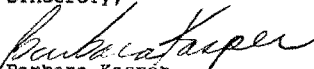
Dear Sirs,

We are a small manufacturing company located in Fraser, Michigan, just north of Detroit. We fabricate, from steel, machine bases and other weldments.

In November 2000 we had 44 employees, we now have 24. We are aware of several jobs which were lost because they purchased from Canada and stated that there was a 30% difference due to the exchange rate. The jobs lost that we are aware of amounted to 2,500 hours of lost labor for United States workers. More recently we have been informed by our sales representatives that several other customers, particularly on the east coast, are purchasing their weldments from Canada and we are not even quoting. You can't just take the gains in productivity and believe they are distributed by all manufacturing industries equally. Our products are special items to customer specifications and therefore are labor intensive. The labor rates for our trades are not that much different than those in Ontario, Canada. If the exchange rate was fairly equal we could compete.

Thank you for considering these issues.

Sincerely,

  
Barbara Kasper  
President

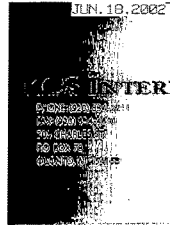
BK/am



JUN 18 2002 10:15AM

KCS INTERNATIONAL

NO. 647 P. 2



June 18, 2002

Fax Transmission: 202-225-3587

The Honorable Donald Manzullo  
 Chairman, House Small Business Committee  
 Attn: Piper Largent  
 2361 Rayburn House Office Building  
 Washington, DC 20515-3615

Dear Chairman Manzullo:

I am writing to tell you about the damage the overvalued dollar is doing to the recreational boating industry. The recreational boating industry has experienced a steady drop in exports since the early 1990's when the industry used to have a positive trade balance of \$474 million. As the leading trade association representing the recreational marine industry, National Marine Manufacturers Association (NMMA), is concerned that our industry now has a negative trade balance of \$822 million.

NMMA represents nearly 1500 member companies across the country. These members manufacture more than 80% of the \$26 billion dollars in recreational boats, marine engines and accessory products purchased each year by 73 million recreational boaters in the U.S.

Our boating products have some great competitive advantages, but these are currently masked by the overvalued dollar. The price of a U. S. boat landed in Europe is already 15% higher because of shipping costs and modifications necessary for overseas markets. When you add that to the impact of the overvalued dollar, exported boats are 40% more expensive than comparable European product. U. S. boat and engine manufacturers have lost 50% of their market share in Europe just in the past two years due to the currency imbalance.

The boating industry cannot compete with European boat manufacturers on this basis. In the last several months, several leading boat manufacturers have announced they are opening plants in Europe to improve their competitiveness and overcome the exchange rate disadvantage. This will cost the U. S. jobs and a dramatic loss in revenues to local and state economies as companies are forced to close their doors.

The low value of other currencies relative to the dollar have also helped our competitors to enter the U. S. market and take market share from American manufacturers in some of the industry's most profitable segments. Imported boats are available at an artificially low price relative to the products we produce and now exceed our export volume. For example, imported inboard boats now have a 23% market share in the U. s. and exceeded the value of exports by approximately \$326 million in 2000.

We urge the U. S. government to openly acknowledge that the dollar is out of line with economic fundamentals. We can take back our position as world leaders in the boating industry if the U. S. would work with other major countries to ensure that market focus can bring about more realistic exchange rates.

Sincerely,

KCS INTERNATIONAL, INC.

*Jim Viestenz*  
 Jim Viestenz  
 President





**Lakeside Equipment Corporation**

1022 E. Devon Avenue • Bartlett, IL 60103-8448 • 630-837-5640 • FAX: 630-837-5647 • E-mail: sales@lakeside-equipment.com

6 June 2002

FAX Message to 202-225-3587

The Honorable Donald Manzullo  
Chairman, House Small Business Committee  
Attn: Piper Largent  
2361 Rayburn House office Building  
Washington, DC 20515-6315

Subject The Value of the Dollar

Ladies or Gentlemen:

We are a small manufacturer of wastewater treatment equipment. We sell basically in the United States and have a small amount of business overseas. The exchange rates between our dollar and other currencies are a major detriment to our success. Last year, 2001, was a very mediocre year for sales and shipments.

In recent years we have lost a number of Archimedian Screw Pump orders here in the United States to several foreign competitors. We have partial records on two of these competitors. Of the ones on which we have kept records, we have bid a dollar value of \$3,297,992. If the currencies were more equitable, we would not have received this amount of orders. However, we should have received orders for \$1,505,286. For our small company this is significant. It has an effect on the number of people we employ and on our bottom line.

We have had the opportunity to bid on this type of equipment in several foreign countries. We have found that there is no point in our furnishing a bid unless the project is being supported by American dollars. We just cannot compete due to the differences in the value of the currencies.

There are other types of equipment on which we compete with foreign manufacturers. We do not maintain records on this equipment as well as we do on the Screw Pumps, but there have been similar problems in meeting competition in these markets as well.

We are finding many things that have an effect on our business. If there could be more equity between the values of the currencies of various countries, we would at least have an even monetary field on which to compete.

Thank your for listening,

Robert W. Johnson  
President

cc: NAM FAX 202-637-3182

DATE: 6/11/02

RECEIVED: JUNE 11 2002

*Lincoln Park Boring Co.*

28089 WICK ROAD • ROMULUS, MICHIGAN 48174  
(734) 946-8300 • FAX #(734) 946-8508  
www.lincolnparkboring.com

PRECISION MACHINING

The Honorable Donald Manzullo  
Chairman, House Small Business Committee  
2361 Rayburn House Office Building  
Washington, DC 20515-6316

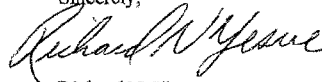
June 11, 2002

Attn: Piper Largent

The current situation of the strong U.S. dollar is having devastating effects on the U.S. machine tool industry. Our sales are down 60% and my work force has been cut in half. Canada and Europe have a .50 + cents on the dollar price advantage. Efficiency & technology can not overcome this huge disparity.

We have a family owned business for over 45 years. We have invested heavily in the United States of America by new construction and buying almost exclusively American made machinery. Your help is directly needed for the continued survival of Lincoln Park Boring Co.

Sincerely,



Richard N. Yesue  
President

**Markel**  
CORPORATION

Fax: 202-225-3587

June 10, 2002

The Honorable Donald Manzullo  
Chairman, House Small Business Committee  
Attention: Piper Largent  
2361 Rayburn House Office Building  
Washington, DC 20515-6315

Dear Sir:

Markel is a small, \$25 million/year, manufacturer located in Norristown, Pennsylvania. We are a successful exporter to Europe and have nearly 33% of our sales in this category. During the past 2 year period we have had to accept payment in foreign currency as the dollar has risen unreasonably in strength versus those currencies. This has damaged our profitability and if continued will dramatically impact our ability to grow market share. Please take action to end our "Strong Dollar" policy to allow the overvalued dollar to return to levels justified by our economy and world financial conditions. We are in favor of a "Sound Dollar" policy.

Thank you.

Sincerely,



Kim A. Reynolds  
President/CEO



KAR:lse  
Cc:NAM



Moore Industries-International, Inc.

16650 Schoenborn Street  
North Hills, CA 91343-6196  
Telephone (818) 894-7111  
FAX (818) 891-2816  
E-mail: info@minet.com  
www.minet.com

7 June 2002

The Honorable Donald Manzullo  
Chairman, House Small Business Committee  
2361 Rayburn House Office Building  
Washington, DC 20515-6315

Attn: Piper Largent

To Whom It May Concern:

Effects of the "strong dollar" have caused a loss in the ability to compete in import competition. Due to the lack of work for our employees, we decided to participate in the EDD's Work Share Program. Not wanting to terminate or layoff employees we stayed with this program for approximately 2 months, with our production time being decreased to 4 days a week.

The overseas market has also declined and is no longer as competitive for our company. We have lost margin and sales from this lack of overseas competition.

Through the help of The House Small Business Committee, the government must adopt policies that would bring the dollar back to a normal level. This would have an important impact on small businesses affecting their production, sales, and jobs. Moore Industries is asking Congress to add its voice in calling for a dollar policy in which the Administration does not seek to keep the dollar above where markets would price it.

Sincerely,

A handwritten signature in black ink, appearing to read "Dermot Nolan", written in a cursive style.

Dermot Nolan  
Chief Financial Officer

cc: file  
National Association of Manufacturers

06/06/02 THU 11:47 FAX 605 685 7017

MORGEN MFG.

002

## JOB PROVEN CONSTRUCTION EQUIPMENT



## MANUFACTURING CO.

1115 Broadway Ave., P.O. Box 160  
YANKTON, S.D. 57078-0160 USATELEPHONE 605-665-9654  
FAX 605-665-7017  
WATTS 1-800-952-4726E-mail: morgenmfg@dignet.com  
www.morgenmanufacturing.com

June 6, 2002

The Honorable Don Manzullo  
Chairman, House Small Business Committee  
ATTN: Piper Largent  
2361 Rayburn House Office Bldg.  
Washington, DC 20515-6315

Dear Honorable Don Manzullo:

MORGEN MANUFACTURING CO. has been exporting our Concrete Placing Conveyors and Concrete Pumps for almost 30 years. Over the years we have been very successful in selling our equipment worldwide.

In 1981 the United States Department of Commerce awarded us the •E Award• for excellence in exporting. In 1991, with continued improvement in our export sales, we were awarded the •E Star Award•. In the export market our main competition for the sale of Concrete Pumps is from Europe and mainly from Germany. We have been able to compete in this market when the German mark was in the range of 1.60 to the U.S. dollar. In the last few years it has been very hard to compete in this market because the mark has been over 2.21 to the dollar. When Europe converted to the Euro in January 1999, the Euro was .85 to the dollar. It is now 1.3 to the dollar. The value of the Euro has declined 32.9% and the German mark is now in the range of 2.21. This means that they have a substantial advantage in pricing their equipment against ours. The 32.9% advantage they have gained in the last few years makes our equipment highly uncompetitive price-wise.

As the value of the dollar has increased against foreign currencies, we have seen a decline in foreign sales by over 50%. The artificially strong dollar has substantially hurt our export sales and has forced us to have major layoffs. Our company has been in business over 50 years and we have never laid off as many people as we have in the last 1.5 years.

Until we let the value of the U.S. dollar float in the world market, I feel we will continue to see an ever increasing trade deficit and higher unemployment numbers.

Sincerely,

MORGEN MANUFACTURING CO.

Marlin Slagle  
Senior Vice President

MS:kj

FROM

(WED) 6 5 2002 13:56/ST. 13:56/WO. 5311231378 P 1

**MultiCam**

Wednesday, June 5, 2002

The Honorable Donald Manzullo,  
Chairman, House Small Business Committee  
Attn: Piper Largent  
2361 Rayburn House Office Building  
Washington, DC 20515-6315

By fax: 202-225-3587

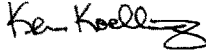
Please consider efforts to bring the dollar down to normal levels.

Multicam manufactures CNC machine tools for the woodworking, signmaking, and aerospace industries. Our export markets have been flat now for three years. We have a significant price disadvantage competing with manufacturers in Germany, Italy, and France.

These countries are now making significant inroads in the United States with a competitive advantage based only on our overvalued currency.

We had a reduction in force from 95 employees to 84 to maintain our profitability. These peoples families rely on us for their basic needs. Please help.

Thank You



Ken Koelling  
President  
ken@multicam.com

JUN. 11. 2002 2: 45PM

NO. 327 P. 1



## ***National Tooling & Machining Association***

9300 Livingston Road, Ft. Washington, MD 20744-4998 (301) 248-6200  
 (800) 248-6862  
 Fax: (301) 248-7104  
<http://www.ntma.org>

June 11, 2002

The Honorable Donald Manzullo,  
 Chairman, House Small Business Committee  
 Attn: Piper Largent  
 2361 Rayburn House Office Building  
 Washington, DC 20515-6315

Dear Mr. Chairman:

On behalf of all the member companies of the National Tooling and Machining Association, I want to thank you for scheduling a hearing to examine the continued overvaluation of the dollar.

The U.S. tooling and machining industry is primarily a family-run industry, often two or more generations work at the same plant. This is not to say we are the local mom and pop shop on the corner. Many in our industry operate the latest technology at the highest levels of precisions and automation. We must do this because, in order to create and produce highly customized products, we must consult directly with the customers and make critical decisions to keep the manufacturing process on the right track and within budget.

A solid economy is dependent on the success of the tooling and machining industry. Mass manufacturing is not possible without our industry. U.S. tooling and machining employs close to 450,000 people nationwide and accounts for shipments in excess of \$43 billion. The metalworking industry includes precision machinists, die makers, mold makers, as well as tool and die designers. Without them, the mass production of manufactured goods would not be possible.

As you know, over the past three years the nation's tooling and machining industry has been losing companies and the jobs they provide at an alarming rate. Our companies' customers are spending less and imports are rising, as many of our largest customers are looking to foreign plants and overseas suppliers.

NTMA believes that a sound dollar is a fundamental pre-requisite for the difficult climb out of this recession as well as for the maintenance of a healthy U.S. economy. A sound dollar is one whose value, relative to other major currencies, should be determined by market forces that reflect fundamental





economic trends, such as trade balances, interest rates, GDP growth and other objective indicators of a country's performance.

The disturbing reality is that for several years the dollar has not reflected economic fundamentals. Since 1997, the dollar has risen by 25-30% relative to major world currencies. The dollar is now at a sixteen year high and is approaching the overvaluation of the mid-1980's.

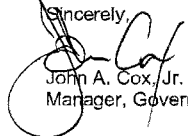
The overvalued dollar thus subsidizes our foreign companies. Despite concerns over quality and delivery, foreign competitors have emerged as significant competitors that can easily offer the same product for 30% less than our American companies based on the currency exchange alone.

NTMA firmly believes that sound currency values must be restored so that manufacturing can again thrive in this country. To do this, the Treasury should:

- State publicly that the dollar is out of line with economic fundamentals;
- Firmly state that U.S. policy is to seek a market-determined dollar that is consistent with underlying global economic fundamentals, including the competitiveness of America's farms and industries;
- Seek cooperation with other major economies in obtaining common agreement and public statements that their currencies need to appreciate against the dollar; and
- Make clear that the United States will resist, and take offsetting action as necessary, foreign country interventions designed to retard movement of currencies toward equilibrium

An overvalued dollar is a serious threat to the economic viability of our industry. Urgent and effective action to restore the U.S. dollar to a level which reflects realistic fundamentals, is essential to restoring a competitive U.S. tooling and machining industry.

Sincerely,



John A. Cox, Jr.  
Manager, Government Relations



June 18, 2002

The Honorable Donald Manzullo  
Chairman, House Small Business Committee  
Attn: Piper Largent  
2361 Rayburn House Office Building  
Washington, D.C. 20515-6315

Dear Representative Manzullo,

On behalf of Nucor Corporation, I am writing to let your Committee know the harm caused by the overvalued dollar. Nucor Corporation is the largest steel producer in the United States. We work with many small businesses, which supply us with services and materials. They depend on Nucor and are devastated when we lose business due to the overvalued dollar.

We have several plants in coastal or river basin locations that have traditionally exported steel. The value of the dollar precludes any exports. In the past, we had exported well over 100,000 tons annually from our Nucor-Yamato facility and several thousand tons each from our Nucor-AR and Nucor-Berkeley, SC facilities. Today, the only export possible is spot business in Mexico and Canada and that is usually because offshore or local producers cannot supply in a timely fashion. In fact, the dollar versus the Canadian dollar has severely impacted our customers' ability to compete with Canadian competitors so even our domestic business has suffered in many areas.

In steel mill products the efficiency gains have been passed along to consumers over the years. Few major commodities have not risen in real dollar terms for 30 years. Steel is one such example. However, when the dollar is over-valued to the tune of 30% against many major trading blocs our efficiency gains are wiped out. No manufacturer can adjust to such changes over such short periods of time.

We have had numerous discussions with customers contemplating establishing overseas operations to **ship their products back to the United States**. In all such discussions the over-valued dollar crops up in the top 5 reasons for relocating American jobs elsewhere.

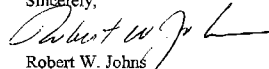
The use of exchange rates as a competitive tool is used by others to gain competitive advantage. This hurts Nucor and the small businesses who supply us. There should be no doubt about this. We urge our government to address this issue and quickly, before more damage is done. We need commitment to engage other major trading blocs to prevent abuses, surely, but more fundamentally, ensure that market forces bring about more reasonable exchange rates.

JUN. 18. 2002 7:25AM

NUCOR CHARLOTTE NC

NO. 3339 P. 2

Sincerely,



Robert W. Johns  
Nucor Corporation



745 N. GARY AVENUE  
CAROL STREAM, IL 60188-1812  
630.588.0088  
fax 630.588.0099

June 14, 2002

The Honorable Donald Manzullo  
Chairman, House Small Business Committee  
Attention: Piper Largent  
2361 Rayburn House Office Building  
Washington, D.C. 20515-6315  
Via facsimile: (202) 225-3587

Dear Mr. Largent,

My name is Edward Miller. I am the Vice President of Prince Industries, Inc., a small manufacturer located in Carol Stream, IL. Previously we employed 210 people, but due to the economy, we are currently down to 170 people. During the past few years we have seen a significant decline in our business. Some of which is directly related to the overvalued dollar. Competition from imports is at an all time high. Other small manufacturers that we have known have also suffered significant declines and several have completely been forced out of business. I believe it is vital for the US to maintain a strong manufacturing base, as we cannot have an economy solely based on services. It is crucial for our company and other small businesses across the United States that the damage done by the overvalued dollar be addressed immediately. We would urge the committee to bring the dollar down to normal levels and fight foreign manipulation. Once again, this will have a direct effect on, not only our industry, but also thousands of small businesses across the United States who employ hundreds of thousands of Americans.

Thank you in advance for your time and consideration of my letter. Should any questions exist, please feel free to contact me.

Sincerely,

Edward F. Miller

EFM/jcw  
Cc: (202) 637-3182



## Racine Stamping Corp.

— Metal Fabricating —

3100 Rapids Drive • Racine, Wisconsin 53404-1692  
414-637-9335 • FAX: 414-637-0438

The honorable Donald Manzullo  
Chairman, House Small Business Committee  
Att: Piper Largent  
2361 Rayburn House Office Building  
Washington, DC 20515-6315  
June 10, 2002

Mr. Manzullo,

I wish to comment on the effects of the overvalued dollar and its effect on our company. Racine Stamping supplies components to manufacturers of small electric motors typically found in home appliances and electric hand tools. The domestic motor industry is losing market share to off-shore suppliers, China, Mexico, Asia on the basis of unit cost. Domestic quality remains superior. Our company canceled our third shift operations last week, and were forced to lay-off these workers. We have laid off workers only once before in our 56 years in business. No economic improvement is evident. Customers we serve are working 4-day weeks and laying-off workers with 25 years of service. The Strong dollar with the added burden of high steel price increases occasioned by section 201 tariffs make federal remedies imperative for the continued operation of our company and the customers we serve. I thank you for the opportunity to comment and appreciate your concern and interest.

Sincerely,

David C. Rivest CEO

**REDMON**

June 7, 2002

The Honorable Donald Manzullo  
Chairman, House Small Business Committee  
2361 Rayburn House Office Building  
Washington D.C. 20515-5315

Dear Mr. Manzullo,

The Redmon Company, a 118-year-old privately held U.S. manufacturer of consumer goods, is being hurt by the unusually high value of the dollar on the world markets.

It's a two-edge sword! On one side we are less able to export our product around the world because of the increased cost to our customers abroad as the dollar increases. On the other side our large U.S. customers like K-Mart, Wal-Mart, Sears, and J.C. Penney are buying direct from abroad rather than from us because the price is much better due to exchange rates.

The over valuation is hurting not only the economy, but companies like ours who are providing American jobs. Would you please address this issue by intervening to bring the dollar down to a more acceptable level?

U.S. Patriot



Peter Redmon, President  
W.C. Redmon Company

W.C. Redmon Co., Inc. • P.O. Box 7 • Peru, IN 46970 • (765) 473-6683 • FAX (765) 473-6686

PAGE 1

FAX:

JUN-07-02 FRI 02:44 PM

## RIVERDALE MILLS CORPORATION

130 Riverdale Street  
 P.O. Box 200  
 Northbridge, MA 01534-0200 USA  
 Corporate Office:  
 Telephone (508) 234-8715  
 Telefax (508) 234-9595



Sales Office:  
 Telephone (508) 234-8400  
 Orange MA (800) 761-6574  
 Telefax (508) 234-9595

June 10, 2002

The Honorable Donald Manzullo  
 Chairman, House Small Business Committee  
 2361 Rayburn House Office Building  
 Washington, DC 20515-6315

Attention: Piper Largent

Dear Representative Manzullo:

Riverdale Mills Corporation manufactures a product that has been used on this continent and overseas for almost half a century.

Because of the strong dollar, competition has arisen from overseas countries.

Competitors from other countries are offering a similar product for lower prices.

Because of the strong dollar the competitors are offering products similar to ours at prices 10 to 20 percent below ours.

The raw materials we use, and they use, are commodities, purchased on the world market, so they are unable to justify the lower prices they offer because of lower costs.

Our product is manufactured on high-speed automatic equipment which results in our labor costs being at least as low and possibly lower than theirs.

How can overseas competitors offer prices lower than ours when their costs are the same and possibly higher than ours?

The answer is the U.S. dollar is overvalued in the world market and it needs to be devalued to reverse the flow of dollars.

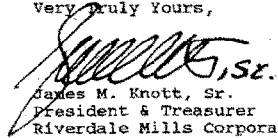
Overseas competition has significantly reduced our revenues the size of our workforce and the tax dollars we send to the local, state, and federal governments; the dollar needs to be devalued to create a level playing field upon which this

company can continue to grow.

I can be reached at the above addresses and I would be glad to address the committee if asked.

To learn more about Riverdale Mills Corporation the website address is: [www.riverdale.com](http://www.riverdale.com).

Very truly Yours,

A handwritten signature in black ink, appearing to read "James M. Knott, Sr.", written over a printed name.

James M. Knott, Sr.  
President & Treasurer  
Riverdale Mills Corporation

JMK/fc  
overvalu





A division of J-Star Industries, Inc.

2205 E. Wyatt Earp • P.O. Box 1724 • Dodge City, Kansas 67801 • 620/225-1142 • FAX: 620/225-6370

June 7, 2002 (Via Fax: 202-225-3587)

The Honorable Donald Manzuolo,  
Chairman, House Small Business Committee  
Attn: Piper Largent  
2361 Rayburn House Office Building  
Washington, DC 20515-6315

Greetings:

In connection with your June 12<sup>th</sup> hearing, I would like to express my concern about the impact of the strong U.S. dollar on our business. In the early and mid 1990's our company, which manufactures and sells livestock mixing and feeding equipment, was very successful in expanding our export sales. In fact, Roto-Mix was the recipient of the Kansas Governor's Exporter of the Year Award in 1996, something that we were very proud of. Since that time, we have seen our export sales decline from approximately 25% of our total sales to less than 8% of our total sales. This dramatic decline in our export business can be explained by one factor, the strong U.S. dollar. The strength of the U.S. dollar over the last few years has created a competitive disadvantage for our company. Our foreign customers are required to pay at least 30% more for our products compared to products from other non-U.S. manufacturers.

In addition to the impact on our export sales, we are now experiencing an increase in competition from foreign manufacturers marketing their products in the U.S. The overvalued dollar creates the same 30% price disadvantage.

Both of these factors have resulted in our company establishing joint venture and/or licensing arrangements in foreign countries. We currently have 5 such arrangements and are exploring other foreign opportunities. These arrangements are less profitable for our company than export sales and of course, these arrangements also mean a loss of jobs in the U.S.

Our company is more than willing to go head to head with foreign companies in both the domestic U.S. market and in the foreign markets. But we need a level playing field. Much is said about "Free Trade" policies, all we are asking for is "Fair Trade", and the overvalued U.S. dollar is the best place to start.

Sincerely,

A handwritten signature in black ink, appearing to read "Rod Neier". The signature is written in a cursive, somewhat stylized font.

Rod Neier  
President

06-10-02 10:45AM FROM-SANDBERG FURNITURE

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June 07, 2002

The Honorable Donald Manzullo  
Chairman, House Small Business Committee  
2361 Rayburn House Office Building  
Washington, DC 20515-6315

Att: Piper Largent

FAX #(202) 225-3587


Dear Sir:

The furniture industry is on the ropes, and it is the strong dollar that put us there. Over 40% of all wood furniture sold in the United States is imported. Factories are closing at an unprecedented pace because imports are soaring. Weak currencies in China, Vietnam, Malaysia and Italy (before the Euro) have contributed tremendously to the impact of imported furniture's strong value.

Our survival is at stake, and we need help. We need the help of the Committee to adopt policies that will bring the dollar back to normal levels. If we don't do something about this today, market forces will do it to the dollar - when it is too late and we are in the depths of the worst recession/depression the country has even seen!

Thank you.

Regards,



John A. Sandberg  
President

JAS/bzm

Sample Display

WESTERN MERCHANDISE MART SAN FRANCISCO



June 6, 2002

The Honorable Donald Manzullo,  
Chairman, House Small Business Committee  
Attn: Piper Largent  
2361 Rayburn House Office Building  
Washington, DC 20515-6315

Sandusky International is a supplier of cast and machined rolls for the paper industry. During the past three years we have experienced over a 50% drop in sales and as much as a 75% reduction in margins, all as a direct result of increased foreign competition. While we have improved productivity by over 8% per year, this has been more than offset by the increased strength of the US dollar, particularly against the Euro and the Yen.

The impact of the strong dollar has affected not only our competitiveness, but that of our US customer base as well. The net result of the strong dollar is reduced spending by US mills as a result of closures and downtime, as US demand has been satisfied by less expensive imported papers. This results in fewer purchases by the US mills of new and replacement equipment, affecting the viability of our business.

The Ohio workforce, which was as high as 275 a few years ago, is now below 100. Our ability to survive, as a US based manufacturer, has been seriously undermined by the strong dollar. Today, we are actively investigating the possibility of moving significant portions of our manufacturing to off-shore locations as a matter of survival.

If we are to grow and prosper, so that we can provide well paid jobs in this country, we must have help from the government in the form of a well defined and pro-active policy to bring the dollar back to normal levels. We ask for your support in this area on an urgent basis.

Sincerely,

A handwritten signature in cursive script that reads 'Edward R. Ryan'.

Edward R. Ryan  
President & CEO  
Sandusky International Inc.

SANDUSKY INTERNATIONAL  
515 West Market Street, P.O. Box 5012, Sandusky, Ohio 44871-5012  
Ph: 419-626-5340, Fax: 419-626-8674, Sales Fax: 419-626-3339  
[www.sanduskyintl.com](http://www.sanduskyintl.com)

**SMART**

7910 Woodmont Avenue, Suite 1130, Bethesda, MD 20814  
Ph: 301/656-1077; Fax: 301/656-1079; Email: smartasn@erols.com

June 11, 2002

The Honorable Donald Manzullo  
Chairman, House Small Business Committee  
Attn: Piper Largent  
2361 Rayburn House Office Building  
Washington, DC 20515

Dear Mr. Manzullo,

The strong dollar continues to devastate what was once a thriving textile recycling industry. For more than 50 years, U.S. small businesses successfully recycled millions of tons of used clothing thanks to a healthy export market. These companies are all small, family owned businesses who purchase their raw materials from the well known charitable organizations such as Goodwill and Salvation Army among others.


The strong dollar has forced dozens of companies out of business and many others have had to substantially cut back. This has resulted in thousands of people losing their jobs, more materials being dumped in the landfills, and a loss of revenues for the charitable institutions. Our industry hires thousands of unskilled and semi-skilled workers who have the toughest time finding jobs!

Despite efforts to bring this matter to the U.S. government, the administration has steadfastly supported the dollar's dramatic rise. The impact on our industry is that we cannot afford to compete with similar businesses in Europe and Asia! Many of our members are barely hanging on and if action is not taken immediately, more will be forced out of business.

Our goal is for the dollar to return to normal levels. The administration needs to end their "strong dollar" policy and state the dollar is indeed overvalued and is having a detrimental effect on business and the American economy.

Thank you for your attention to this matter and I look forward to your response.

Sincerely yours,

  
Bernard D. Brill  
Executive Vice President

cc: Senator Paul S. Sarbanes



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FAX (256) 245-4992

P. O. Box 1168  
36280 U. S. Highway 280

**SYLACAUGA, AL 35150**



June 10, 2002

The Honorable Donald Manzullo  
Chairman, House Small Business Committee  
Attn: Piper Largent  
2361 Rayburn House Office Building  
Washington, DC 20515-6315

Dear Chairman Manzullo:

I'm writing today to let you know the damage the overvalued dollar is doing to our Company, our sales and our employment. Our business is down about 30 % over the last two years to the point we are not profitable. It has been in large part due to direct competition from imported castings as well as lost business from U S steel companies unable to meet foreign competition. We have also had to cut back on our work force because of lost business. If we, as small business are to survive, the government must bring the dollar down to normal levels.

Thank you for your support of this important issue.

Sincerely,

Billy T. Bobbitt  
President

---

**SPECIALTY ALUMINUM INC.**

---

**Aluminum Castings****339 Washington Avenue • Revere, MA 02151 • 781.289.4600 • FAX 781.289.3302****[www.specialtyaluminum.com](http://www.specialtyaluminum.com)**

June 11, 2002

The Honorable Donald Manzullo  
Chairman, House Small Business Committee  
2631 Rayburn House Office Building  
Washington, DC 20515-6315

Dear Congressman,

Specialty Aluminum is a small aluminum casting manufacturer located in the heart of the high technology region of New England. Our customer base is comprised of many original equipment manufacturers catering to the needs of the semiconductor, scientific instrumentation and telecommunication industries. Since the currency crisis of 1997-1998 in the Pacific Rim the U.S. dollar has appreciated at a rate that has made even those companies that have technologically superior equipment struggle to obtain the market share they once enjoyed. In late 2000, a New England industrial stalwart, Brown & Sharpe, made a decision to move the manufacturing operations to Italy based almost exclusively on the strength of the dollar as compared to the lira. This single act cost my business almost \$500K in annual sales over a seven year product life. That translates into about 6 full time positions at my company at an average annual income of \$29,000 or \$175,000 in annual wages. Nearly all of our customers are currently evaluating the logistics of having sources for the purchased components in countries such as China, Malaysia, Korea and Thailand. All the prospective countries are selected because they then would have some manufactured content in the country that the equipment is installed in.

I am not a proponent of tariffs or trade restrictions. Nor do I believe that I am an expert on the policies adopted by the Central Bankers of the IMF. I do, however, see the effect on manufactures from the metals industry to the most sophisticated semiconductor manufacturing equipment the invisible export tariff, an over valued U.S. dollar. The current account deficit has been used to mask the inflation in the CPI. Imports at an advantageous exchange rate keep prices under control but does so at the expense of the United States of America's installed manufacturing base.

Please take the time to use all the intellectual resources to formulate a policy that will allow the world to adjust to a reasonably valued dollar. Adjusting its value compared to other currencies is as important to the American economy as the price of any other commodity; therefore, make the adjustments in a slow but steady fashion. The progress made recently is admirable, stay the course!

Sincerely,

Ralph E. Dahlgren  
President

**Star Hydraulics, Inc.**  
2727 Clinton Street  
River Grove, IL 60171

Phone: (708) 453-3238  
Fax: (708) 453-0297

**FAX MAIL**

**To:** The Honorable Don Manzullo, Chairman  
House Small Business Committee  
Washington, DC 20515-6315

**Date:** 6-8-02  
**Fax No.:** 202-225-3587  
**No. Pages:** 1

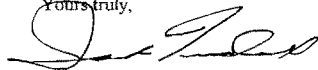
Dear Chairman Manzullo:

I am the President of a small capital goods manufacturing company that has been in business since 1947. During the last 9 months we have experienced a 30% drop in sales. Our backlog of orders is 1/3 of normal and less than it has been in the last 20 years. Star has just terminated the employment of 4 of its 30 employees (15% of our work force). The scheduled hours of work for both factory and office employees has been cut to 32 hours per week, a 20% reduction in pay for all employees. Now we are faced with rising steel prices. I believe that one of the principal reasons that our sales have dropped in recent years is the strong dollar. I urge you to see that the government pursues a policy to eliminate the overvalued dollar so that US manufacturers can better compete in world markets.

I believe that the overvalued dollar has created an unsustainable imbalance of trade. Sooner or later this trade imbalance that puts dollars in the hands of foreigners will weaken our economy, significantly weaken the dollar, and cause a major drop in the standard of living of all Americans.

I urge you to change government's policies that help to cause the overvalued dollar.

Yours truly,



Jack Tindall, President  
Star Hydraulics, Inc.

## Stillwater

June 6, 2002

The Honorable Donald Manzullo,  
Chairman, House Small Business Committee  
2361 Rayburn House Office Building  
Washington, DC 20515-6315

Attn: Piper Largent

Subject: The value of the dollar

Dear Sir:

We are a small (100 employees) contract tooling and machining company, mostly involved in building assembly equipment for transplant (Japanese) automobile manufacturers. The dollar / yen evaluation makes it very difficult to compete against the Japanese for equipment that will be installed in this country. A weaker dollar would help to level the playing field.

We also built a joint facility to build parts for a Japanese robot manufacturer. The project started in 1994 when the yen was roughly 82 to the dollar. Late in 1997, the yen along with a number of other southeastern Asian currencies fell through the floor. The net result was the robotic parts manufacturing returned to Japan; net loss of business to our company was several million dollars per year.

Daily, there are reports of more projects being lost by US firms to off shore companies. We will never compete for wages with China, India or even Mexico, but a weaker dollar would slow the rate of bankruptcies our industry is experiencing.

American industry has been straddled by the American way of life, high wages, high healthcare costs, the EPA, OSHA, the EEOC and high taxes, not to mention the value of the dollar.



We all know that manufacturing created the middle class. As manufacturing disappears, so does the middle class and the ability for Uncle Sam to raise income through taxes. In fact, it's a double whammy because the needs will rise and the ability to service those needs will diminish.

Allowing the dollar to weaken will certainly strengthen manufacturing's competitive position on the world market.

Thank you for your attention and consideration.



June 6, 2002

The Honorable Donald Manzullo  
Chairman, House Small Business Committee  
Attn: Piper Largent  
2361 Rayburn House Office Bldg.  
Washington, DC 20515-6315

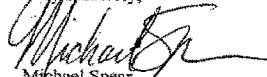
Dear Sir,

I am writing to make you aware of the detrimental effect that the once valued U.S. dollar has had on our small business:

1. Our second largest account, headquartered in your home state, has informed us that they are intending to move the production of the 4 products we sell them to Mexico.
2. We have been in business for 50 years and have a number of domestic competitors, we recently lost a longstanding account to a company from Australia that is priced 25-35% below our prices even with substantial shipping costs.
3. At a recent trade show in Europe we were approached by several companies wanting to sell our products in the U.S. All of them wanted us to set up manufacturing in Europe or license someone else to produce them there.

We are a small manufacturing company in southeast Michigan with 200 employees. The dollars' strength has hindered our ability to export and now threatens our business here as well. The dollar, along with the recent steel tariff decision, will have an impact on our profitability as well as the security of our employees. We applaud your efforts and look forward to following the hearings and subsequent action.

Very Sincerely,

  
Michael Spear  
President  
Sweepster, Inc.



2959 West 47th Street • Chicago, Illinois 60632  
☎ (773) 847-7598 • FAX (773) 847-5550 • 1 (800) 469-DRUM

**Via Fax Transmittal**  
**202/225-3587**  
**2 Pages**

June 13, 2002

The Honorable Donald A. Manzullo  
U.S. HOUSE OF REPRESENTATIVES  
Washington, DC

Dear Congressman Manzullo:

Thank you for your concern and assistance in helping to rescind or at least modify the 30% tariff on steel imports imposed by President Bush.

In an attempt to keep you advised regarding the impact on users of steel, such as Trilla Steel Drum Corporation, I am enclosing an Exhibit which shows the history of our steel costs from April, 2002 through our August, 2002 orders. We are still not able to get firm pricing past that point.

Clearly, a 54.5% increase in a five-month period is outrageous. Further, if the shortness of supply caused by the effective shut-off of imports continues, the prices will surely continue to rise. This will cause a job loss in steel-using companies that is projected to be five to six times the number of steel jobs that are supposedly "saved" in the steel industry.

We ask for your continued assistance in bringing these facts to the administration.

Thank you again for your help and support.

Sincerely,

TRILLA STEEL DRUM CORPORATION

A handwritten signature in black ink, appearing to read "Lester Trilla".

Lester Trilla  
President

LT/nal

Enclosure



...

6/11/02

**STEEL COST INCREASES**

<u>MONTH</u>	<u>PRICE PER POUND</u>	<u>CUMULATIVE INCREASE PER POUND</u>	<u>CUMULATIVE % INCREASE</u>
APRIL, 2002	\$ 0.1650	\$ -	0%
MAY, 2002	\$ 0.1943	\$ 0.029	17.8%
JULY, 2002	\$ 0.2450	\$ 0.080	48.5%
AUGUST, 2002	\$ 0.2550	\$ 0.090	54.5%

TOTAL P.02

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June 6, 2002

TO: The Honorable Donald Manzullo  
Chairman, House Small Business Committee  
Attn: Piper Largent

FAX NO: 1 202 225 3587

Dear Congressman Manzullo:

We are happy to learn that your Committee will be meeting to consider the effects which the strong dollar has had on small business.

The effect the strong dollar has had on our company is significant. Our export sales have declined and at the same time importers of imitations of our products have increased because the cost of such products has decreased.

Our company has been specialized - for more than eighty-five years - in the design, manufacture and world-wide distribution of a single product which is used by medical professionals (clinical sphygmomanometers and accessories). This is the first time in the history of our company that it has been necessary to reduce our work force. We know that similar problems have plagued other manufacturers of medical products and hope that something can be done to get the dollar back to normal levels.

Best wishes.

Sincerely yours,  
W A BAUM CO INC

  
John C. Baum, President

JCB/j

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1000 900 800 700 600 500 400 300 200 100 0

1 2 3 4 5 6 7 8 9 10 11 12



6/10/02

The Honorable Donald Manzullo  
 Chairman House Small Business Committee  
 Attn: Piper Largent  
 2361 Rayburn House Office Building  
 Washington, DC 20515-6315

Honorable Manzullo,

I am requesting your support to help end the "Strong Dollar" policy in order to help American Manufacturers gain back the edge we have lost to imports in the past few years. I just learned this morning that my company has just lost a \$1.5 million order to an Australian company for 21 computer controlled machine tools we design and build. I think we need to help eliminate the current almost 30% price advantage imports have had on machine tools in the last few years.

Our customer advised us of the placing of this order with the Australian company due to the reason they were 15% less on the total than our proposal which was the lowest of five other American machine tool builders. This is an order we figured at a "Breakeven" price just to keep our remaining workforce working until we can obtain additional work. In the past year and one-half we have already laid off 25% of our skilled work force due to the overall lack of business in the manufacturing industry.

I feel something has to be done when a foreign company can ship equipment halfway across the world, pay the additional freight costs, pay duties and tariffs and still be so much cheaper than established American manufacturers cannot come close competing even on a "Breakeven" basis.

Thanks for your support in this urgent matter facing American Manufacturers.

Sincerely,

Donald J. Hagarty  
President



an SP Industries Company

June 6, 2002

The Honorable Donald Manzullo  
 Chairman, House Small Business Committee  
 Attn: Piper Largent  
 2361 Rayburn House Office Building  
 Washington, DC 20515-6315

Dear Mr. Manzullo,

This letter is to express our continuing concern about the administration's position on the strong dollar.

We are a small business that has been exporting our laboratory and pharmaceutical equipment for over thirty years. In some years, correlating with a "normal" dollar exchange rate, we have exceeded 35 percent of our sales into overseas markets, principally the Pacific rim, India and Europe.

Since the rise in the value of the dollar versus the major world currencies and the Euro, our exports have dropped to less than 20 percent of sales. This change is directly related to the 30 percent effective price increase the over-priced dollar places on our products.

Not only does the dollar at current levels hurt our exports, but it also makes our foreign competitors less costly in the U.S., hurting our U.S. sales as well.

In summary, the strong dollar policy being followed by the administration hurts exporting businesses and worsens the balance of payments. Please take action to return the dollar to fair and reasonable level.

Sincerely yours,

S. G. Bart  
 President

**Largent, Piper**

**From:** Tim Brown [tbrown@mereen-johnson.com]

**Sent:** Wednesday, June 05, 2002 3:08 PM

**To:** Largent, Piper

**Subject:** US Dollar Valuation -

**A message for the Honorable Donald Manzullo, Chairman, House Small Business Committee**

Mereen-Johnson Machine Company is a 20 million dollar gross sales company with manufacturing facilities in Minneapolis, MN and Webster, SD. We specialize in the production of industrial woodworking machinery. I serve as our company's Export Sales Manager. We have been manufacturing and marketing our product in the US market since 1905 and have actively marketed and exported our product abroad since 1980. Export sales have historically represented approximately 20% of our gross sales.

Due primarily to the increase in the US dollar valuation against foreign currencies in recent years our export sales now represent approximately 4% of our gross sales. This has led to layoffs of hourly employees and salary cuts to our employees for both plants. In addition to the loss of export sales, the strong dollar has caused many of our foreign competitors to pursue the US market. This additional competition has now effected our domestic market share in a very negative way.

I strongly urge your committee to consider policies that promote a reasonable and stable dollar valuation (lower than present rates) that will allow for a level playing field and encourage US companies to bring manufacturing back to US factories. This will encourage employment, a strong personal and corporate tax base, lower dependency on government programs and general prosperity.

I be happy to discuss our views with you at your convenience. Direct Line - (612) 302-3335

Best regards,

Timothy L. Brown

Tim Brown  
Mereen-Johnson Machine Company  
4401 Lyndale Avenue North  
Minneapolis, MN 55412  
tbrown@mereen-johnson.com  
Ph: 612-302-3335  
Fx: 612-529-0120



June 25, 2002

**The Honorable Donald Manzullo  
Chairman, House Small Business Committee  
Attention: Piper Largent  
2361 Rayburn House Office Building  
Washington, DC 20515-6315**

**Dear Mr. Chairman:**

**I wanted to contact you directly in order to let you know how seriously the overvalued dollar has negatively impacted our business.**

**We are a wood moulding manufacturer located in North Carolina. Two years ago, we employed 350 people. Since then, we have lost over 100 manufacturing jobs and have seen our overall volume shrink 30% due to "cheap" imports, fueled by our overvalued dollar.**

**In a perfect world, we are at a disadvantage competing with some of these third world producers, understanding that they do not have the EPA, OSHA, and Hazardous Waste Removal Regulations to build into their costs. They also do not have Workers' Compensation Insurance, Social Security, Hospitalization Insurance, Retirement Plans, 401-K, etc. to add to their cost. To make things worse, the dollar's overvaluation makes a cheap product even cheaper. I believe that even with the lower manufacturing costs of imported products, we could still be competitive if the value of the dollar could be reduced to more normal levels. If we, as a nation, can't adjust the value in which it trades, I am afraid we will see more jobs lost to imports, and I firmly believe the survival of small business itself is at stake.**

**Thank you for your consideration and for giving me the opportunity to share with you some of my concerns. If you have any questions, please don't hesitate to contact me.**

**Sincerely,**

**H. T. Christensen  
President**

**HTC:lh1**

**[halc@tiindustries.com](mailto:halc@tiindustries.com)**

From: Ralph Dahlgren To: Piper Largent

Date: 06/11/2002 Time: 5:56:42 PM

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**FACSIMILE COVER PAGE**

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To : Piper Largent

From : Ralph Dahlgren

Sent : 06/11/2002 at 5:56:06 PM

Pages : 2 (including Cover)

Subject : Dollar Valuation Hearings

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Dear Mr. Largent,

Yesterday I received information from the Non-Ferrous Founders' Society to the effect that the House Small Business Committee was meeting to hear testimony about the impact of an overvalued dollar has had on small businesses in America. Please make the Committee aware of my thoughts on this matter. Should there be a need for any additional thoughts on this, feel free to contact me at your convenience.

Sincerely,  
Ralph Dahlgren  
President