

Handout to NAM BOD Members before September 28, 2006 BOD Meeting

It has been suggested that the upcoming vote on Ryan Hunter may be one of the most divisive votes in NAM history. It shouldn't be. I cannot think of any action that NAM could take that has the potential of benefiting domestic manufacturing more than support of Ryan Hunter. Ryan Hunter occupies a middle ground between jawboning the Chinese government to quit manipulating its currency which has clearly proven to be useless and the Schumer Graham tariffs which are clearly non-compliant with WTO.

Revere Copper Products has seen 30% of its customer base move offshore (mostly China & Mexico) since 2000. Personally, I don't have a problem with any company that sets up a plant offshore or imports components or products. But if manufacturing in America must compete with the protectionist policies of any foreign government, that is not fair. And if meaningful corrective action by the US government is thwarted by US manufacturing companies who gain from such protectionism, that is wrong.

Please take time to read the attached summary of my views on this issue and my support of Ryan Hunter and forward this e-mail to any NAM member you know. Please do not share this document outside NAM as it is my wish to gain support within NAM. The views expressed are those of the author and are not intended to express the views of any group. I am passionate about this issue and believe the fate of manufacturing in America depends on its outcome.

Brian O'Shaughnessy
President & CEO
Revere Copper Products, Inc.

Brian@reverecopper.com
Tel. (315) 338-2332

(see following attachment)

My Company or My Country?

CEOs of multinational companies are put in a very difficult position by national trade policies. *They have to choose between their company and their country.* Let me explain. China practices a policy of managing its currency at artificially low levels to gain a competitive advantage for any export products or services produced in China....as much as 40%! Now, you must realize a simple truth, a multinational that manufactures in China and benefits significantly from this advantage doesn't want this to change.

Other companies that manufacture in the USA and must compete with them believe this currency management is unfair and must be stopped. They see other US based manufacturing plants shutting down and are concerned that will be their fate if something isn't done. These domestic manufacturing companies want the US government to take effective action to right this wrong and the sooner, the better.

At a 2006 meeting of the International Economic Policy Committee (IEPC) of the National Association of Manufacturing (NAM), one manufacturing company said that it buys components from China and does not want the current situation to change. Now there's a breath of honesty. Maybe not patriotic but at least he's honest.

Patriotic...why bring that word into the mix? Well, you see the strength of manufacturing is an inherent strength of our country. Some economists believe our country is in a transition from a manufacturing economy to a service economy just as it transitioned from an agricultural economy to a manufacturing economy years ago. But maybe the manufacturing economy was simply layered on top of our agricultural economy just as the service economy is layered on the manufacturing economy. And it is certainly hard to argue against the proposition that a weak manufacturing sector threatens our national security.

But some economists say the manufacturing sector is doing just fine as it is producing more than ever before. They argue employment in the sector is down by three million since 2000 because productivity is up. But during previous recoveries, job losses in manufacturing averaged about one million in spite of increased productivity. We could argue endlessly about this but the facts are the facts and the fact is we have become a nation with a colossal trade deficit. In 2005, for the first time in over a hundred years, our nation imported more food products than it exported and our trade deficit in manufactured goods continues to soar. Indeed, our nation's trade deficit is growing by \$2 billion a day! (More about this later...) Sounds like our nation needs some help.

Or at least some good advice....and that leads me to integrity. You see when a CEO attempts to push an agenda that supports Chinese protectionism rather than an agenda that goes against that protectionism, maybe that CEO should declare that he or she is conflicted on this issue and recuse themselves from voting. Many of these CEOs have plants in the USA which would benefit from free trade but they support their growing investments in plants in China and imports from China by choosing their company's best short term interests over that of their own domestic plants and their country.

One multinational at the IEPC meeting suggested that members of NAM who wished to pursue this issue should form their own organization outside of NAM. There is a basic problem of understanding here. Let me explain, NAM has 13,000 members. Reports suggest about 10,000 are not multinational and most of these do not import significant components from China. So clearly, it is in the best interests of the vast majority of the NAM membership to support free trade and not the protectionist policies of China and other countries like Japan who manage their currencies. Plus, this issue is significantly important to any manufacturing company that must compete with imported products or components.

So the answer is obvious, isn't it? The multinationals who manufacture in China or import components or are otherwise conflicted or cowered should form a group to protect Chinese protectionism. They could call it the Coalition for Chinese Currency Protection.

But we domestic manufacturing companies don't really want you to leave NAM because there are so many other issues we can work on together including some on international trade that are near and dear to your hearts.

So the issue before NAM today supposedly is how to stop China from managing its currency so as to give its production of goods and services an unfair competitive advantage. Or, is it? If you recall, earlier I mentioned the multinational delegate, the honest one...he said he was against a proposal that would raise his prices on the components he buys from China. So, the real issue is, should NAM support measures that will not work so that he can support them or should NAM support measures that will work to cause China to change its policy on managing its currency?

The measures that have not worked are jawboning the Chinese to change...you know, throwing adjectives and words 'til they stop. The multinationals have endless arguments for stretching out the process...how about we don't want to start a trade war now, do we? But *we are already in a trade war*, aren't we? Of course we are and we are losing. *We are pacifists in this war*. How about this one by the multinationals...your policies are protectionist! Yes, they actually said that, can you imagine? Another is, what about their fragile banking system? This one has been around for years and of course, it is impossible to amend an economic philosophy let alone a banking system that depends on subsidization to such an extent without removing the subsidy, isn't it? Besides their banks are owned by the same government that is holding almost a trillion US dollars. Maybe their banks are not quite as insolvent as you have been lead to believe...

China set up a system to manage the movement of its currency toward market levels and then used it to move its currency at rates about 3.5 % per year in the first year compared to estimates of an underlying rate of appreciation of 5% of its currency, thereby exacerbating the problem. So, China is going to delay as long as it can and make corrections in as small increments as it can get away with given its support. Part of that support comes from NAM's current policy which pleases the multinationals that are in alignment with the policy of China. Never, but, if ever, slowly....

There is no easy solution to this Chinese puzzle but NAM and our government have tried and I have supported the verbal approach...for years. Our nation could simply slap a tariff on all imports from Chinese and other nations that manage their currency but I think we must take measured concrete steps that increase in severity before such a step.

My domestic manufacturing company can sue foreign government for subsidizing their manufacturing and gain the imposition of countervailing duties on its competing imports to the USA. But we are not allowed to pursue such cases under current policy if the foreign governments subsidize their manufacturing by manipulating their currency.

The Ryan Hunter bill (HR2942) would correct that by making currency management an actionable export subsidy. It has pretty interesting support in the House of Representatives...about 180 sponsors almost evenly divided between Democrats and Republicans. NAM needs to throw its support behind Hunter Ryan.

Did you catch the statement by Congressman Tim Ryan of Ohio concerning the strategic paper (“Unrestricted Warfare”) written by two Chinese military strategists in 1999 about the time that the yuan began to diverge from dollar equilibrium? They suggested that military supremacy could be gained by undermining the manufacturing base of the United States by maintaining its currency at artificially low levels to gain an economic advantage for Chinese manufacturing and destroying the manufacturing base of the United States.

Personally, I admire the Chinese culture and believe that China does not need such a disruptive currency policy to compete in the world given its many other advantages. But this policy amounts to a mercantile war on the world and the world is sleeping.

The multinational advisors to governments all over the world have been effective in handcuffing governments who rely on their expert advice on matters of international trade. Beware Wall Street bankers who finance world trade and also gain from the status quo. But there is no status quo because the bubble of US dollars being accumulated abroad is growing and that bubble will burst. How big can it grow and what will cause it to burst is hard to say but burst it will. So until you see that bubble getting appreciably smaller, better hold your breath.

This bubble is not in the best interests of your shareholders nor is laying land mines and roadblocks to real currency reform. American citizens aren’t drinking the Wal-Mart Kool Aid like they used to and the specter of real protectionism looms closer than your lofty perches can see. Your actions endanger free trade everywhere because you have mislead us about your motives as you attempt to advise us...well except for one guy.

Do you stand for patriotism, ethics and free trade or building roadblocks so that you continue to gain from the protectionist currency policies of your Chinese government benefactors? Are the best long term interests of your shareholders served on the dangerous road you follow? What about your other stakeholders? What about your country? What about your children and your grandchildren?

My name is Brian O’Shaughnessy and I am the President of Revere Copper Products, Inc., and serve on the Board of Directors of NAM. My company was founded by Paul Revere in 1801 and we believe we are the oldest manufacturing company in America. I feel a special obligation has been handed down to me from Paul Revere to defend the manufacturing jobs in my company and in our nation.

brian@reverecopper.com (315) 338-2332
(see note on next page)

At a subsequent BOD Meeting, a representative of the Bush administration was informed upon making a request for NAM support to fight this legislation that NAM was divided on this issue and would not be taking a position on this legislation. I was no longer on the NAM BOD so a BOD member ally called to inform me of this development. He said, "Brian you weren't here in person but you were present!"

The fact that NAM would not step up to defend domestic manufacturing on this issue is quite damning. In my opinion, NAM is vital to manufacturing but will only work to support the interests of domestic manufacturing if those interests coincide with those of multinationals who pay a very large portion of NAM dues and control its BOD.