



Pacific Rim Fuels US Business

by Robb Williams, GFG

There have been countless articles recently written that all point to the erosion of jobs in the United States. At the heart of these articles there is one common denominator – “The Pacific Rim” and, more specifically, China.

While it is true that more and more US companies are scrambling to set up shop in China or form joint ventures with Chinese companies in an effort to capitalize on cheap labor, there are other scenarios taking place in the US that are contrary to these “doomsday” articles.

One such scenario highlights a modest manufacturing company located in Wisconsin – GFG. GFG manufactures what they believe to be the best roll coating equipment used in Coil Coating lines throughout the world. GFG also manufactures Peabody electrostatic oilers that are used around the world in galvanizing, pickling, tension leveling, blanking, and inspection lines; to name only a few.

As with most US based equipment manufacturing companies that service the steel industry, GFG has suffered through some very tough years recently but, incredibly, has seen business increase dramatically over the past few months to unprecedented levels, due to – you guessed it – China. “Our business is at the highest level we have seen in nearly 5 years, and I would estimate that roughly 70% of the machines we produce this year are destined for China” according to company President, Alan Roehrig.

This exportation of American made equipment to China is not what Hollywood would describe as an “overnight sensation,” but rather the result of what has helped America achieve it’s envious position as an “industrial Goliath” and a world power. America achieved these accolades based on determination and an innate competitive drive to adapt, restructure, and find a solution in spite of the undaunting obstacles strewn in it’s path.

As some enlightened visionary once said “There isn’t anything worth doing that comes easily.” And this certainly rings true when attempting to penetrate the Chinese market.

It takes a plan. It takes some risk. It takes patience. But most of all, it requires determination – determination to succeed.

Sheer geography alone makes it difficult to do business in China and, yes, you must travel there if you intend to consummate any type of business relationship in China. The Chinese are well renowned for their desire, no requirement, to form a personal relationship with their business associates. From the little town of Sussex, Wisconsin to the steel mills in China you’re looking at a good 30 hours of travel. No question about it – selling to a steel mill in Pittsburgh or Gary, Indiana looks much more attractive.





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Pacific Rim Fuels US Business

Page 2

Additional challenges include the cultural and social differences that can be both perplexing and frustrating for Americans. Where else in the world can you ask what appears to be a simplistic question like “how long until we get to the factory?” This, as you frantically look for your seatbelt as your driver narrowly avoids sleep-deprived truck drivers unexpectedly swerving towards you. A 20-minute discussion in Chinese ensues and you are told “1 hour.” Then – some 3 to 4 hours later, you finally arrive at your destination. Frustrating – definitely – but then you’re not in Kansas anymore Toto.

After several trips to China, and, with no contracts, it’s time for the proverbial “come to Jesus” meetings. The opportunity costs are mounting, the ROI is a negative number, the doubts begin to cloud your original vision and a decision must be made. “Was this really such a good idea?”

This “turning point,” this moment of indecisiveness and “soul searching,” is where your future is made or your bet is lost. Fortunately for GFG the decision was made to forge ahead – a decision that in the true form of American determination has paid off, with jobs and profits for Americans.

Countless articles and news broadcasts quote numbers – very big numbers – declaring how many jobs are being lost to offshore manufacturing every month or, for more dramatic effect, every year since our current President has been in office. These same sources sometimes cry out for protectionist measures or changes in government policy as the “magic potion” to cure our ills. Well, ask anyone in the US Steel business how well that worked for them over the last year or two and you can see that the “magic potion” turned out to only be a placebo...a very bitter sugar pill of sorts.

No, a better solution may not be a solution at all. Kind of like the game you play with your ten-year-old when you ask “when is a door not a door” (when it’s ajar). Rather than looking for new “magic potions” why not take a different approach and look at some real-life situations occurring in the USA that don’t make the headlines. Things that are happening right now, positive things, things that can make us all feel good, things that have a lasting effect – a very positive effect.

Let’s take a step back and look at that small Midwestern manufacturing company located in America’s dairyland, GFG in Sussex, Wisconsin. GFG employs less than 100 people. At first glance most of us would be inclined to sweep them aside with a dismissive wave of the hand and say that such a small employer could hardly offset the thousands of jobs that are being lost to China every year. In fact, while at face value this may be true, a more accurate account of the impact can only be determined when we look at the famous “trickle down” effect.



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Pacific Rim Fuels US Business

Page 3

GFG concentrates on engineering and assembly of their industrial equipment, thereby leaving the manufacturing work – fabricating, machining, plating, etc to other US companies. With the increase in overseas business obtained by GFG, specifically the recent surge in Asian business, their fellow USA companies reap the benefits and rewards as well.

Strictly for the sake of discussion, let's assume that GFG has about 30 key vendors who each employ 50 people – that's an additional 1500 jobs – jobs that are all based in the USA. These same key vendors have their own sub suppliers as well – steel distributors, component manufacturers, trucking companies, and on it goes – more USA companies and more jobs in the USA. Now all of a sudden we are talking about thousands of jobs!

But delve even deeper, look past the obvious – where do those 2nd and 3rd level sub suppliers get their products from? Well some of them get their products directly from – you guessed it, American Steel producers – Damn interesting isn't it! Now we're talking about some real employment numbers, big numbers – the same numbers being thrown around by all those people who want to focus only on the negative. But under this scenario the numbers are only positive.

And there's more! Sales trips are required to obtain these orders and service trips to install the equipment. Trips that require airline flights aboard what airlines? US owned and operated airlines. Who would have guessed that a modest little company could have such a far reaching effect on so many seemingly unrelated industries throughout America.

But wait, let's not forget what impact those thousands of paychecks will have on the US economy as they are spent in restaurants, stores, local pubs, and gas stations that employ additional US citizens. The same dollars that go for taxes to pay our government officials and our military and fund our school systems, and - and - and...the numbers continue to grow relentlessly like some monstrous pyramid scheme with no end in sight.

Interesting how one small Midwestern company quietly tucked away in America's Dairyland, is doing a modest business with China and having such a far reaching effect on so many businesses in America. Certainly something worth contemplating.

Maybe the booming Chinese economy isn't as much of a deterrent to the USA economy as others would have us believe? As GFG's president, Alan Roehrig so deftly stated – “The boom in China is not costing GFG jobs, it's creating jobs.”