

## **Boats, cranes and airplanes for sale**

**The weak dollar is playing into the hands of American companies. Demand for U.S. products is as strong worldwide as it has been in a long time.**

By Martin Dowideit

Every year Tom Lewis of Florida sells about six luxury yachts that his 200 employees build at the Broward Marine shipyard near Fort Lauderdale. But soon the sales figures could be increasing, because now it is no longer just the aerodynamic aluminum hull, whirlpool on deck or elegant wood paneling in the cabins that are enticing buyers from Europe. As of late, the purchase price is also a strong argument in favor of a ship "Made in the USA."

American products have been increasingly affordable for Europeans since the dollar's nosedive against the euro and other currencies, whether it be machines, construction vehicles—or yachts. And anyone who wants a pompous boat also likes to drop in and pay a visit to Florida.

One of Lewis' yachts generally go for 18 million dollars. That was 13.7 million euro a year ago, but now it's only about 12.3 million euro. "I am probably 30 percent cheaper than my European competitors," the 60-year-old boat builder says. For this reason he is now pumping marketing funds into the European market. Next year at least two boats are planned to be shipped through the Mediterranean to promote his company at trade shows. Lewis will soon do three quarters of his business abroad; currently it is only one quarter. "The dollar exchange rate is currently playing into my hands with respect to the expansion into Europe and the Middle East," the businessman says. He is already considering expansion of the shipyard. "The good thing is that the business can easily be expanded."

Broward Marine, like thousands of other U.S. medium-size businesses and major conglomerates, is pleased with the exchange rate of the dollar. While European exporters are whining because they are producing their products for expensive euros, but only receiving dollars for them in the U.S., the situation is exactly the opposite on the other side of the Atlantic. From January to September of this year, the U.S. exported twelve percent more goods and services than in the same period of the previous year, the Department of Commerce reports. Many European, Asian and Latin American buyers are looking more closely at U.S. products, because the exchange rate makes the goods more attractive. "A competitive dollar helps our foreign trade," Harvard economist Martin Feldstein says. "Therefore the falling exchange rate should be seen as a good sign in this country."

This applies perfectly to American machine builder Chipblaster. The company

builds high-pressure pumps that are used in machine tools. The company's most important markets outside of the home country are Germany, Italy and Japan. And the dollar has recently picked up the pace substantially in relation to the euro and the yen. Distribution manager Bryan Cramer knows how that affects company routine in the small town of Meadville in western Pennsylvania. For example, an inquiry from a German manufacturer arrived a few months ago. The attached price expectation in euro really did not seem to be doable for Chipblaster. "But not so. The additional decline in the dollar made it possible for us to enter into the transaction," Cramer said. Chipblaster landed the 400 thousand dollar order and even has a couple of employees in Hamburg beginning a few weeks ago, in order to be able to better serve the European market. The sales revenue of the 65-employee company is already 50 percent above the amount of the entire previous year.

The increase in demand is coming at just the right time for many American companies. Domestically the economy will probably grow substantially more slowly this quarter than previously. And there is even the threat of a recession in the coming year, triggered by the real estate crisis. For example, sneaker giant Nike is already having to struggle with sales problems in the home market, but the European business has recently increased by seven percent, due exclusively to the favorable exchange rate. During the third quarter, mixed conglomerate 3M ("Scotch," "Post-it") has not grown in any region as strongly as it has in Europe. And in November aircraft manufacturer Boeing beat the order record from the previous year—something which became possible as a result of the drop in the dollar exchange rate and the growth of the aviation industry.

"However, the weak dollar winners are not always clearly discernible," says Ken Goldstein, economist with the Conference Board, an association of major American and international conglomerates. He states that, above all, the relocation of production out of the country in previous years has left clothing companies, for example, in a bad position. They import the merchandise from abroad and now have to pay more for it in dollars. But, according to him, they are possibly reluctant to pass on their increased purchase prices to their customers and are therefore forced to accept declining profits. But on average, the U.S. economy is benefiting from the exchange rate trend, Goldstein said. "Without the weak dollar, we would perhaps even be in a recession already."

This scenario has not occurred because the decline of the dollar also brings benefits to small companies like that of Thomas Kenville in icy West Fargo, North Dakota. "It does not matter whether it is an airplane for 24 million dollars or one of my products for 2,400 dollars," says the 67-year-old, whose business produces collapsible wheelchair ramps. "For the foreign customer, the percentage savings resulting from the exchange rate is the same." And therefore the company, which has twelve

employees, is running at full speed. Kenville intends to hire more people soon. Sales revenue will double with up to two million dollars this year. "That is thirty to forty percent attributable to the dollar," the former fighter pilot believes. His German distribution partner in Cologne is purchasing entire containers full of ramps at a time. And exports to Canada are proceeding splendidly, because the Canadian dollar has trended even more strongly than the euro in relation to the U.S. dollar.

The only drop of bitterness for the exporters is the fact that the weakness of the dollar is also based on the looming weakness of the American economy. Americans' love of spending will probably decline in the first half of 2008 for the first time in 16 years. As a result, demand for products from abroad will drop, which will negatively affect the world, given the size of the U.S. economy. "We are already seeing how the prospects for growth in Europe and other regions are falling," expert Goldstein opines. If the world economy does not grow as strongly, the exporting U.S. companies will probably also suffer again.

Garth McGillewie Sr., of construction vehicle manufacturer Hydra Platforms in South Carolina, does not share this concern. His company is enjoying an industry-specific boom. His company builds work platforms that can be pivoted under a bridge from a truck or trailer. Engineers can easily inspect the underside of bridges with these cranes. There has been intense demand for the products since the collapse of a highway bridge in Minnesota. The company just recently doubled its production capacity to 120 platforms a year. "The dollar is helping us, in addition to the already strong demand," says the founder of the 23-year-old company, since the company's primary competitors are domiciled in Germany and Italy—and produce for expensive euros.

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[graph]

**Exports from the USA (goods and services)**

**In billions of dollars**

[see source for numbers]

Source: BEA

[photo caption]

Crane bridges in the harbor of Long Beach (below). Exports by American companies are booming due to the weakness of the dollar. Not only conglomerates like aviation giant Boeing (left) are profiting from this, but medium-size companies like construction vehicle manufacturer Hydra (right) as well. PHOTOS: BLOOMBER (2), HYDRA PLATFORMS