



THE CUTTING EDGE

WOOD MACHINERY MANUFACTURERS OF AMERICA

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January 2003

2002: The Year in Review

The start of a new year is a time of reflection on the past and visioning for the future. In 2002, WMMA's 104th year as an industry leader, the Association continued to provide a multitude of programs that served the membership and the industry well. WMMA has much to be proud of over the past year, and the outlook for the coming year is positive. This January issue of the Cutting Edge features a recap on WMMA activity over the past twelve months. Watch future issues of this newsletter, as well as the WMMA website – www.wmma.org - to keep up with the progress of your Association this year.

Executive Committee

The WMMA Executive Committee helped steer the vision of the Association this year. Under the direction of newly elected President Chuck Granger, the leadership of WMMA brainstormed the past, present and future direction of our member companies and the Association's mission as a whole.

The Strategic Visioning sessions challenged some long-held policies of WMMA. Results of these sessions will be published in a special edition of The Cutting Edge. The Committee continued its strong relationship and communications with fellow Associations, WMIA and AWFS, in the execution of the annual Woodworking Industry Conference.

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Industry Marketing

The Industry Marketing Committee had a busy year ramping up for and executing a successful marketing campaign at IWF 2002. Through careful planning and the mapping out of the newly expanded Georgia World Congress Center, each Committee member pitched in to deliver the colorful new WMMA Member banners to all exhibiting members. This banner was a hit across the show, allowed for easy recognition of our members, and was even sought after by non-members.

The Committee was diligent in creating a strong message on behalf of all WMMA members that was seen in trade magazines, websites and press releases all summer-long. The theme, "Support America, Buy American," in conjunction with the new red, white and blue WMMA logo, continues to tell the story of our members.



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Membership Committee

The Membership Committee was active again in recruiting members at TSI tradeshow and at IWF this year. In Greensboro, Seattle and Columbus, the Committee eagerly sought out potential WMMA members, and acted as mentors to new members. In February, during the Greensboro show, the Committee held its first ever Member Breakfast, which attracted 100 WMMA members and potential members to socialize and learn about the benefits of membership. The Committee will hold at least one Member Breakfast in 2003.

The Committee plans to be even more involved in mentoring new members in 2003, by guiding first-timers through the ins and outs of the WIC, making sure that they participate in the Press Tours and Special Sections, and by helping them become active participants in the Association.

Product & Engineering Standards



By now, you have seen the main work product of the Committee in 2002 - the long-awaited Guidelines in the Development of User Manuals for Woodworking Machines. Thanks to the leadership of Jim Laster and the contributions of everyone on the Committee, this detailed publication has already proven to be a primary resource to many members. The Committee also promoted an updated version of the HCS Safety Signs to the membership, and called all manufacturers to ensure that safety warning labels are placed on machinery. Strong attendance at safety workshops at the WIC and at IWF reflects the importance placed on compliance in the industry. The Committee strives for compliance to ANSI standards among all members.

Education & Scholarship



The Education & Scholarship Committee completed its first full year of awarding scholarships to qualified, eager individuals who are up and coming in the woodworking equipment industry.

Under the dedicated direction of Todd Herzog, Accu-Router, three companies came forward to sponsor scholarship recipients. James L. Taylor Manufacturing, Newman Machine and Accu-Router are the first WMMA companies who have realized the benefit of this program.

This program allows a WMMA member company to have their own scholarship program, funded by WMMA. Companies can customize the program to suit their own personnel needs, while introducing a prospective future employee to the business world. Any member who has not yet researched these offerings should do so.

Note: For more information on participation in the WMMA Scholarship program, see the article on page 6.



Public Policy

It was a busy year on Capitol Hill, and thanks to Public Policy liaison John Satagaj, WMMA was kept duly informed. The Committee advocated two strategies in 2002 which actually were signed into law: an accelerated depreciation schedule, and a mandatory ergonomics standards roll back.

The long term goal continues to be enactment of the High Productivity Investment Act. Under this initiative, businesses would be able to deduct the cost of most of their traditional machinery and equipment (that is not expensed) over a shorter period of time. This would be a productivity-based cost recovery system.

Stay tuned as the Committee forges ahead on the Hill as the voice for your business in 2003.

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The Year in Review

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Export Development

The Committee continued their efforts to assist more firms to successfully enter exporting and to support activities to increase international sales of those already exporting.

To make it easy for members to meet overseas buyers, we invited 20 foreign dealers and end users to IWF 2002.

In addition, the committee conducted research on foreign markets; published a Directory of International Distributors; disseminated trade leads, topical country market information and marketing tips; reported U.S. trade statistics and counseled members through the WMMA Export Director. Finally, the EDC got involved in trade issues affecting members' ability to compete domestically and abroad.

A principal activity is organizing WMMA pavilions in 3-4 international trade fairs per year. Members typically receive a number of support services, including space discounts, making it more efficient and effective for the experienced and developing exporter to exhibit. The schedule for WMMA pavilions in 2003 is:

- Expo AMPIMM, Mexico City, Mexico (January 15-18)
- WoodMacChina, Shanghai, China (February 25-28)
- Ligna, Hanover, Germany (May 26-30)

WIC 2002

The 11th Annual Woodworking Industry Conference took place from May 1st to 5th in warm and sunny San Antonio, Texas. Nearly 220 total delegates from WMMA, WMIA and AWFS were in attendance, along with 83 spouses and companions. Delegates partook in workshops, which highlighted Ergonomics, retaining employees, customer relations and retention, return on investment, and product liability.

Much business was conducted at the contact table program, which is a big annual draw.

At the May 3rd Business Session, Chuck Granger of 3M Company was handed the gavel as WMMA's new President. As part of a new promotion conducted by the Membership Committee, nine WMMA members attended the WIC for the first time ever in 2002, or for the first time in five years. These members were recognized at the Business Session and were presented with cash stipends for traveling to the meeting.

Howard Grivna of Sanding Systems Consulting, Inc., an active member of the industry for almost 30 years, was awarded the Ralph B. Baldwin Award of Excellence. Mr. Grivna was recognized for his ingenuity, his vision and his dedication to the woodworking industry for 28 years.

The Baldwin Award is presented each year at the WIC to an individual who has made outstanding contributions to the woodworking industry, the Association, their company and the community.

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A Message From the President

Looking Back at 2002 and Looking Ahead...

By Chuck Granger, 3M Company
President, WMMA

Happy New Year to you and your families! I hope you enjoyed a great holiday season and are looking forward to a healthy and prosperous 2003.

I am proud to report that WMMA had one of its strongest years yet. Thanks to the hard work and dedication of the Executive Committee, the Board of Directors, and all our Committee Chairs, WMMA tackled new challenges and provided exceptional value to the membership in 2002.



The Export Development Committee continued to lead WMMA members out of their exporting woes and into international territory, under the guidance of Committee Chair Tim Brown and Export Director Harold Zassenhaus. The Committee also was pleased to have 19 foreign buyers participate in IWF under the Foreign Buyer's Program. WMMA had a pavilion at the Mexico City show in January. And don't forget to sign up for Ligna and WoodMac China, along with the Foreign Buyer's Program in 2003. The Committee also published an international version of the Buyer's Guide & Directory for 2003, with multi-lingual machine index. They also sponsored an update to the WMMA website, which now offers the electronic directory in those same five foreign languages, making it easier than ever for international buyers to patronize WMMA members.

The Public Policy Committee marched on Capitol Hill again in 2002, fighting for the rights of the businesses that make up the WMMA membership. Committee Chair Chuck Brink, along with Washington, D.C. liaison John Satagaj, led the WMMA representatives to the Hill. They were successful in encouraging the passage of legislation on ergonomics standards, and an accelerated depreciation schedule in order to stimulate business. The Committee also helped identify the need for a balanced approach in the valuation of the Dollar. The Committee will meet in Washington, D.C. in February, and will strategize for 2003, with an anticipated 20 representatives in attendance.

The Management Information Committee distributed the quarterly Delinquent Account Report and the monthly Executive Trends Report again in 2002. Matt Carroll, Committee Chair, oversaw these reports, and those who participated surely benefited from receiving the results. The surveys got an average of 25 responses a month. However, the Zoomerang survey conducted with the WMMA membership this summer showed that these reports are not utilized by the membership like they could be. For this reason, and stepping into our new vision for 2003 and beyond, we are sad to report that this Committee as we knew it, will be dissolved. WMMA is positioning itself to begin pulling data from outside sources, providing more industry information to benefit our members. Many thanks to the Management Information Committee for their dedication in keeping the surveys alive.

The Product & Engineering Standards Committee contributed much this year, under the leadership of Committee Chair and WMMA Treasurer, Jim Laster. Two large contributions of the Committee in 2002 were the reissue of updated Safety Signs for Woodworking Machines, and the highly anticipated Guidelines in the Development of User Manuals for Woodworking Machines. Jim also continued as WMMA liaison on the ASC 01.1 Committee, along with other Committee members, and relayed to the membership the progress of issuing the new Standard. In 2003, the Committee plans to engage high-speed tooling manufacturing members and tackle the important issue of safe operating. The Committee also will work with the Export Development Committee in writing a series of Cutting Edge articles on safety standards overseas and the CE mark. The Committee will also address Ergonomics at a workshop during the Greensboro show in February. They continue to help WMMA become and stay compliant with industry standards.

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A Message From the President

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The Education & Scholarship Committee made great strides in 2002, under the committed direction of Todd Herzog. There were three scholarship winners named in 2002, and James L. Taylor, Newman Machine and Accu-Router acted as sponsors for these winners. In fact, Newman Machine has hired their scholarship winner as a full-time employee after graduation. This is an excellent program that offers both our members and young, eager individuals a great growth opportunity. In 2003, the Committee will strive to get every member company involved in creating their own scholarship program, backed by the Association.

The Industry Marketing Committee had a banner year, marked by the strong, cohesive marketing campaign for IWF 2002. Under the direction of Chair Mark Chappell, the Committee provided exposure for WMMA members in trade publications all summer long, and in the pull-out specials which IWF buyers used onsite. Industry articles continue to be written about our members. To date, the new edition of the Buyer's Guide and Directory has been distributed to over 2000 individuals, and the Directory section of the WMMA website directs visitors to our members daily. All in all, our members enjoy superior coverage in many advertising venues, thanks to the IMC.

Finally, **the Membership Committee** initiated new programs this year, in efforts to attract more eligible members and to increase the awareness of our current members. The Committee, headed by Chair and Association Vice President, Peter Perez, held its first ever Member Breakfast at the Greensboro show in February of 2002. Over 100 potential and current members enjoyed the breakfast, and the time spent together. WMMA even held a drawing to give away free registration to the WIC. In addition, the Committee offered free registration to first timer attendees to the WIC, and those who had not attended in five years. The WIC continues to be our most meaningful event of the year. The Committee will hold another Breakfast to recruit and mentor new members, in addition to helping our long-time members appreciate the value WMMA offers.

With all these activities, WMMA remains in healthy economic shape.

As we move into 2003, WMMA is researching and planning to become more of an educational and informational Association. Thanks to Strategic Visioning Sessions throughout 2002, which necessitated analysis and soul-searching, WMMA has a vision and teams in place to carry out that vision. In essence, we have listened to you, and we hear what you are saying. While the new direction of the Association may seem radical to some of us old-timers, we will do what is necessary to bring WMMA into the future and to keep our members on the forefront of industry information. Your fellow members Tom Anderson and Michael Burdis, along with Export Director Harold Zassenhaus, are heading up task forces to research the first phases of our new model. WMMA will keep you abreast of the progress through quarterly reports. This is a very exciting time for WMMA, as we rise to the challenges presented to us. Your satisfaction and involvement are of the utmost importance.

And of course, Pat and I look forward to seeing you and yours at this year's Woodworking Industry Conference in St. Petersburg, FL. We have a great Conference planned for you, with your business needs in mind. Please visit www.wmma.org to review the preliminary information, and tell your spouse! As another recognition of what is important to you, spouses and companions can attend for Free! Please register.

My best wishes for you and your business in 2003. We have accomplished so much thus far. Please join us as we venture into the future!

Sincerely,

CHUCK GRANGER



WMMA New Scholarship Program Takes Off

By Todd Herzog, Accu-Router
Chair, WMMA Education & Scholarship Committee

Last year, the WMMA Scholarship Program was officially modified to allow association members to link up with a two- or four-year academic institution of their choice, select a major, establish a campus contact, recruit interested students for a two-year \$3,000/year scholarship, interview and select the student of choice, submit that student to the WMMA Education & Scholarship Committee for approval, commit to being a mentor to the student and offer a minimum two month summer internship between the two class years. Basically, this program allows a WMMA member company to have their own scholarship program, funded by WMMA!

There are many options. You can work with a four-year college or university, a two-year community college, or a two-year trade school. You can select a major that directly relates to a personnel need. You can recommend an existing employee - either full or part time - that wants to progress upward through your company. We suggest establishing a key contact within the academic institution (faculty member, department head, etc.) to assist the student recruitment process. Setting up this program will take one to two visits to the education facility. The great part is, you can select a new scholarship student each year with the same or different major, addressing different needs within your company. And, WMMA pays!

Mentorship means occasional dialogue between the student and our member. It could mean attendance at key member events. It could include attendance at a show or open house. It could mean the passage of information. The summer internship typically involves a reimbursement range of \$2,000 to \$3,000 per month for the two months and assistance finding affordable, furnished housing. We recommend assigning the intern specific tasks that represent value to the member. The internship is not a free ride. If the internship is deemed successful, full-time job placement upon graduation would ideally be with the member or within the industry. That is the final aspect. The member would offer assistance for career placement. That certainly could include publicity within WMMA.

Three WMMA members have launched the new scholarship program:

- James L. Taylor Manufacturing nominated an existing part-time employee who has begun a two-year community college program. The employee is being groomed as a company service technician. The employee will receive \$3,000 each for two years to obtain an associate's degree, or a total of \$6,000. Michael Burdis of Taylor reports that the WMMA Scholarship will be a major boost for this personnel need.



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Education and Scholarship

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- Accu-Router has established a relationship with the machine design faculty member within the M.E. department at Tennessee Tech in Cookeville, TN. That led to Tennessee Tech recruiting incoming juniors over the past summer in the mechanical engineering major. Accu-Router interviewed the three finalists and selected a young gentleman who is now on the WMMA Scholarship. He has visited Accu-Router and will be an intern for two months next summer. He is a bright young lad. He is very interested in machine design and woodworking.
- Newman Machine just placed a junior at North Carolina State University under the WMMA Scholarship. This student is majoring in wood science and is expected to take courses in mechanical engineering. The student has been very active within the Wood Machining & Tooling Research Program. The faculty views him as exceptionally bright and energetic. He undoubtedly will be a major asset to Newman Machine. He will start under the WMMA Scholarship this January and be a summer intern at Newman next summer.

These success stories depict how easy it is for a WMMA member to establish their own, personalized scholarship program that could have one new scholarship recipient each year, all with WMMA funding. While new, the WMMA Scholarship Program has evolved over a number of years. The approach and expected results are time proven. Most WMMA members have a continuing need to recruit and hire talented new employees. This program provides a bottom line means to do just that.

We urge each and every WMMA member to consider participation with the WMMA Scholarship Program.

The WMMA Education & Scholarship Committee is comprised of:

Todd Herzog, Chair	todd@accu-router.com	931-668-7127
Jim Laster	JELAS@aol.com	336-273-8261
Peter Perez	perez@carterproducts.com	616-647-3380
Steve Ehle	steve.ehle@cygnuspub.com	920-563-6388

Please contact any member of the above Committee or WMMA staff for more information about how to set up your own scholarship program.

Member News

Carter Products

After marketing its popular Guidall 500 band saw guides for almost thirty years, Carter Products has taken the drastic step of recreating this best-selling product. The new design has a compact, all aluminum, machined body for added durability that provides even greater support for demanding rugged-duty applications and is especially well suited to resawing and high load situations.

Still designated as the Guidall 500 series and still moderately priced, the newly designed guides fit saws from 14" up to 30" in wheel diameters with blade sizes from as small as 3/16" to as large as 1 1/4". The Guidall 500 features two side support bearings while the third bearing is set on edge and is positioned so the back edge of the blade runs in the groove machined into the bearing's circumference. All three bearings are fastened to the guide body by eccentrically machined studs. Movement of these studs allows adjustment for all thicknesses of blades and for a wide range of blade widths. The ball bearings are lubricated and sealed for life.

Achieving the CE Mark



By John Branch, Midwest Automation

Member, WMMA Product & Engineering Standards Committee

Has exporting to the European communities always seemed too troublesome or expensive because of the necessity of obtaining the CE mark? This isn't necessarily the case, depending on the equipment that you manufacture. You must first determine if your machine falls into the class of hazardous machinery listed in Annex IV of the directive.

Following is the listing of wood machines as specified in the Annex IV Directive.

- 1) Circular saws (single or multi-blade).
 - 1.1) Sawing machines with fixed tool during operation, having a fixed bed with manual feed of the work piece or with a demountable power feed.
 - 1.2) Sawing machines with fixed tool during operation, having a manually operated reciprocating saw bench or carriage.
 - 1.3) Sawing machines with fixed tool during operation, having a built-in mechanical feed device for the work pieces, with manual loading and/or unloading.
 - 1.4) Sawing machines with movable tool during operation, with a mechanical feed device and manual loading and/or unloading.
- 2) Hand fed surface planing machines
- 3) Thicknessers for one sided dressing with manual loading and/or unloading.
- 4) Band saws with a fixed or mobile bed and band saws with a mobile carriage, with manual loading and/or unloading.
- 5) Combined machines of the types as referred to in 1 to 4 and 7.
- 6) Hand fed tenoning machines with several tool holders.
- 7) Hand fed vertical spindle moulding machines.
- 8) Portable chain saws.
- 9) Presses.

If you are manufacturing a machine that is not listed in the above summary, then you can use the self-certification process. In this case, the manufacturer, or his authorized representative in the European Community, draws up a Technical Construction File (TCF) as described in Annex V of the Directive. The file consists of: drawings of the machinery and of the control circuits; any calculations or test results showing conformity of the machinery with the essential health and safety requirements; a list of additional standards and technical specifications with which the machinery complies; a description of the methods adopted to eliminate hazards; and a copy of the operating instructions or machinery manual.

The manufacturer, or his authorized representative in the EC, also signs a formal Declaration of Conformity that essential health and safety requirements outlined in Annex I of the directive have been met. The manufacturer is then allowed to affix the CE mark and to market the machinery throughout the European Community. Declaring compliance with a machinery specific standard is an acceptable means of declaring conformance with Machinery Directive. When a machinery specific standard is not available or the manufacturer cannot be in full compliance with the standard, the TCF must indicate all identified hazards and the means used to reduce their effect. There are many commercial available software packages to help the manufacturer produce the TCF document.

For those manufacturers whose machines fall into the listing of Annex IV above, the procedures are more complex but can be summarized as follows:

Where there is no national European Community standard for the type of machinery or whether the machinery does not fully comply with the standard, the machinery must be submitted to a Notified Body for an EC type examination outlined in Annex VI of the Directive.

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Product & Engineering Standards

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If national standards do exist and are fully complied with, the manufacturer may select one of three ways to follow:

- The manufacturer, or his authorized representative in the EC, may draw up the TCF as described in Annex V of the Directive and forward the file to a Notified Body, who in return will acknowledge the receipt of it and keep it in their records. Following this, the manufacturer is allowed to affix the CE label and sell the machinery throughout the European Community.
- The next, more involved, method is for the manufacturer or representative to draw up the TCF and forward it to a Notified Body who will then verify that the standards that are relevant have been applied. If so, the Notified Body issues a Certificate of Adequacy, which is kept in the TCF. The manufacturer is notified and may then affix the CE mark.
- The most involved method is for the manufacturer or representative to submit the machinery to the Notified Body who will perform an EC-type examination as outlined in Annex VI. If the machinery passes, the Notified Body issues EC type exam certificate and the manufacturer is allowed to affix the CE mark. If the machine does not pass the examination, the manufacturer must redesign the machine and resubmit it for approval.

The manufacturer must determine which of the above methods he may use to achieve the CE mark. Remember, even if your machine is an Annex IV type, it may be easier and less expensive to design an automatic loading/unloading for the machine so that you can use the self-certification process.

If you have questions or comments about this article, contact the author, John Branch, at Midwest Automation
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“What Does Your WMMA Dues Dollar Buy?”

Industry Tradeshow Discounts

Worldwide Publicity

Monthly Newsletter

Educational Opportunities

Industry Advisor Program

Industry Safety Standards

Industry Statistics

Economic and Benchmarking Data

Regulatory Alerts

Legislative Calls to Action

Internet Links

Leads for New Business

Access to Overseas Distributors

Export Trade Certificate

**Networking with
Industry Peers**

Manufacturer/Distributor Conferences

China Business Etiquette

By Harold Zassenhaus, WMMA Export Director

Information provided through the Shanghai Agriculture Trade Office, Foreign Agricultural Service/U.S. Department of Agriculture.

Note: WMMA will be exhibiting at WoodMac China in Shanghai, China from February 25-28, 2003. It's not too late to participate.

Visit the website at www.wmma.org/members/mpdf/tradefairpartform.zip for more information.



China, as the world's most populous country, is fast emerging as one of the most important markets for many U.S. businesses, with its vast potential markets being the largest draws. Each day, the nation that is home to nearly one-quarter of the world's population welcomes business people seeking new opportunities. More and more people realize that to understand and sincerely respect Chinese culture is one of the keys to a successful business experience in China.

Some fundamentals about Chinese Culture

Chinese culture can be seen as a set of core values that underlie social interaction among Chinese people. As a result of socialization and other reinforcing factors, these core values tend to change only gradually – over generations rather than years. In relation to organizations, four key features of Chinese culture can be identified which (i) underlie social interaction within organizations; (ii) differ from other cultures, notably Western ones though the differences are less with respect to other Asian societies; (iii) have persisted over time; and (iv) can be seen in the Peoples Republic of China as well in Chinese communities elsewhere, although sometimes expressed differently. These four features are:

- (a) Respect for age and hierarchical position
- (b) Group (rather than individual) orientation
- (c) The concept of face
- (d) The importance of relationships

Chinese Business Etiquette

1) Establishing personal relationships

Personal relations are a bigger factor in getting things done in China than in the U.S. In business, relationships are important; as contracts are often not strictly specified in legal terms but rely on trust between the parties. When you begin to do business with Chinese people, it is suggested that you talk a little bit about your hobbies, your family members and yourself, before you broach the topic of business itself. Treat your Chinese counterparts as your friends. Taking a more personal interest in your Chinese partners will help smooth your business relationship.

2) Conducting business over a meal

Working lunches and dinners are common. It is the Chinese way to get to know associates a bit before the business relationship intensifies. Count on attending banquets arranged by your host. As a guest, you should return the favor if feasible. If not possible on this visit, consider doing so on your next trip or when your Chinese counterparts come to the U.S. But be sure not to miss the opportunity. At meetings and banquets guests will usually be seated in a fairly strict protocol order, so allow your host to seat you. At a meeting it is the custom to start with a few minutes of pleasantries before launching into business. At a meal, wait for your host to make the first toast before drinking. You may then offer a brief return toast if you wish. It is polite to drink with both hands when offering or receiving a drink.

3) Bring small gifts

It is useful, but not absolutely required, to have small gifts to reciprocate any gifts given to you during meetings or meals. Items that are not excessively expensive and are representative of the U.S. are best. Some examples include items with your corporate logo (mug, pen, key chain, etc.), or a book (with pictures) of the region where your company is based. Gifts should be given or exchanged at the end of the first meeting, or at the end of your stay in their city.

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Export Development

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4) Bring name cards

Name cards are an essential part of living and doing business in China. Whether here for business or pleasure, you should carry a good supply of name cards with you at all times. It is polite to accept and offer cards with both hands.

5) Learn some greetings in Mandarin

Chinese counterparts will be impressed by those foreigners who can speak Chinese, because they equate learning Chinese with a fondness for China. Even one or two words will make a good impression. Business people in China will feel more comfortable with those who have taken the time to learn a bit about China, and will most likely be quite well informed about America. Don't be surprised if your host speaks passable or even excellent English, but insists on using an interpreter. If you can summon up a few Chinese greetings during your first meeting, then it will be helpful in setting the mood for a good relationship with your Chinese counterparts. Some examples:

Nin hao - How do you do?

Wo hen gaoxing ren shi nin - Nice to meet you

Xiexie - Thank you

Qing zuo - Sit down, please

Zai jian - Goodbye



6) Pay attention to the small details when you see your Chinese counterparts for the first time

Generally speaking, shaking hands and changing name cards is the common way to begin a first meeting with your Chinese counterparts. Don't be too demonstrative, such as by trying to hug or kiss your Chinese counterparts, as this will most likely cause embarrassment. Chinese people are not used to opening gifts in front of others, so if your Chinese counterparts don't open your gifts in front of you that doesn't mean they don't like your gifts. Laughing loudly is not polite or suitable in China when people meet each other for the first time. Try not to be too talkative, and be sure to take an interest in what your host has to say. Give your host a chance to bond with you, but expect your host to be more reserved in a business setting than would be the norm in the U.S. However, your host's behavior will be unexpectedly different if you are invited to a Karaoke lounge for an ice-breaking evening of singing and drinking. When an impromptu event like this occurs, go with the flow, and you may have more fun than you expect.

7) The concept of face

This must be the most sensitive and complicated topic. Chinese people are accustomed to burying strong feelings deep in their hearts and keeping expressionless faces, so losing face is a humiliating experience – especially in a business context. Losing face one time can mean losing business with that client or contact forever, as an embarrassment such as this will not be forgotten easily. By comparison, those from western cultures tend to react emotionally to situations, and are comfortable expressing strong feelings (both positive and negative) without regard for the issue of face. So when you run into problems, either in meetings or on the street, raising your voice to solve a bad situation will generally only make things worse. Avoid losing your temper if at all possible.

Conclusion

So, always bear in mind that as a visitor to China, it is only polite to show respect for the local customs, just as you would expect a visitor to the U.S. to not openly slight our country.

If you want to learn more, please see the Foreign Agriculture Service report Business Travel in China (CH9818) report, and Exporter Guide (CH9830), both of which are available from the FAS Agriculture Trade Office Shanghai web site (www.atoshanghai.org). The web site also contains constantly updated information on market conditions, ATO Shanghai promotional activities, and a broad range of market information reports. ATO Shanghai welcomes you to come explore export opportunities in China!

Deficit Hawks and Supply Siders

By John Satagaj, London & Satagaj

Some of my friends in Washington say I cannot be both a supply sider and a deficit hawk. At the present time, supply siders are championing tax cuts as a way to stimulate the economy and deficit hawks are growing very anxious about ballooning deficits. My heart tells me we need additional tax cuts, but my memory tells me the deficit situation is déjà vu all over again.

I remember only all too well, the long uphill struggle to extract us from the deficits of the early 1980's. It was a slow and painful process and it was only a couple of years ago that we got ourselves over the horizon. I worry a lot about the current deficit situation. While tax receipts are down, spending has increased.

According to the Congressional Budget Office (CBO), the total deficit for fiscal year 2002 was \$159 billion, a net reversal of \$286 billion from the \$127 billion surplus recorded in fiscal year 2001. Receipts fell by \$138 billion, or almost seven percent, the largest percentage decline since 1946. This was the second consecutive year of falling revenues, following increases averaging more than eight percent per year from 1994 through 2000. Outlays topped the \$2 trillion level for the first time in 2002, increasing by almost eight percent over the 2001 level. Excluding net interest costs, which fell by 17 percent, spending rose by a total of \$184 billion since 2001, an increase of more than 11 percent.

Back in August, the CBO had projected deficits for 2003-2005 with a modest surplus showing up in 2006 and then growing in subsequent years. Recently, the CBO indicated that it had underestimated the 2003 deficit. The new numbers will be released at the end of January. Also, Senators George Voinovich (R-OH) and Russell Feingold (D-WI) asked the CBO to tell them what the impact would be if all the tax cuts scheduled to expire over the next decade were made permanent. The CBO's answer was it would reduce revenues by \$956 billion in fiscal years 2003 through 2012 and would delay the restoration of a balanced budget from fiscal year 2006 to fiscal year 2009. Not exactly a ringing endorsement for tax cuts.

Of course, these gloomy budget numbers do not take into account the outlook for the Social Security system. In the short term, the system is still throwing off surpluses, but the system is still on course for deficits of its own. In 2017, Social Security's dedicated revenues will no longer cover all of its expenses. At this point, Social Security will become a net drain on the budget as it begins to draw upon its claims on general revenues. The pay-as-you-go tax rate will be 13.07 percent — up from 10.84 percent today. Including Medicare Part A, the payroll tax cost rate will be 16.37 percent. Between 2017 and 2041, the year of projected trust fund insolvency, the system faces a cumulative cash deficit of more than \$5 trillion in today's dollars. By 2041 the annual cash deficit will reach \$360 billion in today's dollars—an amount roughly the size of this year's entire national defense budget.

Homeland security and defense spending are contributing to the federal deficit, but in general, government programs are growing. When President Bush took office, I said holding the growth in spending to four percent would be outstanding, six percent was optimistic, and eight percent realistic. Wishful thinking on my part.

Of course, this Congress will have to deal with one problem the last Congress left for them to finish. Some sort of subsidy for prescription drugs for Medicare recipients will have to be adopted. Even on the low side, the cost of this new program will be in the hundreds of billions of dollars.

Against this budget backdrop, I still believe we need an additional stimulus package. This time around, I see more interest in another depreciation boost and perhaps the increase in the direct expensing provision that smaller businesses use for their capital equipment and machinery purchases. I think almost everyone would say consumers have done their share to keep the economy afloat for the last year. Therefore, some tax cut that reaches most folks drawing a paycheck would seem to be in order. Personally, I lean towards some sort of payroll tax relief. Payroll taxes are a crushing burden for workers and employers alike. There is no better immediate tonic than something extra in the pay envelope.

Of course, there is no shortage of ideas for an economic stimulus package. As this Congress gears up, new ones will emerge daily.

I have always counted myself as a deficit hawk, but I also haven't met a tax cut I didn't like. I know I am not the only one wrestling with the dilemma of reconciling these two concerns. The President in December named not one, but two economic advisors who were well known deficit hawks, but he recruited them explicitly to help sell an economic stimulus package. When WMMA's Public Policy Committee convenes next month, we will have to figure out where we place our chips.

If you have questions or comments about this article, or other Public Policy issues, contact John Satagaj at e-mail@lonsatlaw.com or 202/639-8888. You can also e-mail WMMA headquarters at wmma@fernley.com.



WMMA and *Woodworking* Can Help You Reach Canadian Customers!

Woodworking's 12th Annual WMMA / American Technology issue – March 2003

Again in 2002, Canada was by far the largest export market for American-made machinery, tooling and accessories for the wood industry, buying fully 46% of the exported equipment.

Canada's secondary wood processing industry not only fills most of Canada's need for cabinetry, furniture, millwork and store fixtures, but it exports up to 85% of its production. However, with few homegrown machinery manufacturers in Canada, our manufacturers have to look elsewhere for virtually all their machinery and tooling needs.

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Send in one or two new product releases, with a high-resolution color image, to: Kerry Knudsen, Editor, *Woodworking*, 135 Spy Court, Markham, ON L3R 5H6 and mark them for the WMMA section.

Send in a clean photograph of your product – no ad copy or sell lines in the photo, please. Also, include about 75 words of text describing the name of the product, the name of the company and the specifications and applications of the product. In short, what does it do and who should buy it? The deadline for receipt of all materials is February 7, 2003.

To place an ad in the special section, contact Blair Tullis at 905-477-3222 or via email at blair@actioncom.com.

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The WMMA shall represent and support domestic manufacturers of equipment and tools used in the processing of wood and wood products from the forest to finished products.

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