



NEW HAMPSHIRE INTERNATIONAL TRADE RESOURCE CENTER

The Weak Dollar. What Does it Mean For Your Business?

We hear about it every day. It seems that every major currency in the world is having its way with the greenback. We hear about it in the same newspaper articles and news telecasts that talk about real estate foreclosures, rising fuel prices, rising healthcare costs, the struggling stock and bond markets. The list goes on.

The signs of a slowing economy are self-evident. A recent CNN poll revealed that approximately three quarters of Americans believe that the economy is currently in a recession. When it comes to our domestic currency and its effect on the economy, we tend to focus solely on the purchasing power of the dollar. It is true that the weak dollar has put a strain on businesses that need to spend outside of the U.S. For companies with no alternatives regarding where to spend, it often becomes necessary to hedge those positions.

However, the fact of the matter is that the recent growth of U.S. exports due much in part to the weakness of the dollar, is the one thing that is keeping the economy afloat. Many often misinterpret the effect that the weakening dollar has as being a strain on the opportunity for U.S. businesses to compete globally. For many of these businesses, a closer look needs to be taken at the “big picture” of what the “weak” dollar can do for them, and what it is already doing for many U.S. exporters.

Now more than ever, companies need to look beyond their borders for opportunities. For years, the one factor that has been the thorn in the side of U.S. manufacturers and producers is price. Overseas competitors throughout time have been extremely successful at gaining market share by undercutting U.S. prices. No matter what products have been sold, or how well these function there has always been someone, somewhere else in the world that can provide it for less.

Times have changed. With many countries experiencing a tremendous growth in the population of its middle class, not only in Europe, but also in places like Latin America, Russia, China and India, consumers are now demanding more. Global consumers are more educated than they once were and can no longer be sold on price alone. Many global consumers have their own businesses to run. They cannot afford to purchase items that break down and do not function properly simply because the price tag is less. The U.S. has always been the benchmark for producing quality items, not to mention the high level of service that traditionally accompanies those items.

The fact remains that price is still a major factor for overseas purchasers. The driving forces of purchasing extend well beyond consumers, and end-users. Many purchasers of

U.S. manufactured products are in business to make a profit. Overseas buyers that are cashing in on the weak dollar view the U.S. market as a golden opportunity to obtain high-quality items that they once could only dream about. A weak dollar makes those same high-quality items available at a cost that is now justifiable. Conversely, this means the demand is shrinking for poor quality alternatives that can be bought anywhere in the world at reduced prices.

The benefits of a weak domestic currency can be a confusing concept. How can a currency with very little demand internationally possibly be good for global commerce? What it means is that foreign currencies are worth more when these are converted to dollars. It means that global consumers can spend more in the U.S. than they can in other places. The following is an example of how a weakening dollar is beneficial to a U.S. exporter:

A Canadian buyer that wanted to purchase a piece of U.S. manufactured equipment priced at \$2,000 USD would have paid approximately \$3,000 CAD in 2003. At this point, the U.S. dollar was valued at approximately at \$1.50 CAD. With the U.S. dollar presently at par with its Canadian counterpart, that same piece of equipment, still priced at \$2,000 USD now costs that buyer a third less at \$2,000 CAD than it did in 2003. The reality however, is that five years ago, the same buyer would be more likely to purchase a cheaper, alternative piece of equipment somewhere outside of the U.S.

What this really means is that now more than ever, U.S. companies need to step up to the challenge of finding its global customers. Presently they are out there and are in good and growing numbers. The process has already begun of re-introducing to the world's growing consumer base what real quality means when it comes to products that are sold. A weakening dollar means that companies can look to sell in foreign markets without having to drop their prices and their costs (including labor) to the point where their margins are unjustified. It means that companies don't have to reduce their costs at the expense of sacrificing the quality in the work that they do. The timing is crucial for companies to get busy making investments in the global market. These investments mean more customers, more revenue, and from an economic standpoint, more jobs.

Did You Know...?

...companies selling most types of electrical goods in Europe are required to comply with the Waste Electrical and Electronic Directive (WEEE) and the Restriction of the Use of Certain Hazardous Substances (RoHS) Directive? RoHS which bans the use of lead, mercury, cadmium, hexavalent chromium and some polybrominated flame-retardants (PBBs and PBDEs) in electrical and electronic equipment (EEE). For more information, [please click here](#).

Other Did You Knows...

...that as of October 16th the first few companies were added to the China VEU (Validated End User) List? This will allow certain authorized companies in China to receive products without a license which may have required one before. For more info, [please click here](#).

...that ISO 9000 compliance does not necessarily translate into CE mark compliance? ISO 9000 registration (or EN 29000 certification) is used widely in Europe on a voluntary basis as a condition of acceptance of a manufacturer's product or as a way of recognizing the manufacturer's credibility. While a quality system such as ISO 9000 indicates that a company has an efficient organization structure and has low failure costs, it does not always certify conformity with the CE marking directives. However, some directives require use of a quality management system as part of the conformity assessment.

...the US Export Import Bank has no minimum or maximum limit to the size of an export sale it can support under its foreign buyer financing program? For more information, please contact the ITRC's Export Finance Officer, Rob Barry, at (603) 334-6074 or rbarry@dred.state.nh.us.

...that if an individual has permanent residency in a country other than his or her nationality, export licensing & compliance requirements with regards to deemed exports are determined by the country of permanent residency? If the person then gains citizenship in the country of permanent residency, though also retains their national citizenship, their most recent citizenship obtained governs the determination for deemed export regulations.

...That the "Schedule B" is a classification code used to keep track of the amount of trade goods exported out of the US? The Census Bureau keeps records of the amounts of exports via the country of destination, quantity and dollar amount. To access the Schedule B classification, [click here](#).

...that according to the Census Bureau, it is the exporters' responsibility to prepare the Shippers Export Declaration (SED)? It is possible, however, for the exporter to give the freight forwarder power of attorney to authorize them to prepare and file the SED for them.

...the U.S. Federal government coordinates its resources and its authority through the Advocacy Center in order to level the playing field on behalf of U.S. business interests as they compete against foreign firms? Whether seeking a specific international contract or other U.S. export opportunities, the Advocacy Center helps to ensure that sales of U.S. products and services have the best possible chance of competing abroad. For more information: <http://www.export.gov/advocacy/index.html>.