

“A Small Business Perspective on Free Trade and the Global Marketplace”

**Testimony by Gary R. Ellerhorst
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“US Trade Policy and Small Business”
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Madam Chairwoman, Representative Chabot and esteemed Committee Members;

I would like to thank you for the honor of speaking before you today on the subject of Small Business and Free Trade Agreements. Unlike many who come before you, I have no charts or graphs, no reams of data, no results of exhausted research. I am here with nothing but 30 years experience of working in, growing with and managing a small manufacturing business in the midwestern region of the United States.

Like every other company in America we are challenged by the ever changing landscape of the global market we find ourselves in. The acceleration of market changes for our company over the past 5 years and the necessary adaptation that goes along with it, has exceeded that of our first 30 years in business. Explosions in technological advancement and the massive shift in manufacturing throughout the world has created the scenario where over 50% of what Crown Plastics now produces either involves the use of materials from outside the US or is exported in the form of finished products or components. We currently export product to approximately 15 countries throughout North and Central America, Asia, Europe, and the Middle East, as well as Australia and New Zealand.

Much of our growth in exports are in areas of the world that have developed through trade with the United States such as Mexico, Canada and China. We have found that open trade policies have not only encouraged economic cooperation through reduced costs and red tape, but that economic growth experienced by our international trade partners has also led to increased demand for additional US products. In other words, investment in trade is an investment in the American economy.

Crown Plastics' future strategy has a part of it's focus in Central, Latin and South Americas, several of these countries being currently considered for additional free trade agreements. Again, I am sure that you have received data from both sides of the issue, but my experience tells me that enacting these proposed agreements will, in the long term, prove to be economically, politically and socially beneficial.

As a parent, and the CEO of a small business, I completely understand the natural tendency to want to help when we see an issue with things or people we care about. But I also see that in some cases we have tried so hard to protect our children from everything, that they are now susceptible to anything. If we raised an animal in the protected environment of our homes, and then later released it into the wild without the necessary developed skills and instincts needed to survive, our actions would rightly be admonished as cruelty. Why then do we insist on doing the same to our our own businesses?

While artificial supports and protections are usually well-intentioned, in the short-term reality they only benefit the small portion of the economic population they are designed to help while actually creating additional difficulties for the rest. More importantly, in the long run they only serve to artificially prop up outdated, antiquated and inefficient policies and practices, and provide a false sense of security and success to those they are intended to help. Meanwhile, the global marketplace continues to shift and grow around us. The end result, as we see with so many of these programs, is an lifetime of continued addiction to such support as we are no longer able to fend for ourselves in the wilds of the marketplace, or if finally forced to deal with the realities of an open market, a massive investment of time and money to impose a greatly accelerated process of adjustment which may or may not succeed. In either case we are the weaker for it.

Businesses, just like everything else, need to constantly be able to adjust to the changing environment, or risk extinction. Besides our competitors we are in a constant battle with economic forces such as interest rates, energy costs, currency fluctuations, technological advances, health care costs and so on. On top of that we have national and international political issues, environmental issues and people issues. And when we finally think we have it all figured out, along comes 9/11...or Katrina...or wildfires. And we continue to survive. And to succeed.

Is it difficult? Absolutely. Is it painful sometimes? You bet! But what in life is not? And we in America have got to quit looking for the painless fix that does not exist. When faced with a problem, we demand that somebody fix it, but just don't let the solution affect me. Or we waste our efforts putting band aids on symptoms and ignoring the disease, the category in which artificial supports and trade restrictions fall. We have economic cancers that require chemo-therapeutic treatment. During the process we will feel sick and our hair will fall out. But when we are past it, we will be stronger...and the alternative is far less desirable. The longer we waste time trying to avoid discomfort, the more intrusive and painful the cure becomes.

I understand that when it comes to Free Trade agreements like those being considered, many across the political spectrum have legitimate human rights, environmental and economic fair-play concerns. But unlike some issues that require sanctions and trade barriers, most socioeconomic issues are best addressed through economic engagement. Having a vested economic stake is the best way to ensure a proactive cooperation, and one need only to look at recent changes in China for proof. There are still many problems, but a whole host of issues are moving rapidly in the right direction.

But I suspect the biggest issue with protectionism is fear. Fear of the future...fear of uncontrollable forces in the marketplace... fear of the unknown. Well, I am here to represent all those who are not afraid of the uncertainties of a global marketplace, but rather revel in their opportunities. Why do I we this way? Because we have two huge advantages over any foreign competitor. The first is us, me, those sitting at this table and millions of men and women just like us who have grown up with the American entrepreneurial competitive spirit etched into our very being. The second is you. All you honorable

representatives working in a government based on a Constitution which allows people like us to strive to be all we wish to be. Working together, there is not a country on earth that can compete with us. Circling the wagons may at times seem like a good idea, as it MIGHT help you defend yourself. But the only thing it really guarantees is that you either move in a circle or stop moving all together.

But this all requires a third factor, and that is TRUST. A trust, a faith and a confidence in and between the people and the government, as well as in the global free market economy. A trust in understanding that as with nature and the U. S. Constitution, the free market system always works best when not tampered with, despite our best intentions. And with that trust and understanding, I guarantee you that we will not fail. Again, as a mere small businessman with no Ph.D. in economics, no studies or data or anything else to back me up except a non-political, common sense opinion, how can I be so sure? Simple. Because I am an entrepreneur in the greatest country this world has ever known. And we, the American businessmen and women will simply not allow ourselves to fail. I will grow Crown Plastics, I will be successful and I will make bigger profits for myself and my family in the near future.

And at that time I will be thrilled to come back to Washington to meet with you nice people once again and discuss the issue of how much of it you will allow us to keep.

Thank you again for allowing me the honor of addressing you here today.