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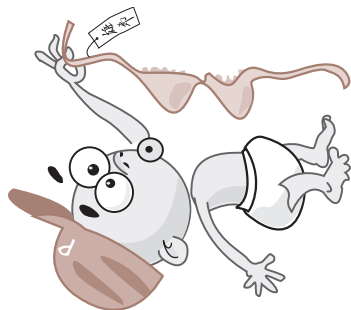


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JANUARY 2006



## Made in the USA - NOT!

*By Jim Stavis*

The decline of manufacturing in North America is often discussed in terms of lost jobs. What is equally troubling is how many traditional American products are now being manufactured in other corners of the globe. The Metal Service Center Institute (MSCI) compiled 12 such products that were American based icons for many years before finding them better suited for offshore production.

Nearly half of manufacturing plants—45 percent—now source components and materials from China. Talk about your China syndrome. Of those, 74 percent indicate the dollar volume of components and raw materials has increased over the past three years. 45 percent of primary metal manufacturers and 41 percent of fabricated metal plants indicate that Chinese competitors have caused their plant's profitability to decrease. Fabricated metal products accounted for \$23 billion in U.S. exports in 2004 while U.S. manufacturing contributed a hefty \$11.74 trillion to the nation's GDP in 2004 (13 percent of the total). These statistics reflect how important American

*(Continued Inside)*

## Made in the U.S.A. – Not!

(Continued from Front)

manufacturing is to the well being of our country. I once listened to a speaker of British origin who lamented how Great Britain used to be a manufacturing power in the world, but now is merely a “service provider” of products made elsewhere. He warned us not to allow in this country what has occurred in his homeland, “because once you lose your manufacturing base, you will never get it back.” We see examples of this all around. Here are the 12 products MSCI has determined are no longer made in America:

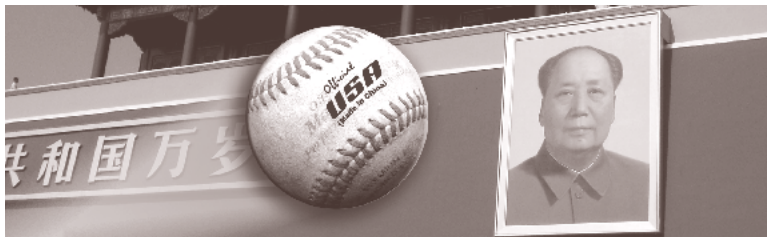
**Gym Shoes:** *Nike / Converse* – Founded in 1962 in Oregon, Nike Inc. operates 109 apparel contract factories and 12 equipment factories around the globe. Nike estimates

only 14 percent of their entire apparel line is made in America, while the rest is made in 33 countries worldwide.

**Gun Trigger Locks:** *Master Locks* – More than 90 percent of all trigger locks today are manufactured in Asia.

**Bicycles:** *Huffy Bicycle* – Huffy now produces a bicycle made in China for less than half of what it cost when it was made in Celina, Ohio. China now produces 80 percent of the world’s bicycles (79 million in 2004 and exports 51 million to the U.S., Japan, Australia, South Korea and Indonesia).

**Bras:** *Maidenform* – The largest bra maker manufacturers 56 percent of its product in China, 36 percent in Thailand and 8 percent in the Philippines.



**Golf Clubs:** *Titleist, Cobra & TaylorMade* – Nearly 70 percent of golf clubs have some components that are made in China. This includes a list of U.S. makers such as Titleist, Cobra and TaylorMade.

**Radios:** *Motorola & RCA* – The vast majority of AM/FM radios are made overseas, including those made under the U.S. brands of Motorola and RCA.

**Musical Instruments:** *Fender* – In 1990, Fender Musical Instruments began producing guitars in a plant in Ensenada, Mexico while other entry level models are produced in Korea.

**Blue Jeans:** *Levi Strauss* – In 1990, Levi Strauss, an American icon, began sending its trademark jeans production overseas. By 2002, the company had closed virtually all domestic production and increased production to countries such as China and Costa Rica. In 2004, Levi closed its last two sewing plants in the U.S.

**Toys:** *Mattel* – Mattel makes about half of its products in Asia and most of its popular Barbie dolls in China. Last year the company

exported \$7.58 billion worth of toys made from 8,000 toy factories (estimated to be 70 percent of the world’s toys).

**Automobiles:** *Ford Motor Company* – Ford manufactures their American classics with 65 percent U.S. / Canadian parts, with transmissions made in Mexico and engines from Germany. It also operates plants in Thailand, Malaysia, Philippines, Mexico and India.

**Film:** *Eastman Kodak* – Kodak is one of the largest manufacturers of cameras and film and has moved its production to Mexico and China.

**Baseballs:** *Rawlings* – The great American game has seen Rawlings, the only supplier to Major League Baseball, shift its hand-sewn balls to a 450 person factory located in Costa Rica.

If you were raised in America, these are pretty sobering examples of what is happening within the new global economy. And yet due to the need to stay competitive, companies are doing what is necessary to keep their businesses profitable. It makes you wonder, at what cost?



## Stay Flexible – Be Prepared to Change

By Jim Stavis

One thing we know: things never stay the same. Because of this fact, it behooves us to prepare for the uncertain future, to anticipate and react accordingly.

When we started in the steel business back in 1988, the industry landscape looked entirely different than it currently does today. Back then, service was rarely discussed and customer bought products in the manner that distributors sold them. Rarely did distributors ask their customers what their needs were, because it really didn’t matter. It was like Ford selling Model Ts in any color—as long as it was black.

As the service economy took hold,

soon distributors had to sell products to the specific desires of its customers. This required special packaging, cutting, processing, shorter lead times, etc. For the distributor, this required wholesale changes within their operations. We would like to think that Paragon Steel was a leader in this industry transformation. We looked at the industry around us and asked why— or rather why not—do things differently?

We still ask the same questions today as to how we can better serve our customers. Our key has been to maintain our flexibility and not get too entrenched with a single product line or customer niche. Because we understand change and know that today’s hot product will be on tomorrow’s discount rack.