

ID # 246584

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WHITE HOUSE  
CORRESPONDENCE TRACKING WORKSHEET

- O - OUTGOING
- H - INTERNAL
- I - INCOMING

Date Correspondence Received (YY/MM/DD) 91/08/26

Name of Correspondent: ~~Mr.~~  Mrs.  Miss  Ms. John P. Nicholl

MI Mail Report User Codes: (A) \_\_\_\_\_ (B) \_\_\_\_\_ (C) \_\_\_\_\_

Subject: Opposed to the extension beyond 9/12/31 of the machine Tool Voluntary Restraint Agreements with Taiwan and Japan.

ROUTE TO: Office/Agency (Staff Name)	ACTION	DISPOSITION		
	Action Code	Tracking Date YY/MM/DD	Type of Response Code	Completion Date YY/MM/DD
<u>CoCoza</u>	ORIGINATOR <u>DJ</u>	<u>91/08/27</u>	<u>C</u>	<u>91/11/18</u>
<u>Doc</u>	Referral Note: <u>R DJ</u>	<u>91/10/30</u>	<u>A</u>	<u>91/09/13</u>
	Referral Note: _____	____	____	____
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- ACTION CODES:**
- A - Appropriate Action
  - C - Comment/Recommendation
  - D - Draft Response
  - F - Furnish Fact Sheet to be used as Enclosure
  - I - Info Copy Only/No Action Necessary
  - R - Direct Reply w/Copy
  - S - For Signature
  - X - Interim Reply
- DISPOSITION CODES:**
- A - Answered
  - B - Non-Special Referral
  - C - Completed
  - S - Suspended
- FOR OUTGOING CORRESPONDENCE:**
- Type of Response Code = Initials of Signer
  - Code = "A"
  - Completion Date = Date of Outgoing

Comments: \_\_\_\_\_

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#266584

**DYNAPATH**  
SYSTEMS INCORPORATED

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DOC

August 23, 1991

The Honorable George H. W. Bush  
President of the United States of America  
The White House  
1600 Pennsylvania Avenue, NW  
Washington, DC 20500

Dear President Bush:

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DynaPath Systems' corporate predecessor was one of the inventors of the numerical and computer numerical controls (CNC) for machine tools. The company has 100 employees, is located in Detroit, Michigan and has been in the machine tool business for thirty-five years. DynaPath is one of the largest U.S.-based CNC manufacturers for the machine tool industry.

DynaPath is opposed to the extension beyond December 31, 1991 of the machine tool Voluntary Restraint Agreements with Taiwan and Japan. We continue to hold this view because of the adverse impact VRAs have had on our business, our customers, and ultimately on the companies that use machine tools to make everything from automotive parts to the most sophisticated equipment for our national defense.

Years ago, the controls were an almost negligible portion of a machine tool, both in terms of cost and performance. The digital drive technology, computer numerical controls and software now accounts for as much as 40% of the cost of some CNC machine tools. Not surprisingly, this part of a machine tool is the most critical determinant of a machine's operating performance. DynaPath has invested millions of dollars to make further advances in CNC control technology, but the five-year period of the VRAs has seen Japanese CNC products capture 60% of the U.S. market.

With lower cost sources of the mechanical "iron" portion of machine tools limited by the VRAs, or threatened by a possible extension, many of DynaPath's customers in the production of a complete machine tool have fought just to survive the five-year period of VRAs. Many are on the verge of bankruptcy. In our view the VRAs have served to strengthen our foreign competition and their transplants in the U.S. It is no surprise to DynaPath that automated Japanese machine tool transplants, such as Mazak, and dominant Japanese CNC makers such as Fanuc and Mitsubishi, want to protect their U.S. investments and growing U.S. market shares by extending the VRAs. If our government continues to focus on "protection," the U.S. machine tool industry will be controlled by foreign technology.

**CNC SYSTEMS**

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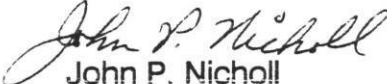
Protecting the low technology end of the business through the VRAs has only compounded the problem and made smaller U.S. manufacturers captives of Japanese control technology. It has also cost DynaPath business. We lost a significant order to supply controls and software to a major Taiwanese machine tool maker because the VRAs restricted Taiwanese access to the U.S. market.

Our industry can benefit, and has benefited, from some forms of governmental action. The National Center for Manufacturing Sciences, the National Institute of Standards and Technology, the Department of Defense, the Air Force and the Department of Commerce are helping advance U.S. machine tool competitiveness through a number of programs. For example, DynaPath is participating in a multi-million dollar Department of Defense and Air Force program to develop the next generation of controls (CNC) for machine tools.

VRAs, on the other hand, distort industry investment and adjustment. They encourage manipulation of business decisions to avoid the VRAs, such as changing sources of low cost cast iron and mechanical parts. These decisions are costly and have no relationship to the market. They are the death knell to small manufacturers. The more we distort our market the less we will be able to go toe-to-toe in global competition, and we will become less competitive here at home.

We simply cannot afford to continue this perverse protection that puts more and more smaller U.S. firms under the grips of Fanuc and Mitsubishi. I ask for your support in seeing to it that the VRAs are not extended.

Sincerely,

  
John P. Nicholl  
President



**UNITED STATES DEPARTMENT OF COMMERCE**  
**International Trade Administration**  
Washington, D.C. 20230

SEP 13 1991

Mr. John P. Nicholl  
President  
Dynapath Systems Incorporated  
12843 Greenfield Road  
Detroit, Michigan 48227

Dear Mr. Nicholl:

Thank you for your letter of August 9, 1991, to President Bush, opposing the extension of the existing voluntary restraint agreements (VRAs) on exports of machine tools from Japan and Taiwan. Because the Department of Commerce is responsible for enforcing the VRA program, your letter was forwarded to us for consideration.

As you know, the current VRAs are scheduled to expire on December 31, 1991. Thus far, no decision has been made regarding their extension. Please be advised that we are analyzing the effects of the VRAs, and expect there will be an extensive debate of the issue in the coming months. Your views on this important issue are certainly welcome and will be given careful consideration as the debate progresses. Please feel free to contact me at (202) 377-1780 should you have additional questions on this matter.

Sincerely,

15/

Marjorie A. Chorlins  
Deputy Assistant Secretary  
for Import Administration

(WHR)  
C108003

