

**Testimony of William J. Jones
Chairman, Cummins-Allison Corporation**

**The United States Senate Committee on Homeland Security and
Government Affairs Committee**

**Subcommittee on Federal Financial Management, Government Information
and International Security**

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Good morning Mr. Chairman, Members of the Subcommittee, fellow members of the panel, and other attendees. My name is Bill Jones, and I am Chairman of the Cummins-Allison Corporation, a privately held manufacturing company headquartered in the Chicago area. In addition, I am the immediate past Chairman of the United States Business and Industry Council (USBIC) a Washington-based non-profit lobbying organization representing small to medium- size American manufacturers.

Thank you for the invitation to participate in this important hearing on the protection of intellectual property of American industries. Your work is crucial to the identification and implementation of meaningful, and I highlight meaningful, solutions to the expensive and debilitating problems associated with intellectual property theft by foreign governments and businesses. Thank you for holding this hearing today.

Cummins-Allison was founded in 1887 by the Cummins and Allison families, both prominent leaders in the industrialization of the United States. The Allison family of Indianapolis was instrumental in founding Allison engineering. You are probably familiar with Allison transmission and other Allison power-generation products and components. In addition, one of the Cummins' brothers, Albert, served as the Governor of Iowa from 1902 to 1908, and subsequently was a United States Senator for approximately 18 years, from 1908 to 1926. Throughout the generations, we have worked to promote American policies that protect our nation's manufacturing base, jobs, and national security.

Today, the key product line manufactured by Cummins-Allison Corp. is equipment used to scan, sort, denominate, and authenticate U.S. currency -- as well as many foreign currencies. Cummins' currency processing products are utilized by banks, retailers, governments, armored carriers, casinos, and others to count, sort, and verify the authenticity of currency. Our currency processing products are among the most sophisticated and technologically advanced in the world. Their high speed processing and counterfeit detection capabilities help to protect the integrity of the dollar as a world reserve currency, which is critical to our nation's economy and security.

The design and engineering of Cummins' currency processing products takes place at our research facilities located in Chicago, Philadelphia, and San Diego. Ninety percent of the products Cummins sells around the world are manufactured and produced at our factories in the Chicago area. Eighty percent of our products are sold in the United States, while the balance of our

production is sold in other markets around the world. Cummins has sales and service locations in nearly 50 states, including two here in the Los Angeles area. We have international sales and service offices in Canada, France, Germany, and Great Britain. Cummins' currency processing products are utilized in more than 70 countries.

Cummins-Allison Corp. is a "main street" company, by which I mean it is heavily invested in our local communities. We have a strong desire to keep all of our production in the United States and to continue to provide jobs and opportunities for the people of Chicago and the other communities where our facilities and technicians are located. Cummins-Allison directly employs nearly 1,000 Americans, and another 15,000 Americans are additionally employed at our 300+ U.S. supplier/vendors throughout the United States.

With that as background, I would like to proceed to the main body of my testimony, which is divided into two sections. The first section addresses the theft of intellectual property as a component, or symptom, of our nation's weak and ineffective trade program and policies. The second section provides a few specific examples of how these policies and the threat of intellectual property loss impacts my company, Cummins-Allison, and companies like it.

American Trade Policy

The theft and utilization of America's intellectual property by foreign manufacturers and nations is only one component of very short-sighted, ineffective, poorly enforced, and ill-conceived American trade policies. A prominent example of ineffective policies is the United States trade deficit with China, which will likely top \$200 billion this year. Beijing manipulates its currency to gain commercial value without consequence; its manufacturers dump products into the United States without retribution.

American exports, although they have grown substantially over the last decade, continue to be swamped by a much more sizable increase in imports – as foreign markets remain relatively much more closed to our goods than we are to theirs. The end result is an overall American decline in manufacturing and its associated (and all-important) research and development. High-paying manufacturing jobs, which help to stabilize our communities, are evaporating from the American economic landscape and, while all of this is taking place, we also permit foreign manufacturers and nations to pirate our intellectual property. The United States cannot continue this course of "trade inaction" without very serious and dramatic consequences involving our economy and national security – as well as the world economy.

Today it is no exaggeration to say that there is a global assault on the American market by foreign firms, most of which have the strong support of their governments. Meanwhile, foreign markets remain closed or difficult to penetrate for American firms, which receive little or no useful help from the U.S. government. The export of industrial and innovative capabilities to China, for example, along with the theft of intellectual property, has done grievous damage to the U.S. economy. When U.S. companies lose business to Chinese rivals, or need to cut costs to the bone as their margins shrink, jobs are displaced, wages fall, taxable income vanishes, vital public revenue streams decline, resources for new investment in R&D diminishes, and new plant and equipment

purchases decline.

The communities where these companies are, or too often have been, located – and whose economies they often anchor – lose major sources of employment, income, and tax revenue. At the same time, they tend to be hit by rising demand for social services. Former taxpayers become tax consumers as they turn to unemployment insurance, job training, food stamps, Medicaid, and welfare. The education and physical infrastructures suffer. Nationally, the migration of supply chains depresses exports, boosts imports, worsens the trade deficit, increases America's cumulative foreign debt, and puts further downward pressure on the dollar. In many respects, the **costs** of unchecked and poorly managed free trade policies seem to outweigh the benefits for America.

The national security effects of the shriveling or lost supply chains are even more worrisome. As the Defense Department has begun to recognize, small and medium-size businesses are a leading engine of innovation for the economy, and for the military in particular. The health of this sector is essential for ensuring that America's armed forces are equipped with the world's most technologically advanced weapons and other military systems.

With China, of course, a double-whammy emerges. The United States loses industrial and technological advantages critical to maintaining military strength. In addition, it gives away these resources to one of the few foreign powers capable of threatening our national security and our international interests. This year, China's trade surplus with the United States represents about 50 percent of our defense budget. That's right. Our defense budget is about \$441 billion and our trade deficit with China is likely to be about \$220 billion – money that buys the Peoples Liberation Army lots of modernization and a lot of Russian weapons, weapons that are designed to defeat American carrier battle groups, inter alia.

Cummins-Allison and other small to medium size manufacturers are often reminded by the U.S. government that means are available to help them deal with predatory Chinese competition and the piracy of intellectual property. Unfortunately, most of these means are available more in theory than in practice. Specifically, the U.S. trade law system designed to help U.S. companies combat unfair foreign trade practices suffers structural flaws that have rendered it almost useless. The slow, unworkable system suffers from a process that is both unresponsive and extremely expensive to engage. There are very limited government resources available to help American businesses fight illicit trade practices, including the theft of intellectual property. Consequently, the U.S. government helps the largest, most egregiously impacted companies, thereby, leaving small and medium-size manufacturers to fend for themselves.

Even when cases can be legally brought, companies routinely face sky-high legal bills plus long waits as cases wind their way through the Commerce Department and the International Trade Commission. More often than not, smaller companies simply can't afford to wait this long. Their problems are too pressing, and they lack the financial reserves of much larger firms. Just as important, the bureaucratically controlled political systems of many of our chief trading partners can put into effect new trade barriers much faster than U.S. officials and businessmen can even identify them, much less fashion quick responses and overcome the sluggish process.

Small and medium-sized companies are also frequently advised to explore more vigorously

opportunities to export to and invest in China. The market is enormous today and has even greater potential, we are repeatedly told. In addition, the bureaucrats promise that U.S. government export and investment promotion programs stand ready to assist us. Yet the obstacles and risks facing smaller firms, including the loss of intellectual property, are so great that entering the Chinese market is not worth the risks and potential price we would have to pay.

The microeconomic obstacles to doing business successfully in China are far greater than small and medium-sized companies can endure. The China chapter in this year's annual report on foreign trade barriers from the U.S. Trade Representative's office totals 58 pages and is the longest single chapter in the report. Japan's chapter is the next longest, at 45 pages. The USTR's trade barrier report card for both countries deserves a failing grade. The Chinese trade barrier report is astounding and underscores one primary point: the Chinese system of government is especially user-unfriendly to non-Chinese.

In China, there is no reliable, impartial legal system. There is not even the pretense of a reliable legal system. Many laws and regulations are never written down; they exist only in the minds or the confidential records of bureaucrats. Other laws are created and enforced in one locality, but not recognized by neighboring localities or the national government. Laws and amendments to laws can be made or dispelled with a simple phone call.

The Chinese will tell you that their government is transparent while foreign businesses, particularly small and medium-size businesses, are for the most part incapable of retrieving information, let alone cooperation. With no government infrastructure to support a reliable and efficient legal system for patenting technologies, intellectual property from the United States and elsewhere is routinely stolen, copied, and remarketed throughout the world. It is clear that creating a level playing field in China for international businesses is the furthest thing from the minds of Chinese leaders and officials. Rather, the exclusive aim is to promote the interests of Chinese producers, and assist them to dominate the international marketplace, especially the American market.

It is now an open secret that for many years and several Presidential administrations, the United States has done a terrible job of monitoring and enforcing trade agreements and policies. More specifically, America has inadequately protected its manufacturers from trade abuses, including the theft of intellectual property. There are many nations that have taken advantage of America's trade policies, but what we have allowed China to do has been our greatest failure. It is doubtful that much will be done to improve the situation until the Chinese government, through significant economic threat or force, determines that there is more to be lost than gained vis-à-vis their current course of action.

Cummins-Allison Corporation

Twenty years ago, five U.S. owned manufacturers provided approximately 90% of the domestic requirements for technology adapted to automatically sort, denominate, and authenticate U.S. coin and currency. U.S. manufacturers dominated many sectors of the industry worldwide, ranging from the manufacture of large sophisticated equipment for use by Central Banks, down to

the desktop equipment used in branches of commercial banks. This vibrant U.S. industry also exported significant amounts of equipment around the world. In addition, U.S. industries printed and produced bank notes for use by many foreign countries. These domestic industries enabled the United States to maintain the critical technology necessary to support the integrity of the United States dollar.

Today, all but one of the U.S.-owned manufacturers, Cummins-Allison Corp., have been eliminated. Over the last 20 years, most of the U.S. manufacturing facilities and U.S.-based R&D has been discontinued and shuttered. During the same timeframe, all of the European and Japanese, as well as Chinese firms, have survived and increased their market presence in the United States to about seventy percent. Cummins, now the sole U.S. manufacturer, has a reduced market share that is down to thirty percent. The large majority of the United States export business for our industry has been lost.

How did this happen? I can assure you that it was not unplanned – or simply the “invisible hand” of the market at work, rewarding the efficient and punishing those slow to adapt to new market conditions and new technologies. No, it was planned in detail in capitals other than Washington. The Chinese, Japanese, and European governments believe that currency processing and authentication is a national security issue and, in a variety of ways, they strongly protect their industries.

The theft of intellectual property and other trade barriers are enormous problems in China, but they also inhibit the export of our products to other countries. Let me address China, Europe, and Japan independently.

China

Unlike the American government, the Chinese government has declared that currency and currency processing are matters of national security. Therefore, even after their entry into the WTO, tariffs of thirty-eight percent to forty percent continue to be assessed by the Chinese government on Cummins-Allison Corp. products exported from the U.S. into China. A recent tender issued by commercial banks in China for 10,000 machines appeared to be an attractive export opportunity for Cummins. However, the Chinese government stepped in and informed the Chinese commercial banks that the banks could not purchase these machines from a foreign supplier, and specifically could not source them from Cummins-Allison in the United States. The tender was in effect a form of import substitution and internal manufacturing and technological development for Chinese firms.

The Chinese government, however, does recognize that Cummins-Allison Corp. is the world leader relative to technology for processing currency at high speeds and low costs. I cite a specific article that is attached and was published in the Chinese equivalent of the Wall Street Journal. I quote, ***“for example the U.S. Cummins Corporation produces a complete product line.... This equipment can be used at the counter or in the vault This is probably the most advanced money processing equipment that exists today.”*** The article goes on to say, ***“We (China) should learn the merits from the importing money processing equipment and overcoming their drawbacks shall be our winning factor. We will move forward at full speed and enrich ourselves***

with technology and productivity hoping one day we can replace imports (that being Cummins) and then begin exporting money processing equipment bearing Chinese brand names.”

Compounding the problem, Cummins has no practical or effective means to protect our patents or intellectual property rights in China. Some have suggested that our own U.S. government failed to negotiate adequate protection of such rights as a condition of China’s entry into the WTO. As a result, China’s currency processing industry can and does copy Cummins’ technology with impunity.

Another trade barrier and threat to our intellectual property is the so called CCC “safety” certification recently implemented by the Chinese government. China claims that CCC is their version of our UL safety requirement. China requires foreign manufacturers to apply for and secure a CCC certification for every imported electronic component or product. In order to receive a CCC certification, Cummins would have to agree to let Chinese government officials annually tour and inspect our facilities here in the United States and pay for all of their travel expenses.

In addition, they require us to give Chinese officials full access to our engineering drawings and schematics relative to the design and production of our products. They also require that we ship a finished product, intellectual property and all, to China for their “evaluation.” Somehow, it does not seem to be in the best interests of our national security to provide Chinese government officials with access to Cummins’ product design and production information, when the technologies we have developed are intended to protect the integrity of U.S. currency and identify sophisticated counterfeit currency.

As a result of trade and entry barriers, in addition to the potential loss of intellectual property, Cummins has chosen to withdraw from the Chinese market. Given the high tariffs, the government intervention, and the new so called “safety” requirements, we have decided that it is not practical or profitable for Cummins to export to China and risk compromising or losing our intellectual property. Of course, fewer Cummins product sales, resulting from the abandoned Chinese market, translates into fewer research and development resources, and jobs, here in the United States.

Europe

The Europeans control trade and market access through the setting of standards. An excellent illustration of close government cooperation with industry and standards setting can be illustrated by the introduction of the Euro. Five years prior to the release of the Euro, the European Central Bank established a committee to design the new Euro and invited the European currency processing equipment industry, our competitors, to participate. When Cummins-Allison Corp., an American manufacturer, learned about the existence of this committee, we specifically asked to be included and contacted the appropriate authorities at the European Central Bank. In addition, the U.S. Bureau of Engraving and Printing wrote a letter of recommendation to the European Central Bank suggesting that Cummins-Allison Corp. should be included in these deliberations. We received correspondence from the European Central Bank declining our request.

As a result of being denied entry into the exclusive European club of manufacturers capable of handling the Euro currency, when asked by European commercial banks about Cummins-Allison's ability to handle the Euro, we had to be honest and tell the banks we had not been permitted to see the Euro and, as a result, did not have the technology to process the currency. European banks were somewhat surprised and indicated that the European manufacturers had received early access. Consequently, when the Euro was introduced, Cummins-Allison was effectively shut out of the market, obtained absolutely no initial business for processing the new Euro and lost, potentially, hundreds of millions of dollars in sales.

Furthermore, during the Euro's five-year design phase, European manufacturers essentially enjoyed a five-year head start in the development of currency processing technologies and equipment. They took advantage of the five-year head start by applying for and securing patents covering the best and most cost-effective technologies available to process the new Euro currency. Therefore, by the time the Euro was released and Cummins was able to begin developing equipment to process the Euro, it was too late. The European manufacturers' patents had been issued and effective, legal road blocks prevented Cummins from developing competitive products. It is important to note that the issued patents were not the result of the Europeans' superior innovation or technology. The European manufacturer's advantage was due solely to their five-year head start, exclusive access to the standards of the new currency, and the utilization of "insider information" to obtain intellectual property protection.

Japan

The Japanese market for currency processing equipment is completely closed to Cummins' products. The Japanese government will purchase currency-processing equipment only from Japanese manufacturers. Other potential Japanese customers have been instructed by the government to buy only Japanese-manufactured products. In addition, when releasing a new currency design, the Japanese Central Bank only shares critical, advance information with the domestic Japanese producers. There are no foreign suppliers of currency handling equipment within the Japanese market.

As far as intellectual property theft is concerned, Cummins has frequently received inquiries from the Syrian government to purchase our equipment for the processing of U.S. currency in the Middle East. Because Syria is under a trade embargo, we refuse to sell this technology to Syria. One of our competitors from Japan, who has repeatedly infringed Cummins patents here in the U.S., has perfected and copied our technology and equipment. Currently, this same company is turning around and selling their equipment, containing our technology, to the Syrian government.

It is difficult to understand why the U.S. government stands idly by while foreign manufacturers replicate U.S. technology and perfect it in the U.S. market. Furthermore, our government then permits the foreign manufacturers to sell the technology to adversarial and militant governments in other parts of the world. The U.S. government should do more to enforce American trade law and better protect U.S. manufacturers from the theft of intellectual property. In addition, foreign manufacturers of currency-processing equipment who sell their products in the U.S. should be banned from our markets when they sell to embargoed or adversarial governments. Foreign

manufacturers can either sell to the U.S. market or our adversaries but should not be permitted to undermine America's security.

Japan, Europe and China maintain that their currency processing equipment is a component of "national security." As a result of their protected markets, foreign manufacturers are able to make all the money they need in their domestic markets. In addition, over the last 20 years they have used the advantage of home-market protections to dump their products in the United States at prices that are only one-half to one-third of their home market prices.

As a result, as I mentioned previously, all of the U.S. manufacturers in our industry, with the exception of Cummins-Allison Corp., have been eliminated. Cummins-Allison Corp. has only been able to survive because we recognized that the deck was stacked against us and elected to operate only in smaller niche markets offering products that are protected by comprehensive patents in the United States. If Cummins did not have patent protection, we too would have been driven out of business. It is important to note that at some point Cummins' patents will expire and at that point the United States may be faced with the loss of its only currency-processing equipment manufacturer.

The Counterfeiting of American Currency

In repeated appearances before Congress over the past several years, the United States Department of the Treasury has maintained that there are no serious U.S. currency counterfeiting problems. However, it has now been widely reported that the North Korean government is printing very high quality U.S. currency counterfeits and other governments may be doing the same. In addition, a Chinese bank was recently cited by the U.S. government for assisting in the circulation of North Korean counterfeits. This fits in with the observations that Cummins made sometime ago and is consistent with feedback we have received from our international distributors and commercial bank customers around the world.

For some time we have seen excellent counterfeits of American currency coming out of North Korea, circulating around China and into South America and the Middle East. It is indeed a national security issue for the United States when foreign governments collaborate to produce and circulate excellent counterfeit U.S. currency. America, in fact, has a serious problem as was confirmed in a recent story that was published in the Korea Times. This story quotes a Congressional Research Service employee as saying that North Korea's government may be subsidizing itself through the annual worldwide circulation of \$20 million worth of high quality counterfeits. We also know that the North Korean counterfeiters are using the same model printing presses as those used by the Bureau of Engraving and Printing.

Currency counterfeiting also creates potential security risks -- through the illicit financing of terrorist activities. As terrorist funding sources have been eradicated, there is an increased likelihood that terrorists will turn to counterfeiting as a means to purchase technologies and armaments to further their objectives. Preventing the circulation of high quality American counterfeit currency and drying up the financial resources of terrorists is a far more effective means to stifle and cripple terrorist activities than military action.

Of perhaps greatest concern is that an organization or adversarial government has already produced a large stockpile inventory of excellent U.S. counterfeits to flood the consumer, commercial and financial markets throughout the world. The circulation of large quantities of high-quality counterfeit currency would generate economic instability and threaten the status of the dollar as the world's reserve currency. We encourage Congress and the Executive Branch to more thoroughly investigate international currency counterfeiting. We also suggest, in this post 9/11 era, that American policy makers more fully recognize the importance of protecting American currency and reducing the threat of terrorist financing through counterfeiting.

Summary

In short, counterfeiting and the theft of intellectual property are very serious problems, which threaten our economy and our national security. As the last remaining American- owned manufacturer of currency processing equipment, Cummins-Allison believes that the U.S. lacks a complete, coordinated currency-protection policy, which should be an important component of our national security. I encourage Congress and the Executive Branch to develop and coordinate a substantive U.S. currency-protection program, which, in part, recognizes the importance of protecting America's intellectual property and the currency processing industry.

European and Asian governments do much to coordinate currency protection policies with their commercial banks, currency equipment manufacturers, academicians and others. Foreign governments believe that the intellectual property inherent in its currency-processing industry is a component of their national security. Our national security is important too. America should follow suit.

In looking at our national intellectual property and trade policies, for years the United States has turned its back on abusive governments and foreign businesses that do not play by the rules and never will. Those implementing U.S. trade policies either lack the will or the firepower to deter these abuses and, as a result, the U.S. is weakened a little more each and every day. Jobs are being lost, our security is being compromised and our economy diluted through the pirating of information and products.

Why do we permit foreign interests to copy our technology and sell it to our enemies? Why do we allow foreign interests to reverse engineer our products and then dump their counterfeits into the U.S. without consequence? Why can't Cummins-Allison receive meaningful and enforceable patent protection in China, but a Chinese company can easily and quite successfully do so in the U.S.? Something must be done, but nothing will be achieved if our weak trade polices and practices continue to be based on asking politely and hoping for the best.

Mr. Chairman and Members of the Subcommittee, American manufacturing and its corresponding jobs will not survive without improved government programs and a concerted effort to fully enforce existing trade laws. This includes ambitious, aggressive programs to stop the rampant proliferation of counterfeiting and intellectual property theft. Our trade policies are not working and small and medium-size American manufacturers, along with the public and their

communities, are paying the price. We can survive, but not without a level playing field here at home, in China, and in other export markets abroad.

Thank you for the opportunity to speak before you today.

机具国产化

扬长补短 才有可为

从进口现金处理设备看国产化

目前,我国各商业银行主要还使用国产现金处理设备,包括点钞机、验钞机、鉴别点钞机、捆钞机等;部分是进口机具,主要是美元验钞机、各种类型的纸币清分机及自动存取机、外币兑换机、自动柜员机等。人民币处理一般都是用国产机具,而外币尤其是美元防伪、清分大多是使用进口机具。我国是一个较大大国,人民币的现钞量很大;随着我国改革开放的进一步发展,外币现钞量,尤其是美元现钞量会增大,对各类现金处理设备的需求也会越来越大,而进口设备不能全部进口,必须依靠自己的力量,研制出符合我国国情的各种类型的现金处理设备。因此,机具国产化势在必行。

进口机具,在这些大型银行总行和省分行都能见到,尤其是美元的清分机和验钞机用得最多。进口机具的主要优点是:

- 一、大多技术含量高,技术性能较稳定,功能多,准确度高,体积小。比如美元验钞机,有一种电子数码光谱分析仪,利用最先进的电子技术和光谱分析作用来测试美元纸币原材料的组成及配比,钞票的材质,钞票的纤维颜色,不仅能分辨真伪,还能起到清分的作用。
- 二、机器品种多,有的已形成系列产品。比如美国赛奇斯(CIDCORP)公司生产的系列产品,有4022型美钞验伪点钞机、4023型手持纸币验伪点钞机(美元、日元、港币、英镑、欧元等)、4065型美钞扫描仪(美元小型清分机)、4095型美钞扫描仪(美元大型清分机)。这些机具有的是在柜台使用,有的是在后台使用,对美元纸币清分不同面值、不同面值、正反面,同时,识别欧元各面值的伪钞,也能识别出假票;在点钞方面,能分币面值计数,又能元计数,是当今世界上性能优良的点钞处理设备。

进口机具也有些问题,主要是:

一、价格太高。在汇率比到产低的情况下,甚至高出几倍至十几倍。如一台美元大型清分机,现价高达10万元。

二、有的公司不售后服务。近年等国外,比如前几年美国得利来公司,自产一些厂家生产的点钞机,产品不能修理,银行长期使用,坏了无法修理,只好报废。一些美元验钞机只检验到1996年以前各版美元的防伪,1996年新系列美元不能识别,花了很多钱购买一大批仪器,不能识别1996年版美国美元,只好报废一边购买新的。

进口现金处理设备多的优点是容易买到,其不足之处正是我国机具生产企业开拓市场的“突破口”。其实,只要加大研发力度,我国企业完全可以大有作为。外币币种鉴别仅长期以来在我国是一个空白,最近得知国内某公司已研制出美元鉴别仪,可检测多种面额(包括1996年以后发行的新系列钞票)普通伪钞、精制伪钞(四色版),应用高科技鉴别原理,性能比较稳定,不亚于进口的先进设备,而价格仅相当于进口设备的1/3。这是一个可喜的开始,我国机具生产企业应充满信心,进一步开展研究,生产出品种和技术含量高的现金处理设备,逐步在国内市场替代外国厂家的产品,并努力开拓国外市场,尽早创立中国现金处理设备的品牌。

文/王志英

Note!

Newspaper Clipping

Source: China Financial Times, June 26, 2001, Tuesday

Financial news / Advertisement Section

Title: Further development + Overcome our shortcomings = Success

- production of our own money processing equipments

by Wang Zhi Ying

Nowadays, all our (the Chinese) commercial banks are still mainly using domestic manufactured money processing equipments such as note counter, detector, counters with counterfeit detection, and strapping machines; imported equipments such as USD detector, note sorter for different currencies and purposes, deposit machines, exchanging machines, and ATMs complete the automated banking picture. Our Renminbi (RMB) are mostly processed by local machines, meanwhile, foreign currencies primarily USD are done by imported detector and sorter. Cash currency is indeed the most important means of our economy, and we have a homongous volume of RMB currency flow. As our country is slowly opening up, our foreign currency cash volume, especially USD, will increase and hence creating a large demand for money processing equipments will increase also. We cannot rely on imported equipments, and must rely on ourselves to develop hi-tech money processing equipments to satisfy our unique market requirements. Therefore, domestic production of such equipment is inevitable.

Imported machines can be seen at headquarters or large branches where volumes of cash are high, especially sorters and detectors to handle USD. Imported equipments have the following advantages and merits:

1. Machines are hi-tech, stable, reliable, multiple features, high speed, and have small number of errors. For example, there is a digital spectrum analyzer, utilizing the latest electronics and optics technology to analyze and verify the USD paper material content and ratio, as well as paper thickness, and its unique tint. Not only can the detector function as a counterfeit finder, but also a sorter for different denominations.
2. Offers a multiple models for a complete solution. For example, the US Cummins Corp. produces a complete product line including the 4022 USD counterfeit counter, 4028 multi-currency counterfeit counter (USD, JPY, HKD, GBP, EUR...), 4065 USD Scanner (petite sorter), as well as the 4095 USD Scanner (sorter). These equipments can be used at the counter or in the vault. They can sort different series, denominations, facing, at the same time, catch counterfeits of each series, sort out the dirty notes, and tally the total amounts of different denominations. This is probably the most technically advanced money processing equipment that exists today. (to be continued)

However, there are also drawbacks and disadvantages of imports:

1. High prices. Import equipments can be several times or even ten times more expensive than the domestic equipments. An USD sorter can cost more than RMB100,000.
2. Some distributing companies cannot provide spares parts or maintenance. Several years ago, some distributing companies for the British De La Rue and some other Japanese note counter manufacturers could not repair their equipments. Machines were scrapped as soon as they started to fail. Some detectors could not handle the 1996 or later series of USD, and ended up being put aside and large amount of purchasing money was wasted.

We should learn the merits from the imported money processing equipments, and overcoming their drawbacks shall be our winning factor. As a matter of fact, we should concentrate our resources to develop more sophisticated technology to fill in the foreign currency detector void in the domestic manufacturing market. Recently, a local manufacturer has successfully developed an USD detector for all denominations, all series, usual counterfeits, as well as "Super Dollars". By utilizing "intelligent detection", results are almost as stable and reliable as imported equipments, and selling price is only 1/3 of the imported. This is great news for us. We shall move forward in full speed and enrich ourselves with technology and productivity, hoping one day, we can replace imports and then begin exporting money processing equipments bearing a Chinese brand name.

THE KOREA TIMES

NK Earns \$20 Million a Year From Counterfeiting: Expert

SEOUL (Yonhap) - Using state-of-the-art technology, North Korea earns \$20 million each year by trading high-quality counterfeit dollar bills dubbed ``supernotes," an American expert said on Friday.

Raphael Perl, an analyst at the U.S. Congressional Research Service, said that counterfeit currency and the arms trade represent the two biggest sources of income for the cash-strapped communist regime.

``The estimates that we have are between \$15 and \$20 million, and we assume the trade is growing as North Korea's need for hard currency is growing," he said in an interview with Radio Free Asia.

He argued that Pyongyang is increasingly dependent on counterfeiting to offset the reduction in its income from the narcotics trade, with countries ever vigilant to its drug smuggling activities.

Perl's claim comes amid widespread suspicion that North Korea operates a state-sponsored program to counterfeit U.S. dollars, an illicit cash cow that also serves to destabilize the U.S. economy.

Pyongyang is suspected of churning out the supernotes and circulating them through diplomats and high-ranking officials who make overseas trips.

A North Korean defector who used to work as a senior official at Pyongyang's intelligence agency said that the regime has manufactured counterfeit bills since the early 1990s and circulates them via nearby areas, such as China, Taiwan and Macau.

Perl described North Korea as a global superpower in terms of its counterfeiting technology.

``For example, you can buy Viagra manufactured in North Korea that looks like U.S.-manufactured Viagra. One cannot tell the difference," he said.

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