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Countering Terror with Trade

By Robert Zoellick, 13th U.S. Trade Representative

Americans recognize the role of economic ideas in overcoming international adversity. Congress granted Franklin D. Roosevelt the authority to employ free trade as a cure for the protectionism of the Great Depression and then to help Harry Truman revive a devastated world. Throughout the Cold War, Congress empowered presidents with trade negotiating authority to open markets, promoted private enterprise and spur liberty around the world – complementing U.S. alliances and strengthening our nation.

Congress now needs to send an unmistakable signal to the world that the United States is committed to global leadership of openness and understands that the staying power of our new coalition depends on economic growth and hope. In particular, Congress needs to complete action on the U.S. free

trade agreement with Jordan, our first such commitment in the Arab world. It needs to put the finishing touches on our trade accord with Vietnam, a former foe that is recognizing that its future depends on markets, not Marxism.

Congress also should reauthorize critical trade preference legislation for Andean democracies struggling against internal threats and for other developing nations relying on open markets to counter those who can destroy but not build. And most important, Congress needs to enact U.S. trade promotion authority so America can negotiate agreements that advance the causes of openness, development and growth.

The United States is working to launch new negotiations to open markets at the World Trade Organization. We have acted to bring China and Taiwan into the WTO this year. President Bush has met with President Megawati Sukarnoputri of Indonesia to emphasize U.S. support for the

success of democracy in the largest Muslim country. I will travel to Moscow to work on Russia's accession to the WTO. Before long, I will meet with African trade ministers to build new networks negotiations on a free trade area for all 34 democracies of the Americas. We are driving to complete free trade agreements with Chile and Singapore.

America's trade leadership can build a coalition of countries that cherish liberty in all its aspects. Open markets are vital for developing nations, many of them fragile democracies that rely on the international economy to overcome poverty and create opportunity; we need answers for those who ask economic hope to counter internal threats to our common values. To address the relationship between trade agreements and other international objectives, the president has proposed that we build on openness and growth in developing countries with a toolbox of cooperative policies.

Reprint from the Washington Post, Sept. 20, 2001.

INSIDE THIS ISSUE

EU and Britain	3
China and WTO	4
Culture Corner	4
New IIEI Advisory Board	6
IIEI Chapters	7
Members Only	7

“The Mission of the International Import-Export Institute can indeed uplift the quality of international trading into the 21st century. This opportunity arrives at a time when alternative forces are straining our global economy, and equitable and harmonious world trading can help restore order and lead to prosperity in this only planet we have to share.”
- Fortunato Gerardo

Managing Director of the Filinter Group Trading Co., Ontario, Canada on welcoming his appointment to the IIEI Global Advisory Board.

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Notes from the Executive Director

Homeland Security: Meeting The Challenge

by Dr. Donald Burton

Although the concept of homeland security is straightforward and seemingly simple, achieving it is not. With over forty federal government agencies and countless state and local authorities involved, the task of providing an integrated homeland security plan for the nation is daunting. Even when a single focus of attention is drawn to one area such as international trade, the challenge is formidable.

The problem is that America has a fragmented defense. Each government agency has its own set of rules and regulations. These rules were established independently by each agency to meet their specific needs and concerns. As a result, there are gaps in providing America's homeland security.

The "International Traffic in Arms Regulations" (ITAR) issued by the Office of Defense regulates obvious export items such as Stinger missiles, the computer programs used to guide those missiles are governed by both ITAR and the Commerce Department's "Export Administration Regulations" (EAR). Certain dual use commodities such as computer components fall entirely under EAR.

Although it has improved vastly in the last couple of years due to automation, experts claim the auditing of an EAR regulated shipment's paperwork lags behind the actual shipment by months. When one agency can only spot check shipments (industry experts say that only 1% of shipments are fully inspected) the weight of compliance falls heavily on the shoulders of the shippers, freight-forwarders, 3PLs and their employees.

The same is true for goods coming into this country. The main department of the government, the Treasury, oversees the importing of goods into this country, but has several internal agencies that handle the various tasks. U.S. Customs Service, Treasury's ATF (Alcohol, Tobacco and Firearms) and Bureau of the Currency, to name a few,

have their own regulatory roles. Each of these organizations have worked independently since our nation was founded or from each agency's inception, to regulate the narrow activities within its mandate. The result of this fragmented development of regulations and controls means that there is no single set of regulations that provide seamless homeland security coverage.

The task of the government to build a seamless regulatory mechanism through an act of Congress is impossible. It is impossible because there are too many laws and regulations that get their authority through various acts of Congress.

So what is the solution? Build a centralized database and charge an organization with coordinating all of the appropriate governmental agencies' input. In much the same way that the Department of Commerce pooled data from nine government agencies when the National Trade Data Bank was created.

New changes in data mining techniques and smart programs can alert officials before shipments exit the control of import or export areas. The challenge to building this type of database and keeping the data current is of course the years it will take to deploy.

What does the country do to protect America in the short term? There is only one realistic approach that can be taken. Empower those who move goods across our nation's borders. First train them, not just on EAR and ITAR regulations, but also across the broad tapestry of regulatory fabric.

Much of this training will allow these individuals to be aware of the full set of concerns our nation faces. These individuals will become our nation's best line of defense. Train them in vast numbers, license or certify them and most importantly have enough of them to adequately do the task of keeping our homeland secure.

Maintaining Your EU Markets During Turbulent Times

by Robin Mackay, *Special for GlobalWatch*

Finding, appointing and motivating European agents and manufacturers representatives is probably one of the most difficult tasks that companies face when breaking into the world's largest market. Unlike the US, European markets can take up to 3 years to develop, and if you are unable to make regular visits to the market, you may find that your product is no longer top of the list for sales development. This is particularly relevant for larger blue chip companies who have strategies in place, which do not allow staff to travel. I was in Hong Kong recently and visited a major bank, who issues instructions to its staff three times a day informing them which countries they can and cannot visit. Not an easy situation if your trying to plan a trip.

Good communication is the key, here are a few tips:

Phone your agent once a week, Friday mornings are often the best, preferably at home or on his/her mobile before he leaves for his sales visits. With time changes you will have to work some funny hours. Remember that Fridays are usually a planning and appointment-making day; your call may help him focus on your product by asking 'What are your plans for next week?'

Make sure that all e-mails and faxes are responded to even if a hold-

ing message is sent. Send them brief progress reports on orders.

Ask them to do some market research, perhaps send over some new products to test market.

Don't forget their birthday!

I know we live in troubled times but life must go on, if you feel safe to travel, there are a few things to remember:

As a recent British Airways pilot said '**it is safer to fly than cross the road.**'

If you are visiting overseas **don't look like an American** and don't draw attention to yourself.

Check the country websites from the US Government on a daily basis.

Because many Americans will not be travelling you will have a **huge benefit over your competitors**, take advantage of it.

I have been travelling recently and was pleased to note the increased level of security at airports. The downside, we all need longer for check in. This will result in more time hanging around airports, its here to stay, so get used to it.

Robin Mackay is Managing Director for Exporttraining Ltd., www.exporttraining.co.uk, United Kingdom. Previously, he served as Export Sales Director for a world-class textile company with agents in Europe and the Far East. Mackay has recently accepted a seat on IIEI's Global Advisory Board

EXPAND FLEXIBILITY Advises British Trade and Investment Office

By Hank Marshall

The global economy has entered into new and uncharted territory. In a time where there are more questions than there are answers, there is still reason for optimism. An all too real and instinctive reaction for business is to retreat or establish a defensive entrenchment. In the case of global business, a more balanced approach is likely to be more fruitful. I would argue that there are two key elements to a balanced approach, stick to your fundamentals and expand your flexibility. These may sound counter-intuitive, but they are not.

Having established successful global markets suggests that fundamental business techniques or plans were employed. "Tune out the noise" and stick to those fundamentals. There is nothing to suggest that the changes in the global economy render those fundamentals useless.

Expanding flexibility can be manifested in an infinite number of ways. Many have proven to be successful in previous economic downturns. Examine ways to restructure order placement, consider alternate payment schemes and explore previously discounted line extensions, product launches and marketing methods.

While pursuing a balanced approach, it is important to remember to remain positive, over communicate and spare no effort in reinforcing your global business relationships.

Hank Marshall is Director of the British Trade and Investment Office in Phoenix, Arizona.

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China Embraces WTO Membership

by Dr. Marsha Vande Berg

After 15 years of negotiations, China has begun its move to integrate with the world's trading system. Its formal induction in mid-November into the World Trading Organization, followed by Taiwan, carries with it huge implications for international trade and business, diplomacy and geopolitics generally.

Particularly the reformers among the leaders of the world's most populous country — 1.2 billion people — embrace WTO membership as a boon to reforms started in 1978 under Deng Xiaoping. Just as importantly, they remain committed to membership as integral to China's growth and competitiveness despite setbacks and challenges.

Even before the final agreement was inked, Beijing set out to reform its state-controlled economy, turning it into a more internationally competitive marketplace. It took steps to deal with transparency and rule of law issues, although much remains to be done on this front. It continues to promote its national champions and encourage them to get lean and mean.

Sinopec, for example, China's largest oil refinery and second largest oil producer, intends to expand its retail network to se-

cure a dominant market share in industrial sectors in eastern and northeastern China. China's four major state-owned banks are sharpening their competitive position by forming ad-hoc alliances and transferring huge bad loans to asset management companies.

At the same time, Beijing started opening up to foreign investors ahead of its WTO entry. It abolished a rule that prevented foreign-invested manufacturing firms from selling to domestic consumers (which is a primary reason foreign firms invest in China.) Cisco Systems subsequently said it expects its sales in China to double this year to nearly \$1 billion and that China will become one of its top three markets.

Each of these steps likewise anticipates China's entry into the WTO alongside other large developing countries, including Brazil, India, Mexico and South Africa. China wants to make sure it continues to receive the second most foreign direct investment in the world (after the United States.)

When WTO membership actually takes hold, China will begin phasing in tariff reductions and dropping non-

tariff barriers such as import licenses and quotas; easing rules on foreign company ownership and establishment of branches; dropping its double standards for pricing of exported and domestically sold goods; and easing customs regulations.

The four sectors affected in varying degrees are agriculture, telecommunications distribution and financial services. Meanwhile, all sides of the equation, including the Chinese, are hoping that the real loser is the corruption that oozes from layers upon layers of bureaucracy. Indeed, many of these measures will be of little use absent the central government's ability to control municipalities' capacity to erect protectionist barriers to the flow of goods.

"China's municipalities are used to having local control and it will take strong measures for the central government to make them listen," according to the June 2001 edition of *Deloitte & Touche Express China News*.

Clearly, much remains to be done on the part of the Chinese in the way of reforming institutions, passing new laws, enforcing new policies and education. Changes also will be required of WTO members, including the United States, which will forgo some of their ability to restrain the flow of Chinese

CHINA (continued on page 5)

The Culture Corner

TALKING BUSINESS IN CHINA BY SOH EK CHOR

The greatest challenge for foreigners working in China is the requirement to communicate effectively with the Chinese whose native language is not English. Although the official spoken language in China is putonghua of Mandarin, the use of English is becoming popular in the major cities like Shanghai, Beijing etc.

In formal meetings, the Chinese have an elaborate protocol system. For example, locals would expect the visiting delegation to enter the room in descending rank order. The guest is expected to greet the host

with the standard greeting: "Ni hao!" (Hello). The heads of both teams face each other across the table with the members of their team in descending order of rank beside them.

Foreign visitors need to be familiar with Chinese meeting etiquette. It is usual for the host to offer Chinese tea and cigarettes although smoking during meetings is not encouraged. During the meeting, the guests are not expected to lead the conversation. The host will usually start with small talk about the guest's trip to China and his impressions. Do not underestimate the value of this small talk. Locals make judgement about their guests by the way they converse and will not discuss the specifics of the business until they are

comfortable with their guests. Try to get used to prolonged periods of silence during the meeting. When this happens, the locals are actively interpreting information received. Allow them to ponder over new issues. However, they will usually let their guard down during meals and over drinks. This is the time to get to know the visitors. Be prepared to drink when you are offered and to sing when during a karaoke session.

Be careful with what you say. Avoid expressing your opinion on political issues even if the host initiates it.

Note that the locals can quote your statement out of context.

Soh Ek Chor is General Manager of Singapore's United Overseas Bank's Xiamen Branch, Fujian Province, P.R.China. Soh is a valued member of IIEI since 2000 and a welcomed contributor to GlobalWatch.

CHINA (continued from page 4)

exports. It is imperative that both Washington and the U.S. private sector, along with Europeans, figure out effective ways to track China's trade performance and practices.

The wallop packed by China's entry into the international trading system will reverberate through regional economies also. Myanmar and Bangladesh, which depend on sending textiles and low-grade technology consumer goods to the West, are bracing for the impact of Chinese exports. Thailand likewise is concerned, while Singapore says it sees China's entry as a challenge, not a threat.

South Korea and Taiwan have tried to insulate themselves against Chinese competition by focusing on the manufacture of higher-technology goods. Japan actually could realize a windfall since it now exports more to China than any other country. The United States is China's second largest trading partner (and America's fourth largest trading partner.)

U.S. exports of goods and services will grow but (arguably) with minimal effect on our economy. The real effect is registering among multinationals whose anticipation has ignited a new wave of China fever against the backdrop of a depressed global economy. The first in recent history occurred in 1993 and 1994.

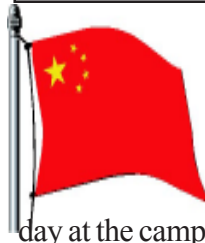
Small and medium size companies will continue to review their prospects for participating in China's dynamism. Those who enter successfully will pay close attention to their niche area of expertise, their ability to stay over the long haul and to understand the country's customs and practices.

For all of us, there should be little anticipation that greater international commerce with China will *ipso facto* produce political reform. At the same time, China's new role on the international scene just might contribute to a domestic foundation favoring greater understanding, tolerance and participation in institutions that promote peace as well as prosperity.

Dr. Vande Berg is principal of International Business Associates in San Francisco, California and a member of the IIEI Global Advisory Board.

10 Tips on How to do Business in China

by Lee Boam,
U.S. Foreign Commercial Service, Beijing



On a recent fall day at the campus of the American Graduate School of International Management, Mr. Lee Boam of the U.S. Foreign Commercial Service, offered these tips to anyone contemplating business opportunities in China.

1. Have clear contract terms. Specify exact terms of payment and performance, set time limits and do not put anything in a contract that you cannot enforce, such as working visas.
2. Make certain your project is economically viable – sell the things they need.
3. Know your partner. Do your “due diligence” and do it well.
4. Do not enter into prohibited agreements.
5. Never pay bribes. This is not only bad business practice, but can be in violation of the U.S. Foreign Corrupt Practices Act.
6. Make sure you get paid and know how you will repatriate your money. Do not accept pay on delivery terms, ask for 70% up front and 30% letter of credit just as the Chinese do.
7. Be careful to base your business on WTO compliant rules.
8. Search for problems before they materialize, do a risk analysis and limit your exposure.
9. Know your company's risk profile and act accordingly to it.
10. Mind the store! Your business in China will require constant attention.

An Olympic Boom

The biggest boom to China is the 2008 Olympics with the whole country celebrating! With \$22 billion set aside for construction, information technology, air and water quality improvements, the Chinese government invites potential bidders to view the project list. The list is available on the US Embassy's website at www.usembassy-china.org.cn

Did you Know?

To enter the Peoples' Republic of China, a U.S. citizen must have a visa. Business visas are issued on the basis of an invitation from one of the Chinese foreign trade organizations. If you wish to visit for business purposes, you must first correspond directly with the appropriate organization in China, such as the China National Machinery Import-Export Corporation.

New Term Begins for IIEI's Global Advisors

IIEI officially welcomed several new faces to its Global Advisory Board in October. Volunteer board members serve a two-year of service and as industry experts, provide the Institute with critical insight on matters of importance affecting the international trade community.

"We are honored to welcome such a distinguished group of advisors to the Institute," says Dr. Donald Burton, IIEI Executive Director. "Their respective expertise and collective ideas towards the enhancement of practices in global trading is a dynamic ingredient to IIEI's certification programs". IIEI Global Advisors make suggestions for course content and testing mechanisms that support the Institute's training and certification programs for international trade professionals. The 2001 –2003 IIEI Global Advisory Board consists of the following individuals:

Bala R. Balaraman, Director of the Indian Institute of Export Management, Bangalore, India.

Deen Rae Dell, Logistics Manager, Tyco Electronics Power Systems, (formerly Lucent Technologies), Mesquite, Texas, USA.

Robert C. Geddeis, Director of International Sales, Greenlee Textron Inc., a division of Textron Corporation, Rockford, Illinois, USA.

Fortunato J. Gerardo, Managing Director, Filinter Group Trading Co. Ltd. Aurora, Ontario, Canada.

Robin Mackay, Managing Director, Exporttraining Ltd, Gateshead, Tyne and Wear, United Kingdom.

Roger H. Marks, President, International Division, H2O Plus, Inc. Chicago, Illinois, USA.

Scott Arne Maynard, Senior Consultant and Principal, Exim*trade International, Austin, Texas, USA.

Chad A. Twitchell, Policy and Contracts Team Leader, Sandia National Laboratories, Albuquerque, New Mexico, USA.

Dr. Marsha Vande Berg, Principal, International Business Associates, San Francisco, California, USA.

Frank Woods, Director, U.S. Department of Commerce, Export Assistance Center, Phoenix, Arizona, USA.

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Rockwell Collins designs, produces, markets and supports communication and aviation electronics for commercial, military and government customers. In fact, the cockpit of nearly every commercial aircraft contains something made by Rockwell Collins. The business employs approximately 16,000 people worldwide with its headquarters located in Cedar Rapids, Iowa, USA.

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IIEI Phoenix Chapter News

The Greater Phoenix IIEI Chapter hosted another in its series of 'Trade Talks' on October 19th with a panel discussion on options in international trade financing. Joining Chapter President Lisa Xinos of Honeywell Aerospace Electronics Systems was Fidela Irigoyen, Vice President and Trade Finance Officer for Wells Fargo HSBC Trade Bank, Thomas Scrivner, Managing Partner for Golseth & Gregson Insurance services, and Carl LaPeter, Certified Factoring Specialist and owner of Copper Ridge Funding Co. The panel offered valuable options on getting financing and getting paid for international transactions. Topics included traditional trade finance products as well as lessons on international trade factoring, purchase order funding, and trade credit bonding. Dr. Ernest Scarbrough moderated the discussion hosted by Wells Fargo Bank in Phoenix, Arizona.

First IIEI Chapter in Ukraine Ready for Launch

Eugeny Shmakov, a steelmaker in the Zaporozhye Region of Ukraine, and a graduate of the Zaporozhye State Technical University in international trade and economic relations, says that building bridges and expanding activities to other countries is an essential tool to success. "I believe that trade, particularly international trade, is the best tool to build a democratic and human oriented society," says Shmakov, hoping that his efforts to launch a local chapter of the International Import-Export Institute will provide a vehicle for building trade relations and opportunities for the people in the Zaporozhye Region.

Anyone interested in participating is invited to contact Eugeny Shmakov at Eugeny_Shmakov@yahoo.co.uk. The IIEI Ukraine Chapter web page is also available on line at: www.expandglobal.com/chapters

IIEI's JobNet is Making Connections

IIEI's JobNet service is a valuable tool in connecting international trade employers with international trade professionals. IIEI Members can use the JobNet free of charge for posting resumes to a worldwide audience. Employers and Corporate Members of IIEI are invited to post current openings to reach your targeted audience – international trade professionals. It's easy to use. Go online to IIEI's website www.expandglobal.com then click Resources, choose JobNet from the menu.. To submit your resume, select SUBMISSION REQUIREMENTS.

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