Six Tenets for Success in Global Trade

By Tom Travis

We have all heard that the world is flat. And while that may be true, the world is also very large, with many divergent peoples, cultures, languages, borders and customs. Since business is increasingly global, entrepreneurs must organize, plan, operate and execute in new ways. The complexity of this multilayered, multidimensional environment is magnified by the fact that all international transactions are populated by many independent and indispensable parties that must communicate and coordinate to successfully import, export, or enter new markets. Add to this mix, the conflicting and confusing laws and regulations of many nations, and it becomes clear that doing business internationally is certainly complicated and subject to greater risk.

Based on my experience as an advisor to global entrepreneurs, multinational companies, and the governments of developing nations, I believe that there are several tenets and emerging themes that cannot only provide guideposts and danger signals, but that also are absolutely essential to successfully navigating the international business environment in which we and generations to follow will operate. These tenets are:

**Tenet 1: Take advantage of trade agreements**
If you want a competitive edge in today's global marketplace, you must understand free trade agreements and preference programs and how they can impact your business. Decisions about where to set up a business venture, how to locate the best sourcing opportunities, and how to develop a strategic plan for the future are all dependent on a thorough knowledge of the trade opportunities these programs provide.

**Tenet 2: Protect your brand at all costs**
Protecting your brand means protecting your company’s image as well as its intellectual property. Every global company must pay attention to the human rights and environmental practices of offshore facilities with which it does business.

**Tenet 3: Maintain high ethical standards**
Your company must establish its own standards of acceptable conduct, communicate those standards both internally and to all trading partners, and enforce those standards through internal monitoring systems. Ethics, social responsibility, and other issues of corporate governance are an absolute business necessity in today’s global marketplace.

**Tenet 4: Stay secure in an insecure world**
As companies tighten up security, they are beginning to see that there are ancillary benefits to greater control over the supply chain in the form of improved efficiencies, inventory management and loss prevention.

**Tenet 5: Expect the unexpected**
Whether the issue is a natural disaster that disrupts distribution channels, an outbreak of influenza that can shut down commerce, worker strikes that close down ports, currency crises that turn a region's economy on its head, or a surprise coup d'etat in the country where you just opened a new factory, the smart global entrepreneur always expects the unexpected and has a flexible contingency plan in place.
Developing new international markets for your products

**World Trade Week Week 2008**

“The New Realities of the Global Economy”

Did you know that small and medium sized firms account for the vast majority of growth in new exports? More than two-thirds of all exporters have fewer than 20 employees. You do not have to BE big to SELL big in international markets. But what do you need to know to get started – or to continue to grow – in a foreign market? The first steps to international sales are to gather market research and create an export market plan. By effectively utilizing research to develop a market entry strategy, your company will be better prepared and more profitable than if you simply react to inquiries from the web. Because small companies have limited staff and resources, they need to maximize their time. Your export plan will serve as your compass to stay on course internationally.

**Tough questions**

Before you start selling in any foreign market, you need to identify what you know and what you don't know about exporting. Which country has the largest market for your products? Where do your fastest growing markets potentially exist? What local market specifications or industry specific standards apply to your products? What are your export licensing requirements? Who is your competition? Additionally, you need to further analyze your end-user sectors, channels of distribution, local business practices.

**Your own homework**

Oftentimes, you can find answers to many of these questions by just looking in the right places within your customer base. For instance, if you have a strong relationship with a Canadian customer, that same customer may already have developed inroads in Mexico and South America, and usually is willing to share their insights. Additionally, you can create focus groups of current and potential users of your product and potential distributors. And by attending an international trade show for your industry, you can identify the key players in your target country and use them as a resource for that market. Large domestic shows with international attendees can also be valuable for networking purposes. By participating in conferences such as West Michigan Trade Week 2008, you will learn about current international trends, emerging markets, and gain insights from presenters who have firsthand experience in growing international markets for their products.

**External resources**

The U.S Commercial Service of the U.S. Department of Commerce (DOC) should be one of the first places you turn to help identify unexpected issues and to find answers to difficult questions. You can begin by obtaining basic market information through the DOC’s exporting website: www.export.gov.

Beyond that, the DOC specializes in helping companies with trade statistics, industry and country market research, and targeted programs to help local manufactures meet with legitimate international agents and distributors. Trade Specialists from our four Michigan office locations also partner with organizations like the Michigan District Export Council to help counsel Michigan companies. The District Council members have varied backgrounds in marketing, finance, law and logistics, and are appointed by the U.S. Secretary of Commerce for their international expertise.

**Sound advice**

Thomas Palumbo, Vice President for Sales and Marketing of SoundOff Signal, was appointed to the Michigan District Export Council-West in 2007. SoundOff Signal is a manufacturer of Commercial and Vehicle Safety products located in Hudsonville, MI.

Once you have found your distributors, it is essential that you stay with your selected source and provide them with necessary support to help them strategically grow their business and yours,” Palumbo advises. He advocates facilitating cross-cultural/technical exchanges between a company and its partners. To help their engineers develop technical skills, SoundOff has sent staff to the U.K. and to China. Likewise, SoundOff has also hosted international distributors in Hudsonville for educational training and team building purposes.

Reem Shatara Yaw, International Business Development, of SoundOff Signal, will be a featured speaker at the World Trade Week business conference panel discussion on the Middle East. Ms. Shaw will discuss how SoundOff has cultivated business sales to Israel, Jordan, the United Arab Emirates and other markets in the region. “By investing in exhibiting at international trade shows, we have developed new contacts in the Middle East, and further helped these contacts to understand our product offers, and our strengths. The end result is that we have established strong relationships with buyers who trust us to be their primary supplier.”

Palumbo and Yaw agree that the biggest mistake made by new exporters is not doing enough market research or basing long-term business decisions on limited information. “It is critically important to complete market research before determining your international product offering and pricing.” The worst thing exporters can do when entering a new market is to be unprepared,” Palumbo commented.

“This is why you should and we have taken advantage of the resources readily available from your local Department of Commerce office. Their trade specialists have years of experience with helping companies to sell to global markets and they can introduce you to a member of the Michigan District Export Council who has a specific area of knowledge you may require,” he concludes.

**Putting it all together**

“Exporting brings a whole new world of opportunity to your business, as well as a new world of issues your company may not have considered in the past,” says Tom Maguire, Office Director for the U.S. Commerce office in Grand Rapids. “You need to understand a wide range of topics like limiting your financial exposure, developing products suitable to your target country, determining your landed costs, drafting international distributor agreements, building international distributor relationships, and so forth. It’s a significant amount of information for any one company to find on its own – and that’s how the Commercial Service has been so well received as we have helped businesses all over West Michigan enter foreign markets for more than 25 years,” he adds.

By expanding the number of countries in which your company sells, you can boost your sales significantly. Nearly two-thirds of small and medium-sized exporters only sell to one foreign market, which is indicative of both a lack of resources and a lack of knowledge. Your best return on your international investment will depend on your ability to identify your challenges, capture opportunities, maximize your resources and make productive decisions. We’re here to help you down the road to exporting success.

Kendra Kuo is the 2008 World Trade Week Planning Committee Chairperson and an International Trade Specialist with the U.S. Commercial Service of the U.S. Department of Commerce.
Legal realities of the global economy

By Mark Spitzley
Attorney, Warner Norcross & Judd

American companies engaged in international trade, and those thinking about international trade, should be alert to the legal issues unique to the international context. The advantages of “going global,” though numerous, do raise legal issues that U.S. companies must take into consideration. Failure to deal with some of these issues can create civil and criminal liability.

Take exporting as an example. Exporting is normally easy and subject to few restrictions. Most exports of ordinary trade goods are not restricted. There are, however, export restrictions for a few products that can have military uses and are subject to export regulations.

(1) Some products (notably products in a military context) are subject to export restrictions.

(2) Exports to some countries are restricted. It is possible to violate export restrictions by selling a product to a buyer that you know, or should know, intends to re-export the product to a country to which direct exports from the U.S. are prohibited.

(3) Export sales to some purchasers are restricted. There are myriad “do not sell” lists maintained by the U.S. government that you are obligated to check. Commercial software can help you monitor these “do not sell” lists.

(4) It is possible to make a prohibited “export” of technology without actually leaving the U.S. You may be “deemed” to export technology merely by giving individuals from a foreign country access to that technology in your own plant.

Beyond export control regulations, there are more general business and contract considerations you will want to take into account:

• Payment. Exporters should protect themselves against the risk of non-payment. At the time of sale, they should structure their contract so that payment terms are clear and specific. The International Chamber of Commerce (ICC) has developed standard contract terms (called INCOTERMS) that operate to (1) assign stages of delivery and payment or other manifestations of performance of obligations under the INCOTERMS.

• Dispute resolution. Every agreement for the sale or purchase of goods should provide for dispute resolution. Before commencing such proceedings as an alternative to arbitration, bear in mind that the burden of a trial in a distant country under unfamiliar law is on the buyer.

Other potential traps exist in international trade. For example, companies often find it desirable to engage distributors or sales representatives in foreign countries.

• Currency. Most U.S. sells price their products in dollars. If the customer requires paying in another currency, then the contract should deal with the issue of the risk of currency fluctuations.

• INCOTERMS. The International Chamber of Commerce (ICC) has developed standard contract terms (called INCOTERMS) that operate to (1) assign risk among the parties and (2) identify which party is responsible for the various stages of shipment and delivery and for export/import clearance and insurance. Some typical U.S. commercial terms have definitions under the INCOTERMS.

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Other potential traps exist in international trade. For example, companies often find it desirable to engage distributors or sales representatives in foreign countries.

Many countries have laws that protect distributors and/or sales representatives from termination without specifically defined cause, or from other conduct that the country feels to be overreaching. The U.S. Foreign Corrupt Practices Act (FCPA) prohibits the payment by U.S. companies and individuals of “anything of value” to foreign governmental or political officials to obtain or retain business or to secure an improper advantage. In many countries, government ownership of business can mean that business executives are foreign governmental officials. Certain countries have passed laws aimed at boycotting and isolating Israel. These laws may be interpreted to include the fine print of purchase orders, standard terms of sale or purchase, or other communications. U.S. companies and individuals are subject to penalties if they aid or assist in the implementation of these boycotts. If you have received requests to comply with or otherwise aid an un sanctioned boycott, you must file a report with the government.

Finally, a growing number of companies may decide to establish their own operations in a country to enter into long-term relationships with a one or more foreign firms for the purpose of acquiring greater control over the sourcing or sale of products or services. Overseas investments may take the form of a joint venture, a foreign subsidiary, or licensing arrangements. There are complex tax, legal, and business issues that should be addressed when planning any such activity. Before investing abroad, you should engage professional advisors (in particular, attorneys and accountants) who will give you guidance as you investigate your potential foreign partner and determine the structure of your investment.
Selling to the Middle East and Northern Africa

**PANELIST:**
Guillaume Alvarez, Steelcase

Steelcase Inc., the global leader in office furniture manufacturing, launched its international operations with a 15,000 square foot plant in Toronto, Canada in 1954. In the more than fifty years that followed, Steelcase grew into a truly global company, with manufacturing facilities and/or sales offices in more than forty-two countries. While many U.S. based companies have only recently started to explore the opportunities of a global marketplace, Steelcase’s experience in the international arena has been a decades-long education in how to move from a US trader to a true local manufacturer.

At the conference, presenter Guillaume Alvarez will focus on doing business in the geographies of Middle East, Africa and India.

Guillaume is vice president of Sales for the Central Region of Steelcase North America, Steelcase Inc. Appointed to this role in March 2006, Guillaume oversees all sales activity in his region, one of four in the United States.

Previously, he was vice president, United Kingdom, Eire, Benelux and Latin America, for Steelcase International (appointed September 2000), responsible for all aspects of sales and marketing in these countries, as well as dealer development for all markets outside of North America.

Other roles he has held at Steelcase include: president, Latin America, Asia Pacific and Middle East (appointed June 2000), where he was the head of all sales, marketing and dealer development efforts in those regions; director, International Marketing; and general manager, Middle East, Africa and India (1996 to 1998).

Guillaume has lived and worked in Morocco, Lebanon, Pakistan, Saudi Arabia and U.A.E.

Born in Rawalpindi, Pakistan, in 1959, Guillaume earned a diplôme universitaire de technologie in marketing from the University of Paris in Paris, France, in 1981, and received his diplôme d’études universitaire general in sociology a year later from the same institution. He also served in the French Army as an assistant advisory officer stationed in Freiburg, Germany.

As Guillaume examines the Middle East, Africa and India, he will explain how Steelcase shifted from being primarily Gulf focused to expanding into a number of countries with more than twenty-five dealers.

He will also discuss the differences between being an exporter and developing a local presence, and the keys to both.

Additionally, Guillaume will highlight areas of risk management in this region, including wars and recession, and how to remain stable despite the economic, environmental or social landscape.

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**Breakout session: Expanding your sales through international agents and distributors**

By Anthony D. Bernard
President, Oatencourt, Inc.

Exporting is essential in the present global market; foreign competitors will surely be active in our U.S. market and we need to export to keep up with the opportunity. If business in our competitive world is a battle, then to export is to take the fight to the adversary - as well as generating additional revenue and profit.

As part of the World Trade Week Business Conference, I will be presenting “Expand your Sales through International Agents and Distributors” aimed at helping local businesses to set strategies and policies that will make them better exporters. During this “New to Export” breakout track, attendees will learn about approaching the practical aspects of exporting from speakers who have many years of experience in the field. Export markets are diverse and complex, as well as setting the basics for the new to export company there will be fresh ideas for better established exporters too.

It is easy to think of exporting as “selling to foreigners”, but actually one has to learn to compete in someone else’s domestic market. That is perhaps the most important statement, because everything else springs from it.

The role of a local distributor is paramount; one Swedish distributor famously described himself as the Swedish extension of the factory. He had spotted that all the functions provided to the domestic market in the USA by calls to the factory 800 number had to be provided to his customers in Sweden by his own staff, and in Swedish during Swedish office hours.

The role of the distributor in international business is very different from the role of a representative, distributor or dealer in the States, whose customers have support direct from the factory, often without referring to the distributor.

An overseas subsidiary must perform all the roles of a distributor, with the sole but very important difference that the owner can call the shots. It is essential for companies to address these issues of policy in the management of overseas sales operations. Throughout the breakout session, attendees will be given practical steps to find, qualify, and manage distributors effectively, all the while knowing that success does not come unless product is shipped and imported into its foreign destination, and paid for through the international banking system.

As an overview of different cultures, in some countries it is very easy to strike an agreement, the difficulty is to make it stick; in some countries it is easy to get an order, the problem is to get paid. The Euro is supposed to have created a level playing field within the “Eurozone” of the European Union but payment terms and business practice are so different that it is unrealistic to have the same pricing in Italy as in Germany.

The basic principles of business and courtesy are the same the world over, but they do get clouded by different cultures. It is important to separate and distinguish between the styles and the substance. That should not be a surprise to anyone, that business with activities in New York, Alabama and California - styles are different around the USA too.

It is fine to assume that in most countries they will understand “the American way of doing things”, but relying on that stops one understanding how business is actually working in the domestic market of the foreign company concerned. Sales are made between a US trader to a true local manufacturer, it is essential to understand how the products will be used.

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**2008 WTW Schedule of Events**

**The Economic Club of Grand Rapids Luncheon**

**Monday, May 5**

**Featured Speaker:** Congressman Vernon J. Ehlers, Michigan's 3rd District

The Economic Club is an association of individuals interested in, and contributing to, the growing economic health of the Grand Rapids metropolitan area.

**Time/Place:** 12 noon/DeVos Place

**Questions:** Call Jennifer Underwood at 616-454-1883 or visit: www.econclubgr.net

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**World Affair Council’s WorldQuest International Trivia Game**

**Wednesday, May 7**

The World Affairs Council of Western Michigan invites you to play WorldQuest®. Put your international knowledge to the test. It’s that time of year...sign up for a fun filled evening of food, drinks and competition.

**Time/Place:** 6:00 pm buffet dinner, 7:15 pm game begins, Wege Center, Aquinas College

**Questions:** Contact Amy Kirkbride at 616-776-1721 or wacwcm@inserv.net