

WORLD TRADE WEEK 2008

"The New Realities of the Global Economy"



Six Tenets for Success in Global Trade



KEYNOTE SPEAKER
Tom Travis

By Tom Travis

(excerpted from *Doing Business Anywhere: The Essential Guide to Going Global*, John Wiley and Sons, May 2007)

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

The tragic events of 9/11 ushered in a new era of compliance with global security requirements. 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

Continued inside

WORLD TRADE WEEK WEST MICHIGAN 2008

Conference & Student Global Awareness

MAY 8, 2008

Grand Valley State University's Pew Campus, Eberhard Center

KEYNOTE

8:00-9:00 a.m.

The New Realities of the Global Economy

Thomas Travis, Managing Partner, Sandler, Travis & Rosenberg, P.A.; Chairman, Sandler & Travis Trade Advisory Services; and Author of "Doing Business Anywhere: The Essential Guide to Going Global."

TRACK 1: EMERGING MARKETS

9:15-10:00 a.m.

Panel Discussion: The New Realities of Doing Business in China

William Ding, Sr., Financial Analyst, A.O. Smith; **Ray Masnari**, International Sales Manager, Armstrong International, Inc.; **Moderated by Craig Meurlin**, Warner Norcross & Judd, LLP

10:15-11:00 a.m.

Panel Discussion: Selling to the Middle East & Northern Africa

Guillaume Alvarez, Regional Vice President, Steelcase; **Reem Yaw**, International Business Development, Sound Off Signal; **Moderated by Kendra Kuo**, U.S. Department of Commerce

11:15 a.m.-12:00 p.m.

Using Free Trade Agreements to Access NAFTA & CAFTA Countries

Sonja Johnson, Interim Executive Director, Van Andel Global Trade Center, Grand Valley State University

TRACK 2: EXPERIENCED GLOBAL BUSINESS

9:15-10:00 a.m.

U.S. Export Regulations-Recent Developments

Wendy Hauser, Special Agent in Charge, Office of Export Enforcement, Bureau of Industry & Security

10:15-11:00 a.m.

Foreign Security Risk

Dan Ryan, Vice President Foreign Exchange, Chase Bank

11:15 a.m.-12:00 p.m.

Global Human Resource Trends

Patrick G. Hickey, Senior Consultant, Mercer

TRACK 3: NEW TO EXPORT

9:15-10:00 a.m.

Expand Your Sales Through International Agents and Distributors

Anthony Bernard, Michigan District Export Council

10:15-11:00 a.m.

Resources & Legal Aspects of International Trade

Mark Spitzley, Warner Norcross & Judd; **Tom Maguire**, Director International Trade Specialist, U.S. Department of Commerce

11:15 a.m.-12:00 p.m.

Panel Discussion: Ask the International Trade Practitioners

Anthony Bernard, **Mark Spitzley** and **Wendy Hauser**

LUNCH

12:00-1:30 p.m.

Panel Discussion

Select speakers will be available for Q&A during lunch. **Moderated by Nelson Jacobson**

WTWSTUDENT GLOBAL AWARENESS DAY

Friday, May 9 • 8:00 a.m.
Loosemore Auditorium
Grand Valley State
University Pew Campus

The mission of this collaborative WTW program is to help Grand Rapids Public High School students better understand how the global economy affects them today and how it will affect their future. This final-day capstone event held on the GVSU Pew Campus sums up the students' prior six-session Junior Achievement Global Marketplace course. This program will showcase some of the area's international business people discussing their preparation, career experiences, and advice for success; international cuisine, exhibits by universities and schools offering foreign study programs and international career ideas; plus prizes and an essay contest. Generously supported by WTW Hosts and Sponsors, Student Global Awareness Day is made possible through the Title Sponsorships of Amway Corporation, and Comerica Bank.

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WORLD TRADE WEEK 2008

"The New Realities of the Global Economy"

Developing new international markets for your products

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, cultural nuances, and 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 end 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 World 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 manufacturers 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 agreed 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.

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FOR MORE INFORMATION PLEASE CALL
616-331-6811 OR VISIT www.gvsu.edu/wtw



WTW hosts 4th annual Student Global Awareness Day

For the fourth year in a row, World Trade Week will reach out to youths during Student Global Awareness Day. The mission of this collaborative program is to help Grand Rapids Public High School students better understand how the global economy affects them today and how it can shape their future quality of life.

"It was a concept I developed five years ago in a meeting with World Trade Week organizers as a way to broaden the outreach of the week's activities to the young people of the area, to help them recognize that they can successfully take part in the global economy and workforce and still call West Michigan home," said Scott Hibbard, vice president of international trade finance for Comerica Bank.

This year's Student Global Awareness Day will be May 9. The program is a partnership between Junior Achievement,

Grand Rapids Public Schools, and Grand Valley State University's Van Andel Global Trade Center. Amway Corporation, Comerica Bank and World Trade Week – West Michigan provide the critical program sponsorship. Hibbard says that in addition to these partners, support from Grand Rapids Public Schools – and particularly from Superintendent Bernard Taylor – has been key to the program's success.

"What's been encouraging is that each year, the program becomes more imbued with the Grand Rapids Public Schools' class curriculum," Hibbard said. "Dr. Taylor saw to it that this program took a more meaningful role inside the participating classes, and for that we're very thankful. His leadership has helped bring this event to the next level."

"The overall objective of this program is to help the young people of our school system understand the dynamics of the

global economy and cultural relations – and of the job opportunities that await them after graduation," Hibbard said. "At this point, one in six American jobs is attached to international trade, and the majority of future growth for all industries of all sizes will be overseas markets."

Some 180 students are participating this year. The students come from six classes from Creston, Union, Ottawa Hills and Central high schools. The students participate in a six-week Junior Achievement Global Marketplace course, concluding with an all-day event held at Grand Valley State University.

"The program has developed to a point where it parallels many of the career pathways that are taught in Grand Rapids Public Schools classrooms. It dovetails, but takes it to the next level by talking about global influence," Hibbard said. "The idea is to help the students better

understand that influences beyond West Michigan have a huge impact on their quality of life. That preparation needs to happen now."

The program culminates in a final-day capstone event held on Grand Valley's Pew Grand Rapids Campus. This program will showcase some of the area's international business leaders discussing their preparation, career experiences, and advice for success. Students will also experience international cuisine, and exhibits by universities and schools offering foreign study programs and international career ideas.

"The capstone event continues to be more interactive, more user-friendly and generates more student energy each year. It has improved substantially on many levels, with credit for its success going to numerous volunteers and sponsors that make it all happen." Hibbard said. ■

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 you need to be aware of:

(1) Some *products* (notably products that can have military uses) 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 anything 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; it can be difficult to enforce a payment obligation in a foreign country. Letters of credit are frequently used as a payment mechanism. Under a letter of credit, the seller is paid upon furnishing a bank with specific documentation, normally including an invoice and shipping documents. Insurance and other alternatives are also available.

- **Currency.** Most U.S. sellers price their products in dollars. If the customer requires pricing 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 shorthand trade 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 differing definitions under the INCOTERMS.

- **Dispute resolution.** Every agreement for the sale or purchase of goods should prescribe how disputes will be handled. Before dismissing such provisions as boilerplate, bear in mind the burden of a trial in a distant country under unfamiliar law before a judge from your customer's home country.

Other potential traps exist in international trade. For example, companies often find it desirable to engage distributors or sale 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 their employees and agents of "anything of value" to foreign governmental or political officials to obtain or preserve 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 provisions may be included in 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 this boycott. If you have received requests to comply with or otherwise aid an unsanctioned boycott, you must file a report with the government.

Finally, a growing number of companies may decide either to establish their own operations overseas or to enter into long-term relationships with one or more foreign firms for the purpose of acquiring greater control over the sourcing or sale of products or services. Overseas investment 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. ■

SIX TENETS

Continued from page 1

enough infrastructure to change course when circumstances dictate.

Tenet 6: All global business is personal

Forming personal relationships is key in global trade. In fact a great rule of thumb to follow is the farther apart you are

geographically and culturally from your overseas business partner, the more important it is to meet face-to face.

These Tenets of Global Trade should serve as the backbone of your efforts to build or expand successful global businesses. If you follow these six Tenets of Global Trade, you will be better able to handle the realities of today's global trade environment. ■

Tom Travis is Managing Partner at Sandler, Travis & Rosenberg, P.A., an international trade and customs law firm headquartered in Miami.

www.strtrade.com He is the author of *Doing Business Anywhere: The Essential Guide to Going Global* (John Wiley & Sons, May 2007).

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