

## **INTERNATIONAL BUSINESS NEWS –NOVEMBER 2007**

**U.S. Department of Commerce**

**International Trade Administration - U.S. Export Assistance Center**

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### **A FOND (BUT SLIGHTLY ENVIOUS) FAREWELL TO OUR COLLEAGUE AND FRIEND, DENNIS MILLARD**

Earlier this month Dennis took the life changing, but ever welcome, plunge into the world of retirement. So while the rest of us are stumbling out of bed in the early A.M. fighting traffic and other workday frustrations, Dennis is enjoying life, sitting on his deck, drinking coffee, and watching his cattle graze. And, of course, he will periodically fill his time going on cruises! So while we may be just a little jealous of Dennis on those especially beautiful, sunny days when we'd like to be anywhere but in the office, we'll still remember him fondly as a great colleague, and a wonderful friend.



### **COMMERCE'S "MARKET OF THE MONTH" SOUTH KOREA**

Korea is one of the world's leading economies and an outstanding trading partner for the United States. With a high-tech industry, a sophisticated consumer market, and a long history of successful trade with the United States, Korea is a great market for U.S. companies to enter or expand their Asian presence. The United States and Korea recently concluded negotiations to remove 95% of all tariffs under a free trade agreement. Moreover, U.S. products will have even stronger IPR protections, greater transparency guarantees, and stronger trade facilitation. Double-digit U.S.-export growth with some estimates as high as 50% increases in exports are anticipated under this landmark trade agreement.

Best prospects for U.S. exports to Korea include:

- Automotive Parts and Accessories
- Broadcasting Services and Equipment
- CNC Machine Tools
- Computer Software
- Cosmetics
- Defense Industry Equipment
- Drugs and Pharmaceuticals
- Education and Training Services
- Electrical Power Systems
- Engineering Services
- Medical Equipment and Devices
- Pollution Control Equipment
- Radio Frequency Identification Technology
- Security Services and Products
- Specialty Chemicals
- Travel & Tourism
- Wireless Broadband Equipment and Services

For Commerce's Web page on South Korea, [click here](#)

### **THE EUROPEAN UNION'S GLOBALLY HARMONISED SYSTEM OF THE CLASSIFICATION AND LABELLING OF CHEMICALS**

For companies involved in global trade, complying with different labeling requirements can be expensive, tricky, and often inefficient. To address this problem, the United Nations (UN) adopted the "Globally Harmonised System of Classification and Labelling of Chemicals" (GHS) as a non-binding resolution. That is, the UN can encourage, but not legally require, countries to adopt the GHS. The GHS classifies chemicals by types of hazard and proposes harmonized hazard communication elements, including labels and safety data sheets, to ensure that information on physical hazards and toxicity is readily available. The GHS also provides a basis for harmonization of rules and regulations on chemicals on national, regional and worldwide levels (an essential factor in facilitating international trade). To download the report, [click here](#).

### **GERMANY – E COMMERCE**

Germany is the leading e-commerce market in Europe. Business worth a total of EUR 438.7 billion was conducted online in 2006, and EUR 779.8 billion is predicted for 2010. In 2006, over 30% of all goods and services traded online in Western Europe were sold in Germany, representing by far the largest market share of any Western European country. Germany, the world's number one exporter, is the largest economy in the European Union and the third largest in the world. As Europe's most populous nation, Germany also has the largest number of Internet users, nearly 56 million people. These users generate one of western Europe's highest per capita revenue rates and contribute, alongside businesses, to the predicted 84% growth of e-commerce volume in Germany. None of the traditional distribution channels are seen as having huge development potential, so companies are turning to the Web, making an electronically based future become reality. To learn more, read ["E Commerce in Germany"](#)

### **CREATING AND MANAGING YOUR WEBSITE TO TARGET MEXICAN BUYERS**

American exporters to Mexico enter a country with a rapidly growing, Internet market. The latest figures estimate that over 23.7 million Mexicans will have access to the Internet by the end of 2007. Fifty-eight percent of Mexican Internet users are young adults between the ages of 18-34, who mostly live in urban areas, which means that the number of Internet users should continue to expand in the upcoming years. To learn more about how to efficiently create and manage a website to target Mexican Buyers, read Patricia Toledo's report ["Creating and Managing Your Website to Target Mexican Buyers"](#)

**5 STRATEGIES THAT WILL HELP YOU  
GET PAID FOR YOUR EXPORTS®**  
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“Managing Imports and Exports”

You haven't made the sale until you've been paid, goes the old adage. When it comes to selling across international borders, however, collections present an even greater challenge than they do domestically. Here we present five key best practices export pros should follow to develop a successful strategy for managing international receivables.

**Presale Due Diligence**

1) Obtain a detailed credit application from your customer. When dealing with a buyer that has been in business less than five years, pick up the personal guarantee contained in a comprehensive application. Another critical element that belongs in such a credit application is a binding and final arbitration clause. This allows you to keep the venue local to where you are in case of dispute and to enforce the arbitration award where you need to.

2) Obtain a fresh credit report on your buyer. Insist on a new and absolutely fresh credit report. By going directly to a local credit report provider, you can often achieve savings in the 75% range. Such local providers are listed on [www.intl-credit.com](http://www.intl-credit.com). When you click on any country name, a menu of local providers will come up that will charge a fraction of what the big traditional providers such as D&B or Graydon will charge. Be sure to get a quote on the cost of a fresh investigation. If you also ask for an opinion on a credit line, you'll always get it. In the case of businesses that are less than five years old, don't forget to pick up a separate credit report on the guarantor—the signer of the personal guarantee. What use is it to pick up a guarantee if the guarantor is worthless?

**Consider All Payment Terms**

3) Consider underutilized documentary collections. When it comes to setting payment terms, too many export pros deal either with a letter of credit (L/C) or jump directly to open account. In between, in terms of risk, are two excellent vehicles that can further protect you—shipping on documents against payment (DP) or documents against acceptance (DA) terms. Both provide prima facie evidence of the customer's intent to pay and its acceptance of the terms of sale in the form of a draft. This draft is either paid (DP) immediately or signed (“accepted”) in agreement to pay within a specific period of time (DA).

4) Talk to an export credit insurance broker. Considering export credit insurance is a good practice for successful global receivables management. Just talking to an insurance credit broker or company can provide you with a viable solution or a deeper insight into the nature of the credit risk you're pursuing—even if you don't ultimately decide to purchase. Credit insurance is more customized than ever, and global policies—covering all of an exporter's transactions worldwide—are more available. Such policies are generally not very expensive, and sellers may even be in a position to add the cost to the sales price.

**Country Risk Intelligence**

5) Obtain good country risk reports. Membership in the Association of Executives in Finance Credit & International Business (FCIB—[www.fcibglobal.com](http://www.fcibglobal.com)) is extremely useful. Reports tend to be on the costly side but are very valuable for exporters. FCIB also sponsors a range of export industry credit groups that share information on creditworthiness and payment history of global customers.

**ASK THE EXPERTS – NOVEMBER 2007®**

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“Managing Imports and Exports”

Alan Gaudio, Robert Imbriani, and Joseph Zodi,  
consultants for Unz & Co.—answer readers'  
import- or export-related questions.

This month's column is by Joseph Zodi, author  
of Export-Import: Everything You and Your Company Need to  
Know to Compete in World Markets  
(to order: 800-474-8013 or visit [www.zodi.net](http://www.zodi.net)). Readers may  
submit questions to [cdhorner@ioma.com](mailto:cdhorner@ioma.com).

**Question by Import-Export Manager:**

We're hearing a great deal about Chinese exports of toys into the U.S. marketplace with dangerous conditions, such as lead paint. Don't they have a responsibility to comply with our laws on what they sell us?

**Answer by Joseph Zodi:**

Let's look at this from the other side for a moment. You export product to another country, let's say a toy to China. You comply with U.S. wage and hour, worker safety, and environmental regulations—but don't know what China's regulations are. Likewise, you know what the requirements are for selling your product domestically but not in China. Your buyer has seen a sample and wants to order 10,000. He sends you a purchase order for 10,000 “toys, your Stock Keeping Unit (SKU) 54000.” Should your toys arrive in China without correct country of origin marking or voltage (in Chinese) and with a configuration or material that doesn't comply with Chinese regulations, who is at fault? I hold that it's the fault of the importer for not researching and then specifying exactly what was needed.

Similarly, a U.S. company (whether U.S.-owned or a subsidiary of a foreign company) is responsible for complying with all U.S. regulations. If an article is manufactured abroad and shipped to the warehouse of a U.S. company that then distributes the product to stores, that U.S. company is responsible for ensuring the product meets U.S. regulations (e.g., Consumer Product Safety Commission, Food and Drug Administration, Department of Energy) before it is sold. (Sometimes more than one agency has overlapping jurisdiction, with one agency regulating configuration and another regulating labeling.) This is the case whether the product is made here or imported. A company marketing a product within the United States has the legal obligation to know the law to which it must comply as part of “know your product”—and to comply with the law.

Wrong scenario: A U.S. importer buys a new toy from China, accepting the toys the way the Chinese company designed them or giving minimal specifications. It pays for the toys and puts them on the domestic market only to find they do not meet legal requirements and are, in fact, unsafe. The company is out the money it paid, and the toys are taken off the market. In the process, its brand reputation is hurt due to the bad publicity.

Right scenario: The U.S. importer checks U.S. law and provides strict specifications to China as to how the toys must be configured. If they come in otherwise, they are rejected (the Chinese company can pay the freight to send them back) and new toys must be manufactured that conform to the specifications. Ideally, the U.S. company has initial product air freighted in for its Quality Assurance Department to tear apart to ensure conformance with all requirements before mass production begins. In addition, the U.S. company samples products as it comes in, perhaps every 100th toy, to guarantee standards are being met.

## EUROPEAN UNION – UNDERSTANDING COMITOLGY

“Comitology” refers to the process of committees of national officials working with the European Commission during the implementation of EU legislation. Committees are set up by legislation to administer specific policies or programs and evaluate existing legislation.

A report by the U.S. Commercial Service Office in Brussels provides a simple overview of the EU’s “comitology” process, by which the EU passes a large quantity of rules through non-legislative, committee-based procedures. Comitology procedures are used in a variety of policy areas that affect US exporters, including trade, environment, technical regulation, and single market legislation, public health, and consumer protection. This report is intended for use by US companies that seek to better understand the decision making processes that affect them directly in the context of a specific piece of EU legislation or regulation. To download this report, [click here](#)

### DOING BUSINESS IN THE EUROPEAN UNION:

Edited from the **“2007 EU Country Commercial Guide”**

While the European Union continues to move in the direction of a Single Market, the reality today is that U.S. exporters in some sectors continue to face barriers to entry in the EU market. Application of EU legislation, in the form of directives, is a responsibility of the European Commission, but working practices within Member States do differ and can affect adoption of EU regulations. Additionally, while the EU Community Customs Code aims to establish a standard legal framework for basic customs procedures, such as customs entry and release, the EU does not currently operate as a single customs administration.

Historically, U.S. exporters and investors have faced relatively low barriers to doing business in the EU. Nonetheless, the United States has a number of ongoing disputes with the EU, a situation to be expected given the breadth and depth of the commercial relationship. To ensure that U.S. companies get the full benefits of the trade agreements the United States has negotiated, the U.S. Government has developed a trade compliance initiative. U.S. trade agencies work closely and diligently with the business community to ensure that the European Union and its Member States comply with their bilateral and multilateral trade obligations, and to help keep market access problems affecting U.S. firms to a minimum. U.S. firms doing business in Europe should also be aware of the business facilitating activities of the Transatlantic Business Dialogue (TABD). The TABD is a forum for U.S. and European businesses that provides voluntary input to the U.S. Government and the European Commission on impediments to transatlantic business. For more information go to <http://www.tabd.com/>. Similar transatlantic dialogues are also held between governments and labor, as well as environmental and consumer constituencies.

The European Union market is a differentiated one, with specific supply and demand needs varying from Member State to Member State. While a pan-European business strategy is critical, exact market entry strategies must be considered on a country-by-country basis.

To download the entire Country Commercial Guide for the European Union, go “Country and Industry Market Reports” at <http://www.export.gov/mrktresearch/index.asp>

## U.S. COMMERCE DEPARTMENT AND KAUFFMAN FOUNDATION ANNOUNCE PUBLIC-PRIVATE PARTNERSHIP ON ENTREPRENEURSHIP

*For Immediate Release: November 7, 2007*  
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Washington and Kansas City, Mo. – The Ewing Marion Kauffman Foundation and the U.S. Commerce Department’s International Trade Administration today announced a new public-private partnership focused on leveraging America’s entrepreneurial leadership to advance economic growth in the United States and around the world. The United States encourages business creation and competition, each key elements of entrepreneurship. Increasingly, other countries seek input on how they can invigorate their economies through policies and programs that encourage the creation of high-growth businesses. They seek guidance from the United States to determine how their economies can replicate America’s success in entrepreneurial achievement. The goal of this partnership is to assist other countries in developing the environment to allow entrepreneurs to organize and operate a business venture.

“This partnership will bring the preeminent U.S. entrepreneurship education and research organization, the Kauffman Foundation, together with the International Trade Administration, to expand global markets for U.S. exporters by encouraging our trading partners to adopt policies that promote economic growth, innovation and entrepreneurship,” said Secretary of Commerce Carlos M. Gutierrez.

The partnership will create a comprehensive Web-based resource to advance entrepreneurship. The site will serve as an online destination for entrepreneurship research, educational content, policy papers and entrepreneurship events worldwide, creating a one-stop resource for domestic and international interest in the American approach to entrepreneurship. Symposia held in key markets outside the United States will further disseminate the information provided through the entrepreneurship Website.

Ultimately, this initiative will seek to promote economic growth, innovation and entrepreneurship, thereby expanding markets for entrepreneurs in the U.S. and abroad, and stimulating increased levels of productivity and standards of living in countries throughout the world,” said Carl Schramm, president and CEO of the Kauffman Foundation.

The first phase of the Web site is scheduled for launch later this year. For a preview and to sign up for the site launch announcement, visit the Web site at [Entrepreneurship.gov](http://Entrepreneurship.gov).

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