



# IMPACT ANALYSIS

Issues Impacting Global Business

A Publication Serving the State of Louisiana

January-February 2009



## Grassroots Coalitions Are Finding Their Voice

*More companies are educating legislators and the public on policies that drive economic growth and create jobs*

By John Manzella

Dear Friends:

*On behalf of the World Trade Center, I wish you the very best for 2009 and look forward to serving as this year's WTC President.*

*Through grassroots coalitions, more businesses are getting the word out that trade expansion can more quickly mitigate the effects of the current economic crisis, create jobs and achieve higher levels of growth. But more needs to be done (p1-2).*

*The global financial crisis has squashed economic growth rates worldwide. China is no exception. Consequently, Chinese business and government positions are more flexible, creating opportunities that didn't exist several months ago (p3).*

*Last October, Singapore and China established a free trade agreement. This will not only benefit both countries, but can help U.S. firms that partner with Singaporean companies (p4).*

*Conducting market research isn't easy. A number of factors must be considered and analyzed (p5).*

*I hope you find this issue informative and, as always, we welcome your comments.*

Sincerely,

Constance C. Willems  
President  
World Trade Center New Orleans

In order to more quickly mitigate the effects of the current economic crisis, achieve favorable levels of growth and seize the benefits presented by global trade, it is imperative for companies to expand internationally. But to do so, it's essential that elected officials do not craft protectionist policies, but instead pass trade liberalizing legislation that further opens foreign markets.

To achieve this, an increasing number of companies and business organizations are establishing grassroots coalitions designed to educate policymakers, as well as the general public, on policies that promote economic growth and create jobs.

To ensure success, coalitions are becoming better organized and operating on a permanent basis. When selecting participants, more coalitions are including employees who share

common beliefs and interests, as well as other companies and their employees, and influential members of the business community who represent sizable employment. But to achieve a truly broad-based coalition, opinion leaders, academics, students, business associations and other organizations who understand the importance of international trade are being invited to participate.

### Tools of the Trade

To get the word out in a compelling manner, grassroots coalitions often employ a number of strategies and tactics. These include:

- Publishing position papers that support your policy positions.
- Coordinating meetings between policymakers and coalition members to discuss positions and the impact on local companies, employees



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- and communities.
- Encouraging coalition members to submit op-eds to local newspapers that explain the importance of the positions.
- Encouraging coalition members to attend newspaper editorial board meetings to explain positions.
- Generating letter-writing campaigns to encourage policymakers to advance positions.
- Obtaining quotes from coalition members expressing the importance of positions to their companies and workers, and in turn, providing them to policymakers.
- Educating newspaper reporters on your position in an attempt to generate positive or balanced articles.
- Sponsoring educational events that promote the positions.

To ensure success, it is important to provide members of the coalition with talking points, as well as sample drafts of op-eds and letters. And in order to get all boats moving upstream together, it is vital to compromise when necessary, focusing on common interests while setting aside differences.

### Focus on Congressional Districts

Coalitions that advocate anti-business policies are gaining number. And during this period of poor eco-

nomic growth and rising unemployment, these organizations are putting even greater pressure on Congress to enact protectionist legislation. Although well-intentioned, this pressure can result in anti-trade positions that end in fewer, not more American jobs. Coalitions that counter these trends by advocating pro-trade positions at the Congressional district

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level are increasingly necessary. Interestingly, national coalitions that operate at the district level also are becoming more effective and have a significant collective impact on the positions of Members of Congress.

As this occurs, the effectiveness of Washington, D.C.-based lobbyists may be declining. Why? Inside the D.C. beltway tens of thousands of lobbyists compete for the attention of policymakers. Distinguishing their messages and the degree of importance each one has on constituents back home is increasingly difficult for policymakers. As a result, D.C.-based lobbyists are finding it harder to acquire the attention of politicians.

For these and other reasons, messages initiated from districts that are championed by political supporters and friends of the policymaker, as

well as local employers, are becoming increasingly potent. In turn, Members of Congress appear to be paying greater attention to the positions expressed by their constituents. But this is no surprise. Since “the squeaky wheel gets the grease,” groups with anti-trade agendas are increasingly establishing permanent field teams at the district level to engage in

this more “retail” method of advancing political agendas. This personal style of advocacy has grown more practical over the years as Members of Congress seek to have expanded

input from their districts rather than rely on “inside the beltway” sources.

### Small and Medium-Size Companies Often Are at a Disadvantage

Small and medium-size companies, which are significantly impacted by anti-trade policies, are increasingly telling their stories to policymakers and the media. But more needs to be done. Why? Many small and medium-size company executives wear several hats and have little time and few resources to devote to issue management or advocacy. ■

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# Global Financial Crisis Presents Opportunities in China

## *A silver lining in a clouded future*

By David Hofmann

**A**s the global financial crisis negatively impacts growth worldwide, new opportunities are emerging for companies that position themselves to seize the long-term potential upside of the Chinese market. And there is reason for optimism since the current Chinese government has the financial ability and political means to manage a soft economic landing.

### More Flexible Positions

The Chinese government is clearly concerned about slower economic growth and the ability to attract sought after investment. On the other hand, early signs are positive that the \$582 billion Chinese domestic stimulus package will start to have an effect beginning in the second or third quarter of 2009. Nevertheless, the uncertain future is impacting Chinese economic realities, policies and negotiating positions.

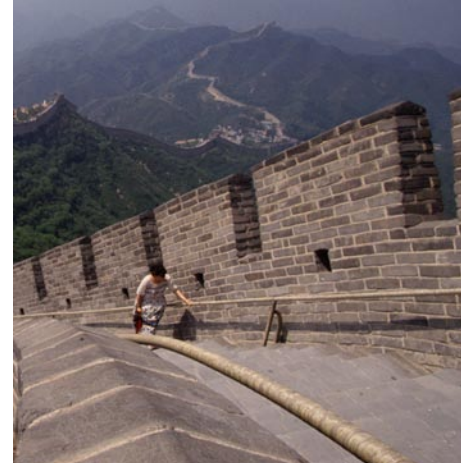
We already are seeing a relaxation of many Chinese rules designed to control inflation and balance the realities of the government's shift from export oriented growth to more sustainable growth based on domestic needs. In spite of the structural challenges which continue to exist, more favorable investment conditions are likely to evolve in the near future.

For example, land unattainable in certain locations is once again available. And suddenly, local governments and development zone administrators are more willing to discuss

land pricing and other incentives. There also are clear signs of faster investment approvals and a more relaxed regulatory environment.

### New Assumptions

Changes brought on by shifting global trends are altering assumptions. For example, the sudden decline in raw material costs worldwide will lead to lower plant construction costs. There also are signs that the government appears to be less 'protectionist' in terms of its domestic industries. And Chinese companies realizing that investment dollars are now limited, have become more willing to consider lower corporate valuations



In addition, the Retail, Franchising, Machinery and Services sectors likely will be attractive areas for investment.

**Identifying the appropriate strategies for market entry, including potential acquisitions, expansion, and distribution options, will enable your company to be strategically positioned ahead of your competitors when the global economy rebounds.**

**Reassess Your China Strategy**  
Given the current changes, the time to review your company's

China strategy is now. Identifying the appropriate strategies for market entry, including potential acquisitions, expansion, and distribution options, will enable your company to be strategically positioned ahead of your competitors when the global economy rebounds. This also will place your company in a strong position to benefit from Chinese growth that is almost certain to occur in the long-term. ■

### Sectors Presenting Opportunities

Although one needs to prepare for volatility, we expect to see continued growth, albeit at a slower pace, with large differences across sectors. Based on Chinese policy directives, the domestic stimulus package—most of which already was planned for implementation prior to the global financial crisis—and our firm's 15-year understanding of the market, we believe there will be sound opportunities in the Healthcare, Aeronautics and Railway Equipment, Infrastructure (airport, rail and rural utility development) and Food Segments.

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# The Singapore-China FTA Can Benefit U.S. Firms

*Teaming up with Singaporean firms makes sense*

*By Mitchell Weinberg and Alex Foo*

Since the establishment of diplomatic ties 18 years ago, Singapore and China have developed one of the strongest and most dynamic trading relationships in the world. The signing of the Singapore-China Free Trade Agreement (SCFTA) on October 23rd, 2008 not only marked a significant milestone in the evolution of trade relations between these flourishing economic heavyweights, but also created a plethora of opportunities for countries that trade with Singapore or China or both.

## Teaming Up With Singaporean Firms

The SCFTA has effectively institutionalized Singapore's access to the Chinese marketplace. It also has enabled Singaporean companies that have not previously dealt in China to explore a variety of new Chinese economic opportunities with other trading partners. In short, the agreement has paved the way for American companies and others to team up with Singapore firms for the purpose of increasing the flow of goods and services in and out of China.

Over the years, Singapore and China have made significant gains. In fact, Singapore's trade with China rose to a record high of \$91.6 billion in 2007. China is currently Singapore's third largest trading partner, and Singapore is China's eighth largest trading partner.

## Duty-Free Access

Under the SCFTA, as of January 1, 2009, more than 85 percent of Singapore's exports to China will enjoy duty-free access. By 2010, this figure will rise to 95 percent. This will include exports of petrochemicals, processed foods, electronics and electrical products. All Chinese exports to Singapore were granted tariff-free access on January 1, 2009.

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## A Gateway to China

Singapore has widely been seen as the gateway to China. The signing of the SCFTA only serves to reinforce this perception. American companies can capitalize on Singapore's pro-business environment and excellent



market in the world and will further strengthen its position in the years to come. Chinese-American trade has seen explosive growth in the last decade and this trend is likely to continue. Singapore is widely regarded as one of the closest economic

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and political allies of the United States in the Asia-Pacific region. Tied together, new opportunities emerge.

business infrastructure to enhance their own export and import businesses. American firms also can tap into Singapore's growing network of free trade agreements that provide preferential access to almost every major market in the world.

Over 7,000 multinational companies have already availed themselves of the benefits of doing business in Singapore. The signing of the SCFTA promises to grow this number exponentially. To date, more than 1,600 Chinese companies have established a presence in Singapore and over 90 Chinese companies are listed on the Singapore Stock Exchange.

The SCFTA not only represents a significant step forward in relations between China and Singapore, but also a very important step in trade for the United States with both China and Singapore.

There could be no better time for American companies to explore new opportunities in Singapore and China. ■

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## U.S.-China-Singapore Connection

China is the fastest growing

# Performing Market Research Isn't Easy

*Gathering and analyzing the right information is essential*

By Ligia Gante

**W**hen conducting foreign market research, businesses tend to be overwhelmed with the amount of data they need. There's good reason for this. Just to answer seemingly basic questions—such as whether or not to expand in a particular market, whether or not the timing is right, or how to expand—a great deal of information needs to be gathered and analyzed.

This, no doubt, is essential in making informed decisions and ultimately improving the bottom line. As a result, for companies new to international trade, the following factors should be evaluated and included in a global business strategy.

## The Economic Situation

To determine the potential for growth, it's important to analyze changes in per capita income, energy consumption, gross domestic product per capita, purchasing power parity, and levels of disposable income. Other factors to consider include inflation and currency exchange trends, strength of domestic industries, and stability of the financial sector.

## Social Circumstances

A number of social factors also should be considered and analyzed. These include demographics, literacy rates, soundness of the education system, frequency of epidemics, health care costs, life expectancy, annual population growth, and population distribution in urban and rural areas.

## Political Stability

An analysis of political risk, especially in developing countries, can determine if a level of volatility is or may be harmful to your business interests. Sources of instability are typically caused by irresponsible governmental actions, kidnappings, extortion, and terrorism.

## Resources and the Technological Base

A country's resource base, including fertile agricultural acreage, natural resources, and size and educa-



rights can play a major role in determining which markets not to pursue.

**Firms considering expanding internationally must not only perform thorough market research, but understand what the data means and how to assess it.**

## Trade Barriers

Barriers to trade may take various forms, from tariffs and taxes to non-tariff bar-

riers such as quotas and embargoes. Depending on costs, some barriers make market entry extremely difficult.

## There's More To Consider

Additional information, including local industry associations, government entities and contacts, trade fairs, distributors, and licensing or joint venture partners, should be reviewed and built into your strategy. As such, firms considering expanding internationally must not only perform thorough market research, but understand what the data means and how to assess it. ■

tional levels of the labor force, is the foundation of its technological base. Importantly, investment in utilities, as well as in transportation, communication and educational infrastructure significantly impacts levels of future productivity.

## The Role of Culture

All facets of an international business operation—from negotiations, production, distribution, marketing and human resource management—are affected by cultural characteristics. Your understanding of social structure, religion, values, needs and preferences can determine success.

## Legal Environment Impact

Similarly, all aspects of a legal system and its procedures must be factored in the target market decision-making process. In short, the enforcement of intellectual property

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