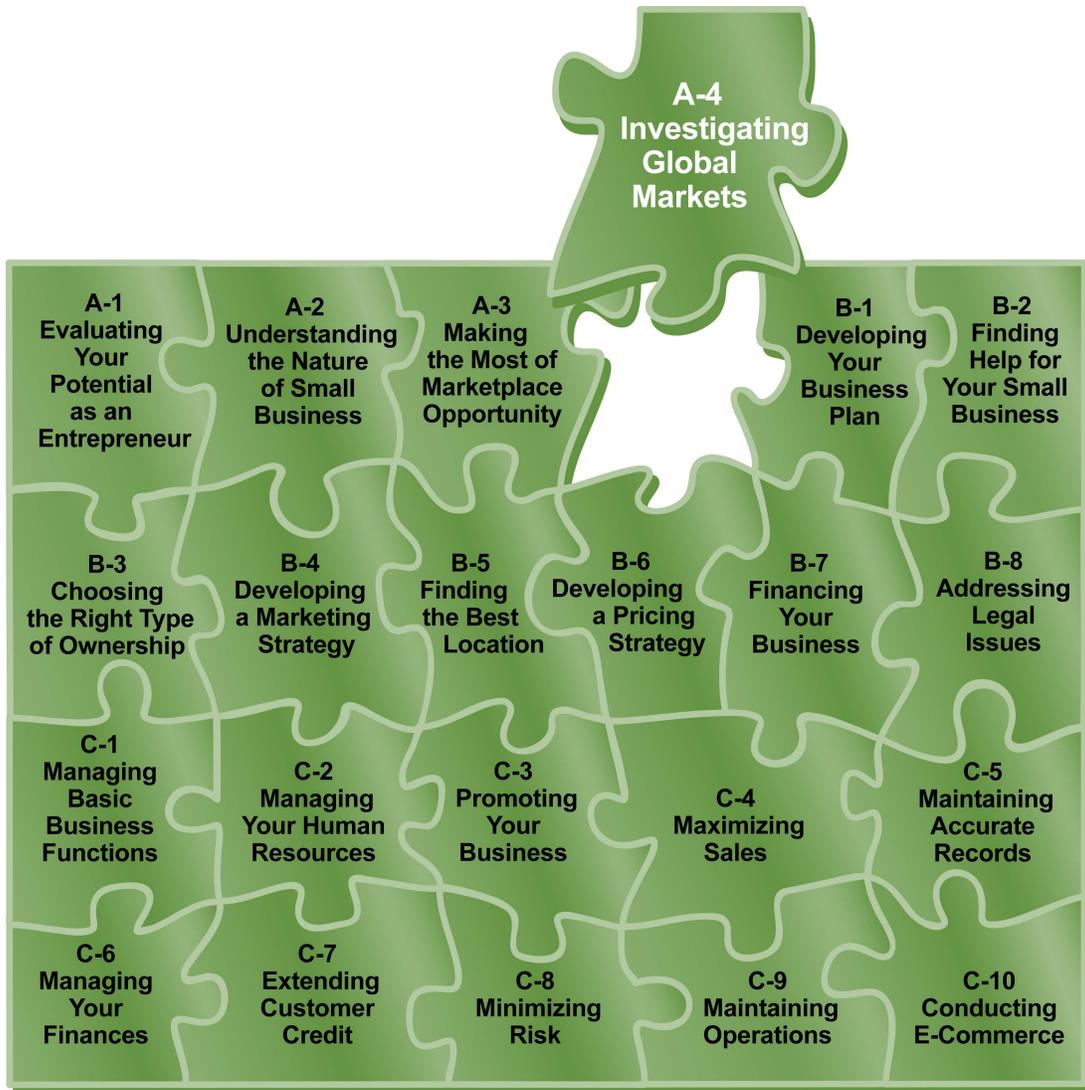


PACE

Fourth Edition

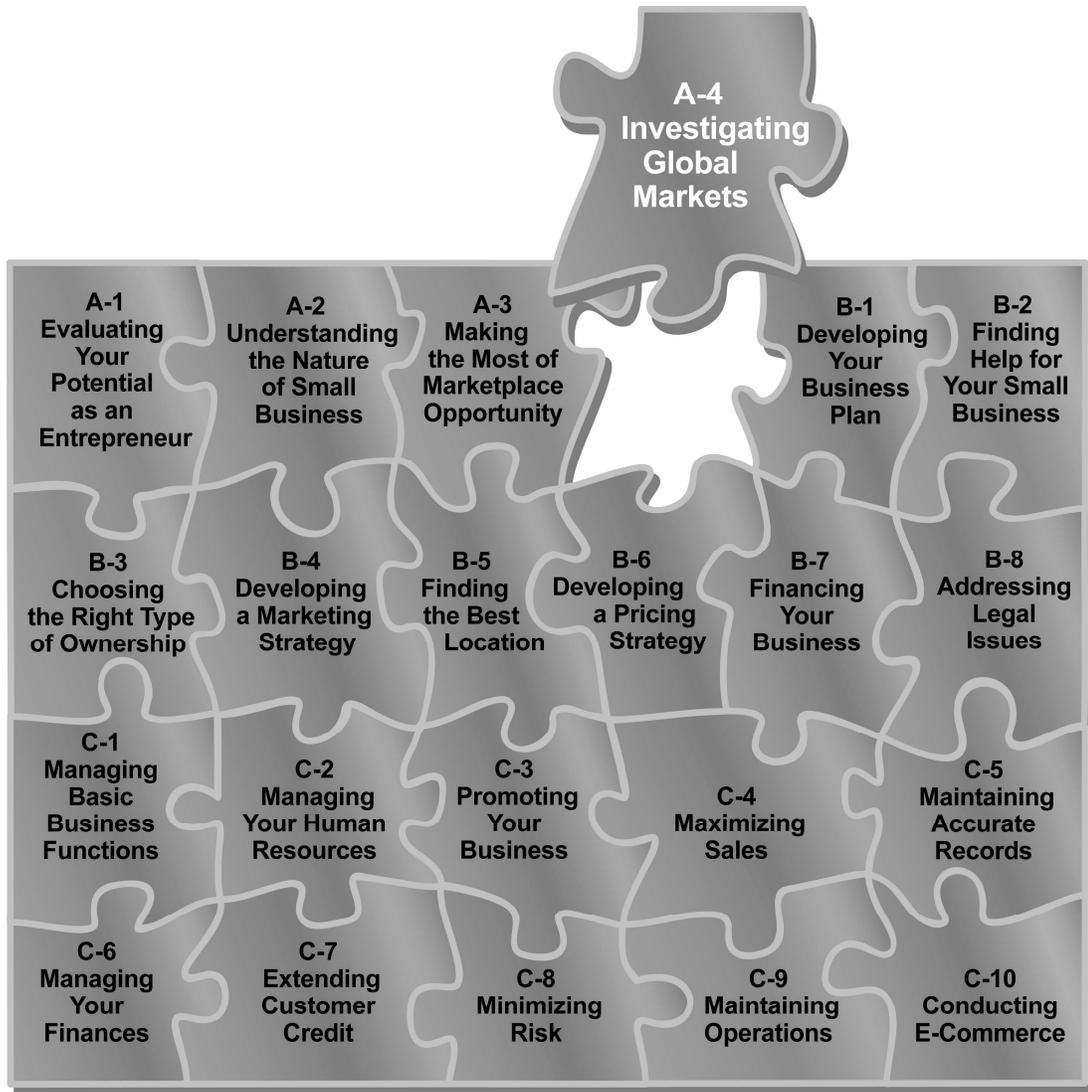
Program for Acquiring Competence in Entrepreneurship



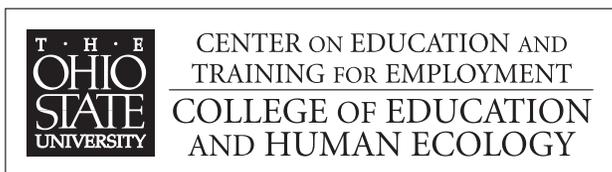
PACE

Fourth Edition

Program for Acquiring Competence in Entrepreneurship



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Foreword

I am pleased to introduce you to the Fourth Edition of the Program for Acquiring Competence in Entrepreneurship (PACE). PACE represents our continuing effort to respond to the needs of the education and business communities. At no other time in history has understanding entrepreneurship been as important. For one thing, promoting entrepreneurship carries the societal imperative as small businesses as a whole contribute much to the growth and renewal of regional and national economies.

When first published in the late 1980s, PACE properly emphasized that entrepreneurship was based as much on sound planning as having products and services that were responsive to the marketplace. Through its various revisions, PACE continued to focus on the general importance of planning and managing the startup of a small business.

The current PACE edition represents a necessary break from past versions in both its format and some content. For one thing, the text format has been substantially changed from paragraphs to a series of related sections with subheadings. This change allows readers to have greater accessibility to the information, whether it is delivered via a printed booklet or a technology-based approach. And the format allows the instructor/facilitator to have greater flexibility in selecting content to accommodate the needs of various audiences and settings.

In terms of the content, PACE continues to emphasize the importance of planning and managing of a small business. But it now includes a renewed emphasis on meeting customer expectations. Any business cannot exist without a comprehensive understanding of who receives its products or services. In this sense, PACE introduces the topic of conducting e-commerce. Until recently, the entrepreneurial horizon may have been limited to serving local customers only. The advent of the Internet offers the promise of serving many more customers, but not without the accompanying challenges.

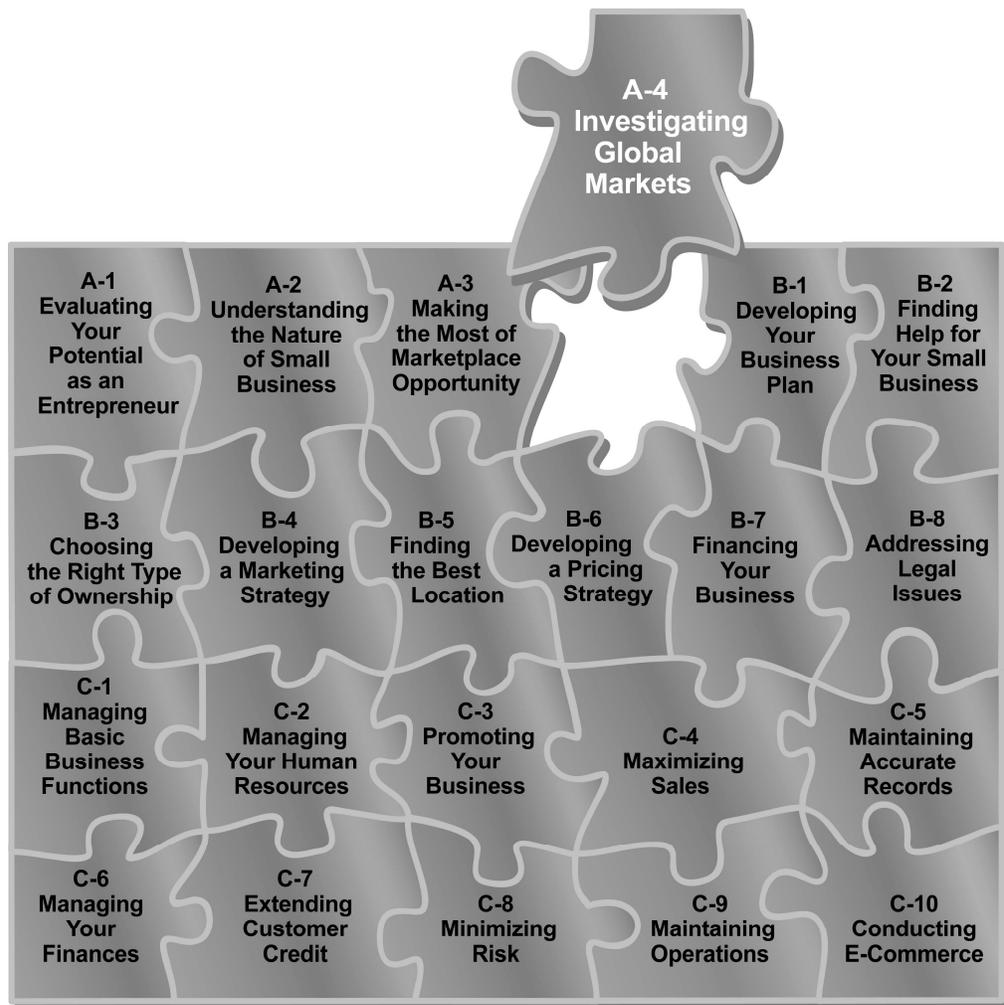
This edition was supported in part by a grant from OSU Extension and in partnership with OSU South Centers – Piketon. We hope that PACE will provide you with the understandings necessary to help you to achieve your entrepreneurship goals.

Ronald L. Jacobs
Director
Center on Education and Training for Employment

Overview

Introduction

The global marketplace grows ever closer and more accessible as technological advances bring us together. International trade offers the entrepreneur an opportunity to benefit from the trend in globalization and expand into new and exciting marketplaces.



Continued on next page

Overview, Continued

Rationale If your company has succeeded domestically, you can enter the global marketplace and benefit from the untapped consumer demand.

Objectives By the conclusion of this module, you will be able to:

- Describe international trade in terms of its benefits to your type of business.
- Identify the opportunities for expanding into exporting and importing using:
 - joint ventures
 - licensing
 - franchising
 - direct mail/Internet
 - intermediaries.
- Outline the major world trade regions.
- Distinguish between cultures and state the impact of these differences on international trade.
- Name any other differences that might affect your relationship with trade partners.
- Identify the sources of technical assistance for international trade.
- Describe the most effective research methods for exploring international trade.

Relevant NCSEE standards This module aligns with the following National Contents Standards for Entrepreneurship Education (NCSEE):

- F.31 Explain the impact of exchange rates on trade.
- F.30 Determine the impact of cultural and social environments on world trade.
- F.29 Describe small-business opportunities in international trade.
- F.28 Explain the nature of international trade.

More information on the NCSEE is available at: http://www.entre-ed.org/Standards_Toolkit.

Continued on next page

Overview, Continued

Topics

The topics in this module are:

Topic	See Page
What Is International Trade?	4
Opportunities for Exporting and Importing	6
Major World Trade Regions	12
The Impact of Cultural Differences	18
Other Differences Between Trading Partners	20
Technical Assistance for International Trade	22
Researching International Trade Opportunities	24

Exhibits

There are no exhibits in this module.

Before you begin

After reviewing the above objectives for this module, determine whether you can already meet those objectives and consult your instructor if you can.

What Is International Trade?

Introduction

International trade is the exchange of goods and services throughout the entire world. Every day we buy things that have been imported from a foreign country and we export products to them as well.

Key point: More than ever, the balance of world trade is essential to the health of the American economy. Looking to market opportunities outside your country benefits both the country and your bottom line.

Benefits to small business

Besides improving the domestic trade balance, the other reasons that international trade benefits you as a small business owner include:

- an increase in overall sales volume by tapping into unmet demand
 - an increase in production volume that spreads out fixed costs resulting in higher margins or lower prices
 - use of excess production capacity
 - compensation for seasonal fluctuations in domestic sales
 - opening up of new markets for products and services
 - learning about advanced technology used abroad through joint ventures or partnerships
 - acquisition of knowledge about international competition that improves competitiveness in your domestic market.
-

Continued on next page

What Is International Trade?, Continued

Types of businesses

With the Internet, any type of business can benefit from accessing global markets relatively easily. With careful planning and a thorough understanding of the risk involved, you can increase your competitiveness and profitability by seeking opportunity abroad. The table below explains how different types of businesses can take part in international trade.

Type	Description
Services	Services are the fastest growing segment of the US economy. Besides providing direct services, businesses also revolve around servicing products and processes from other companies around the globe.
Manufacturers	Manufacturers sell their products to customers and distributors, and they also build plants in other countries as a cost-cutting measure. Manufacturers usually become successful at home before expanding.
Wholesalers	Wholesalers buy large quantities of goods and sell them to retailers at a profit. They are either importers or exporters of these goods.
Retailers	Retailers sell goods to end consumers. They may buy imported items from manufacturers or wholesalers, or they may buy directly from both domestic and international manufacturers.
Agribusiness	An agribusiness produces and sells food and food byproducts.
Financial institutions	Financial institutions usually specialize in assisting businesses in international trade by providing currency exchange, letters of credit, other financial exchange and banking expertise.
Franchisers	Franchisers are successful entrepreneurs who set up branches to do business in other countries. Franchisees are independent business people who operate the franchise after buying the right to use the name and logo in exchange for a royalty.

Opportunities for Exporting and Importing

Introduction

This mode of international trade is the transportation of goods and/or services either to or from your home country to a foreign marketplace. It includes both final products as well as raw materials (either for manufacturing goods or providing the knowledge/skills for services).

- Exporting is the transportation of your product from your home country to another for sale in the foreign marketplace.

Example: America is a major exporter of airplanes, airplane parts, agricultural commodities, automobiles, scientific instruments, and electronics such as high definition televisions and DVD players.

- Importing is the transportation of a product from another country to the United States for sale.

Example: Much of the coffee consumed by Americans is imported from South America.

Finding trade opportunities

The decision to market internationally is one of the most crucial strategic decisions that you can make. After becoming successful in the American marketplace, consider expanding into international markets using the same criteria as when you first started your company. To determine which countries might provide the greatest opportunity for you, contact the following entities and inquire about foreign markets:

- Trade associations for the good or service that you sell. Inquire about opportunities abroad.
 - Local and state chambers of commerce to gather information about foreign buyers active in your area. Indicate your interest in participating in local trade fairs and expositions conducted for foreign buyers.
 - Local export/import companies. Inquire about people knowledgeable in your area and are acting as commissioned sales reps or independent distributors in foreign countries.
 - Trade promotion organizations in specific countries. Contact their US embassies for names and addresses. Also check your library and the Internet for resources about international markets.
-

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Opportunities for Exporting and Importing, Continued

Finding trade opportunities (continued)

To determine which countries might provide the greatest opportunity for you, contact the following entities and inquire about foreign markets:

- Local, state and federal government agencies with ongoing programs to advise you about international commercial activities.
 - Local libraries for directories of suppliers from certain countries or regions.
 - Local exporters who might have some valuable advice based on their personal experience.
 - Internet resources (www.export.gov)
-

Global sourcing

Global sourcing is a type of importing. Since sourcing is the procurement of goods and raw materials used in the manufacturing of items for resale, global sourcing is obtaining those items from outside of the United States for use in the production of American goods.

Rationale – Companies source globally because many foreign components have lower prices for higher quality.

Example: The American auto industry manufactures cars made up of components imported from several other countries. The electrical parts may be from Japan, the suspension system from Germany, and seats from Mexico.

Joint ventures

A joint venture is a business opportunity created when you seek assistance from a company with operations in the foreign market you want to enter. This partnership is a financial arrangement where the two companies share the cost of market involvement in exchange for a share of the resulting profits.

Major benefit – A major benefit of a joint venture is that both parties have a genuine desire for the business to succeed in the marketplace, producing ample motivation and dedication of resources. This alliance often results in a great strategic advantage.

Continued on next page

Opportunities for Exporting and Importing, Continued

Joint ventures (continued)

Sharing expertise – The benefits of strategic alliances revolve around sharing expertise. The visiting company may have a technological process that gives them a competitive edge in the home country. The domestic company may provide the manufacturing base and marketing knowledge that allows the joint venture to be successful.

Greatest risk – The greatest risk in forming a joint venture is choosing an inappropriate partner. The partnership selection process is crucial to the success of the alliance and may take several years to work smoothly.

Example: Corning has joint ventures with a wide variety of technological and manufacturing driven partners on several continents. These alliances result in manufacturing tumblers, fiber optic cables, car headlamps, and housewares. In each case, the relationship is formed under the assumption that the rewards for working together are much greater than for working separately.

Licensing

Licensing is another alternative for conducting business globally. It's the granting of permission to a foreign company to sell your product or service overseas.

Benefits – Licensing facilitates very fast entry into a foreign market.

Challenges – Licensing presents the following challenges:

- It doesn't allow the original producer to maintain much control over the distribution, pricing, and positioning of the product as would be possible with a joint venture.
 - There's an inherent risk in selecting the licensee. Therefore, consider your long-term goals and closely monitor the development of the business in order to maintain enough control to make changes as necessary.
-

Continued on next page

Opportunities for Exporting and Importing, Continued

Franchising

Franchising is the sale of a product concept to an international business owner resulting in that entrepreneur running the business in the same manner as in the home country.

Benefits – Franchising has several distinct advantages over direct exporting and licensing including:

- A company from the home country is marketing your new venture. They can tailor the local marketing program and modify the service to be in line with the requirements of the foreign marketplace.
- Your research and guesswork is reduced by the local franchisee that has the knowledge required to succeed.
- The new franchisee is dedicated to the business because his or her livelihood depends on achieving common business goals.

Challenges – The major challenges to franchising are:

- With the franchisee involved, you lose some degree of control of your business. Delegating control is vital to allow the host company to apply their knowledge of the domestic marketplace in order to enhance your product, but it may threaten your sense of maintaining product integrity.
- The good or service must be very similar, or identical, across the various markets in which the franchise operates.

Examples: There are many examples of fast food franchises including Burger King, McDonald's, Wendy's, etc. The reason that these companies succeed is the maintenance of virtually identical production lines, quality, service, and restaurant fittings.

Continued on next page

Opportunities for Exporting and Importing, Continued

Direct mail

Many businesses have been successful with direct mail ventures both domestically and internationally. The Internet can be a great avenue to sell items that require direct mail. Direct mail tries to either make a sale or elicit a response to create interest from a qualified buyer.

Benefits – Direct mail has the following benefits:

- You don't have to establish a permanent presence in the foreign country where you are doing business. With the Internet and/or an international toll-free number, you can run your company from anywhere in the world.
- Direct mail allows the shopper to make purchases from the comfort of their own home.
- The price and quality of products are comparable with those you can buy in stores.

Challenges – The hardest part of the direct mail business is identifying qualified buyers. Accessing reliable mailing lists is challenging and you cannot be certain that the list contains people interested in your good or service. The Internet provides ways to overcome these challenges through websites, on-line auctions, and on-line banking.

Intermediaries

Because entrepreneurs are independent, they can lose trade that could be made through intermediaries. Intermediaries are middlepersons who broker goods manufactured in one country to buyers in another.

Knowledge base – Intermediaries provide you with professional knowledge about:

- required paperwork
- transportation of products
- financing of exports
- marketing programs.

Categories of intermediaries – The six categories of intermediaries operating in the United States are described in the table on the following page.

Continued on next page

Opportunities for Exporting and Importing, Continued

Category	Description
General Trading Companies (GTC)	GTCs import and export a broad range of goods. There are both foreign and American GTOs operating in the US.
Export Trading Companies (ETC)	ETCs were started under the Export Trading Company Act of 1982. They can be either bank or non-bank owned.
Import/Export Management Companies (I/EMC)	<p>I/EMCs are traditional American intermediaries. They are small in size and specialize in:</p> <ul style="list-style-type: none"> • importing or exporting • product/industry • market areas.
Webb-Pomerene Associations	<p>These groups were formed under a 1918 law that limits their activity to export only, but allows companies to collaborate on:</p> <ul style="list-style-type: none"> • pricing • distribution • quota fixing • assisting in international market penetration. <p><u>Note:</u> Given American anti-trust regulations, these activities would be considered anti-competitive if they occurred within US borders.</p>
Multi-National Corporations (MNC)	MNCs are large corporations that take on an additional business unit to handle international work exclusively.
Piggybacking	This exporting method links the products of your small business to complimentary products of larger firms that charge a fee for the use of their excess capacity.

Major World Trade Regions

Introduction When deciding whether to participate in the international marketplace, explore the various trade regions in order to determine the likelihood of your success in each.

Definition A trade region is a group of countries in the same area of the world that actively trade with one another. The size and power of the trade region depends on the economic influence of the countries both as a group and individually.

Identifying trade partners There are several factors in identifying trade partners in the various regions. They range from economic development to geography.

Economic development - One way of categorizing the countries of the world is by degree of economic development. Industrialization (extent of business development and sophistication) and infrastructure (transportation and communication systems) are indications of how well developed nations are. The table below presents the four grades of industrialization.

Grade	Characteristics	Examples
Industrialized countries	<ul style="list-style-type: none">• Advanced infrastructure• High level of sophistication in local businesses	European Union, North America, Japan, South Korea, Singapore, and Taiwan
Middle income developing countries	<ul style="list-style-type: none">• Natural resource or agricultural-based economy	South East Asia, South and Central America
Major oil exporting countries	<ul style="list-style-type: none">• Produce most of the world's crude oil• Economic stability depends on oil prices	Middle East, U.S., Russia, Venezuela, and Mexico
Less developed countries	<ul style="list-style-type: none">• Depend on agriculture and natural resources for national income	Third World

Key point: Knowing the extent of a potential trading partner's economic development provides you with insight into the readiness of that market to accept your product.

Continued on next page

Major World Trade Regions, Continued

Identifying trade partners (continued)

Gross domestic product – Another way of identifying major trade regions is to examine the share each area has of the world gross domestic product (GDP).

Definition: The GDP is the market value of all the goods and services produced by a given country during a given year.

- **GDP of the US** – The US has a significant percentage of the world GDP, approximately 25%. This is the largest share of any one country.
- **GDP of the major continents**

Africa – 1%
Asia – 22%
Europe – 36%
North America – 35%
South/Central America – 6%

Population – The size and purchasing power of a nation is another factor in determining their suitability as a trading partner. You can find this data in international marketing and statistical publications at your local library or on the Internet.

Geography – Where a country is located also plays a role in international trade. When contemplating taking your product abroad, target a particular market by geography and then narrow your search to a specific nation or region.

Major trade regions

Nearly all areas of the globe have great potential for international trade. Nations in the Far East are developing at a fast rate, and Africa and South America are also improving their economies and standards of living. The major trade regions of the world are:

European Union (EU)	South and Central America
Africa	United States
Middle East	Canada
Pacific Rim	Mexico

Continued on next page

Major World Trade Regions, Continued

European Union

The EU has established a common trading region composed of 27 countries representing over 36 percent of the world GDP. These countries are:

Austria	Finland	Latvia	Slovenia
Belgium	France	Lithuania	Spain
Bulgaria	Germany	Luxembourg	Sweden
Cyprus	Greece	Malta	United Kingdom
Czech Republic	Hungary	Netherlands	Romania
Denmark	Ireland	Poland	Slovakia
Estonia	Italy	Portugal	

Advantages – The advantages of forming this trading block include:

- a common currency circulating between several countries
- low barriers to trade across several international borders
- free flow of goods and services between European nations.

Number of consumers – The EU is a powerful market of more than 411 million consumers and an excellent opportunity for both small and large businesses.

Common goals – Individual governments have reduced trade barriers countries to allow much simpler trade across borders, achieving both national and regional goals.

Protectionism – Creation of the EU raised concerns about protectionism and the reduction of export opportunities to Europe. Easier trade between countries of the EU could've meant that they would've turned inward for products formerly supplied by the US. But international trade is so vigorous that partnerships have been established and the global marketplace thrives.

Largest trade partner – The EU is America's largest trade partner. They are each other's most significant source of direct investment. And this market for exports appears to be strong. In 2005, exports to western Europe totaled \$200,182,453,000. Major exports included electrical machinery, audio-video equipment, heavy machinery, optic and photo equipment, medical and surgical instruments, aircraft and aircraft parts, pharmaceutical products, vehicles, fuels, agricultural products, printed matter, toys, games and sports equipment, glass and glassware, tools, beverages, furniture, tobacco products, clocks and watches, footwear, and carpets.

Continued on next page

Major World Trade Regions, Continued

European Union (continued)

Additional participants – Other countries in Eastern and Central Europe are working to become part of the trading block. They recognize the benefits of being part of one large trade region sharing common economic interests.

Pacific Rim

The Pacific Rim is a trade region whose members lie on the Asian rim of the Pacific Ocean.

Original participants – This trading block was originally created among the countries of Southeast Asia, Australia, and New Zealand. Then after World War II, Japan led Asian nations in exporting mass-produced, inexpensive goods to the U.S. and other industrialized nations. In turn, the U.S. traded manufacturing, technological, and management expertise.

Japan's rise – The original Pacific Rim super-economy evolved from the ruins of war-torn Japan. With assistance for rebuilding from the West, the Japanese manufactured labor-intensive products for export and domestic use. Over the years, the Japanese population has turned from imitator to innovator and they're now among the world leaders in economic output, productivity, and quality.

China – Probably the most promising and dynamic economic zone in the world is Southern China. In the late 1970s, the Chinese opened up the southern provinces to international markets and since the 1980s, this region has experienced phenomenal growth in terms of productivity.

Trade exports to China have grown greatly since the year 2000. In 2000, exports from the United States to China totaled \$16,253,029,000. In 2005, trade exports totaled \$41,836,534,000.

Continued on next page

Major World Trade Regions, Continued

Pacific Rim (continued)

South East Asia – Besides the nations described above, the Association of South East Asian Nations (ASEAN) represents a trade group of ten nations and also offers great potential for international trade. It's a dynamic and growing marketplace, and is wealthy in both natural and human resources. These countries include:

- Thailand
- Indonesia
- Malaysia
- Philippines
- Brunei
- Vietnam
- Singapore
- Myanmar
- Laos
- Cambodia.

Australia and New Zealand – These two neighboring countries are also major trade partners from the Pacific Rim. In this region, only China and Japan have a higher GDP than Australia. During the 1960s, these nations enjoyed the abundance of natural resources and had one of the highest standards of living in the world. Relying heavily on the production of goods made from wool and steel, they suffered when international demand for these products dropped. The next couple of decades were lean, and these countries responded by shifting toward the manufacturing of a wider range of goods and services. With much economic potential still lying ahead, Australia and New Zealand are still vulnerable to the value of their key products in the international marketplace including:

- coal
- oil
- wheat
- wool.

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Major World Trade Regions, Continued

Trade statistics Trade statistics on imports and exports are a good indication of the markets currently receptive to American goods and services, and they provide some insight into the regions with the most potential as trade partners.

In 2005, trade exports from the United States to Asia totaled \$223,040,993,848. Major exports included electrical machinery, audio-video equipment, and aircraft and aircraft parts.

In 2005, trade exports from the United States to Western Europe totaled \$200,182,452,582. Major exports included heavy machinery, optic and photo equipment, medical and surgical instruments, audio-video equipment, and aircraft and aircraft parts.

In 2005, trade exports from the United States to Latin American and the Caribbean totaled \$71,608,533,518. Major exports included heavy machinery, electric machinery, audio-video equipment, and oil.

In 2005, trade exports from the United States to Africa totaled \$15,524,282,372. Major exports included heavy machinery, aircraft and aircraft parts, cereals, and vehicles.

In 2005, trade exports from the United States to Eastern Europe totaled \$10,985,575,600. Major exports included heavy machinery, vehicles, meat, electric machinery, and audio-video equipment.

The Impact of Cultural Differences

Introduction

An acute awareness of the differences in the way that nations with diverse cultures conduct business is essential. Since each country has its own set of customs and cultural norms, strive to understand the differences that might motivate a foreign business owner to take a certain course of action and be flexible in your own approach.

Variations in culture

You can learn from and even enjoy the cultural differences that you have with trading partners. Look for interesting ways to adapt to variations such as:

- religious tradition
 - dietary practices
 - business manners
 - sense of humor
 - standard of dress.
-

Categories of customs

Customs fall into three categories. Assess your differences and determine how to respond according to the type of difference and potential consequences.

Mandatory customs – There are certain customs to which you're expected to adhere. In order to conduct business successfully, you have to follow the accepted standards in these areas.

Example: In many cultures, engaging in small talk before starting business is standard practice.

Optional customs – You may be excused from some customs. The host does not consider your lack of participation as disrespectful behavior.

Example: Not eating certain foods that you deem unappetizing is acceptable if the refusal is gracious.

Exclusionary customs – You shouldn't attempt to adopt some customs, especially religious and political ones. These cultural differences are considered private and it would be disrespectful to try and follow them.

Continued on next page

The Impact of Cultural Differences, Continued

Impacted areas Cultural differences impact several important areas including:

- communication
- marketing
- negotiation
- culture shock.

Communication – This area is where you come into contact with the foreign culture one-on-one. Determine the most effective mode of communication and adapt both your expressive and receptive skills to meet the challenge.

Marketing – Identify the types of products that consumers in the foreign market want to buy and adapt to their preferences. Cultural differences affect consumer behavior that impacts their buying decisions. Decide how to present a product to foreign buyers based on the way they think and act.

Negotiation – You will be at a costly disadvantage when negotiating in the international arena. Prepare adequately by assessing your company's capabilities, as well as those of your competitors. Also study the negotiation culture of your trading partner.

Culture shock – Your response to cultural differences affects the impression that you make and your ability to adapt to the new environment. It can be fun and exciting, but in rare cases it may be very uncomfortable and even depressing. Minimize the negative effect by familiarizing yourself with the cultural differences between yourself and your trading partners.

Examples of differences

Japan – People in Japan have different greetings for different situations. When saying “hello” to friends, they wave and quickly bow the head. But the business greeting is a formal, direct bow to show respect. Also, don't wear shoes in a Japanese house.

Latin America – In Latin America, don't compliment your host's personal possessions or he or she might try to give them to you. Such grand displays of affection and generosity are the norm.

Great Britain – The British are more regimented in their business dealings, putting everything in the proper time and place. They don't conduct business after hours and remain formal until acknowledged as otherwise.

Other Differences between Trading Partners

Language

Language is the key to understanding the culture of a country. It can be a baffling obstacle to conducting business. Both body language and the spoken word have widely ranging meanings in different cultures.

Common problems – Many problems have arisen in translating slogans or product names in a foreign market. The language barrier causes the well-intended campaign to be insulting or make the foreign company look silly. Enter a market with not only knowledge of the language, but also slang terminology and idioms.

Example: When Coca-Cola first shipped to China, they named the product something that when pronounced sounded like “Coca-Cola.” The only problem was that the characters used meant “Bite the wax tadpole.” They later changed to a set of characters that mean “Happiness in the mouth.”

Solutions – There are a variety of solutions to the language barrier such as:

- Employ someone with adequate language and cultural skills to facilitate communication and cooperation with your trading partner.
- Build a close working relationship with a contact in the foreign market to market your product in their home country.
- Proceed on your own and learn the language of your trading partner. It’s a good idea to know some basic phrases in any case, but make sure to execute transactions requiring negotiations or with detailed partnership relations with the help of someone who truly understands the language.
- Use established guidelines and documentation to clarify communication in formal contracts and proposals.

Contracts and proposals – To avoid potential problems with business communication, follow these guidelines to arrange contracts and proposals:

- Draft contracts using clear and concise language. Limit the technological and trade jargon.
- Set realistic expectations and state them in certain terms.
- List what you and your trading partner will bring to the partnership.
- Invest in “back-translation,” the translation of your proposal from the foreign language back into English.
- Use fixed price contracts to set the price of goods or services regardless of actual cost.

Continued on next page

Other Differences between Trading Partners, Continued

Legal climate As an entrepreneur with international dealings, you'll come into contact with many legal climates. Since it affects the very basis of your business decisions, strive to understand the various systems before starting your transactions.

Politics Another difference between trading partners that can be an unstable factor in international trade is politics. It's very difficult for a small business person to have any influence in politics – in the foreign country or their own. Some of the political actions that force a foreign trade partner to conform to the home country's expectations are:

Action	Result
Embargo	Trade with other nations is illegal.
Trade sanction	The government places restrictions on particular goods traded between countries.
Import quotas	The government limits the amount of goods and services coming from outside the home country. <u>Note:</u> This action encourages the home country to stay abreast of technology born in other countries. But problems arise with intellectual property when the importing country imports and copies it without recognizing the foreign company that developed it.

Exchange rate A big risk in exporting and importing is the effect of the changing exchange rate for foreign currency. The value of the dollar fluctuates, and your income may fall and rise accordingly. Changing exchange rates between two currencies can result in overpaying your supplier or even undercharging your customer. Make arrangements with banks and exporters to set a fixed rate of exchange whenever possible.

Solutions The best way to learn about another country – culture, language, political, and legal climates – is to experience it firsthand. If this experience isn't possible, you can employ a native of the foreign country to help with planning and executing your business strategy in that market. The individual can be a regular employee, or you can hire a consultant to fill the role of advisor.

Technical Assistance for International Trade

International Trade Administration

The federal government has established a wide variety of programs to assist an entrepreneur who wants to engage in international trade. The Department of Commerce operates the International Trade Administration (ITA) with these four units:

- U.S. Commercial Service
- Manufacturing and Services
- Market Access and Compliance
- Import Administration

To learn more about these units, go to www.trade.gov

U.S. Commercial Service

The U.S. Commercial Service is the trade promotion unit of the International Trade Administration. Services include:

- World class market research
 - Trade events that promote your product or service to qualified buyers
 - Introductions to qualified buyers and distributors
 - Counseling and advocacy through every step of the export process.
-

Manufacturing and Services

The Manufacturing and Services (MAS) unit of the International Trade Administration (ITA) is dedicated to enhancing the global competitiveness of U.S. industry, expanding its market access, and increasing its exports.

Market Access and Compliance

Market Access and Compliance (MAC) identifies and overcomes trade barriers, resolves trade policy issues, and ensures that our trading partners fully meet their obligations under our trade agreements.

Continued on next page

Technical Assistance for International Trade, Continued

**Import
Administration**

The primary role of the Import Administration is to enforce effectively the U.S. unfair trade laws and to develop and implement other policies and programs aimed at countering foreign unfair trade practices.

Export hotline

The export hotline is a corporate sponsored, nationwide fax retrieval system for American entrepreneurs interested in international trade.

Researching International Trade Opportunities

Introduction

Inadequate preparation is the major cause of business failure in entering global markets. Your expansion into the global marketplace will succeed or fail based on the degree of research that you do. Identifying potential risks and consumer behavior is key to implementing a successful international trade plan. Research eliminates the bias toward a culture and replaces it with facts.

Types of research

Primary research – Primary research answers specific questions pertaining to offering your product in the foreign market. Its objective is to answer your questions in precise detail in order to discover exactly what you need to know to tailor your approach to the international trade partner. But this type of research can be expensive. It's time-consuming and you pay for the hours spent collecting detailed data. Primary research includes :

- questionnaires
- personal interviews
- focus groups
- telephone/Internet surveys.

Secondary research – A more affordable form of research is secondary research. It's the interpretation of research already done by someone else in your business situation or a very similar one. The level of detail and relevance may be reduced, but you'll have some objective data on which to base your international trade decisions.

Continued on next page

Researching International Trade Opportunities, Continued

Sources of data Data for secondary research are widely available on almost any country into which you might expand your business. Information on global trends, specific trading partners, and particular industries is available from the:

- Department of Commerce – www.commerce.gov
- Department of Agriculture – www.usda.gov
- Department of State - www.state.gov
- Department of Treasury - www.ustreas.gov
- US embassies abroad - www.usembassy.gov.

International resources – International associations also provide data on potential international trade partners and their marketplaces. You can find information from the United Nations and the World Bank and from trade journals and newspapers.

Online services – Online database services offer instantaneous access to a multitude of information. You can examine databases with information as diverse as:

- financial reports
- company profiles
- marketing trends
- consumer behavior
- culture and language
- social climate
- political and legal issues.

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Researching International Trade Opportunities, Continued

Additional sources

When researching international trade, the following sources of information may prove useful to your research effort:

Source	Value
Trade associations	<ul style="list-style-type: none">• Information on foreign markets for your good or service
Chambers of commerce	<ul style="list-style-type: none">• Information on foreign buyers active in your area• Opportunity to participate in local trade fairs for foreign buyers
Import/export companies	<ul style="list-style-type: none">• Product knowledge• Government regulations• Shipping methods and laws
Foreign embassies	<ul style="list-style-type: none">• Contact with the consular or business sector for future solicitation
Local, state, and federal governments	<ul style="list-style-type: none">• Ongoing programs to inform you of international trade activities and opportunities

Making a decision

When making a decision about entering the global marketplace, ask yourself the following questions:

- Is my business stable enough in the US to warrant investing the resources necessary to move into the global marketplace?
 - Do I fully understand the legal, political, and social issues that will affect my business in the foreign country?
 - Is the good or service that I offer needed or wanted in the foreign market?
 - Can I market the product to meet consumer expectations?
 - What is my competition in the foreign country?
 - What are the risks that I face with international trade?
 - Who would make the ideal trading partner for my business?
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