



# Navigating China

## Emerging Opportunities and Challenges Ahead

China purchased \$65.23 billion worth of U.S. goods and services in 2007, making it a U.S. product-buying powerhouse. As the 14<sup>th</sup> largest state trade partner, PA captured \$1.2 billion for local exporters. With a population over 1.3 billion and a GDP growth rate of 11.4%, China presents itself as a limitless market for U.S. products and services. Leading sectors for U.S. export include: waste and wastewater treatment, medical equipment, coal mining and construction equipment, and agrochemicals.

To help firms capitalize on this opportunity, the Commercial Service (CS) and Northeastern Pennsylvania Alliance (NEPA) are hosting two country specialists: Yasue Pai, Principal Commercial Officer from the U.S. Department of Commerce at the U.S. Consulate in Shenyang; and Jenny May, Office of China Economics, from the U.S. Department of Commerce's Market Access and Compliance (MAC) in Washington D.C. Both Ms. Pai and Ms. May will be speaking on existing regulations in China and how to overcome trade obstacles.

Additionally, experts in trade finance, trade regulations, legal issues, and logistics will provide first-hand experience on overcoming hurdles to enter the Chinese market.

### Featured Speakers:

- o Yasue Pai – Principal Commercial Officer, CS Shenyang, China *Market Opportunities*
- o Jenny May – Market Access and Compliance, Office of the China Economic Area, Washington, DC *Standards and Regulation*
- o Margaret Gatti, Esq. – Dilworth-Paxson LLP *Current Legal Issues and New Developments*
- o Robert Elsas – Senior Loan Officer, Small Business Administration *Trade Finance*
- o Steven Emanuel – Director of Trade Lane Development, North American-Asia Pacific Regions, UPS *Supply Chain Solutions Shipping and Logistics*

**\*Continental breakfast will be served.**

**Monday, July 21, 2008**

**Northeastern  
PA Alliance  
1151 Oak St.  
Pittston, PA 18460**

**8:00AM – 12:30PM**

**Admission: \$25  
To Register:  
[Click Here!](#)**

***Or visit the website below.***

**Sponsored by:**



<http://www.buyusa.gov/philadelphia/navigatechina.html>

# **SBA'S REGION II HOSTS SPECIAL CONFERENCE CALL ON PROCUREMENT AND THE COLOMBIA FREE TRADE AGREEMENT**

**What:** SBA staff will discuss the upcoming matchmaker event in Albany on September 5th at the Desmond Hotel & Conference Center. This event will bring small business owners, prime contractors and government agencies together in one room to discuss possible procurement opportunities.

The benefits of small business exporting and the Colombia Free Trade Agreement will also be discussed during this call. While our country is, right now, going through a time of economic uncertainty, our exports are at record highs. Small businesses generate nearly 30 percent of America's exports, and that number is increasing. In all, more than 97 percent of all U.S. exporting companies are small – and more than 70 percent have fewer than 20 employees. SBA staff nationwide has been working diligently trying to demystify the process of going global and demonstrate that exporting can help small businesses grow in ways they never even imagined.

**Who:** SBA Regional Administrator Michael Pappas

National Federation of Independent Business (NFIB) New York State

Director Mike Elmendorf

SBA Syracuse District Director BJ Paprocki

Regional Manager/Senior International Credit Officer-U.S. Small Business  
Administration/U.S. Export Assistance Center Bob Elsas

Department of Commerce Senior Commercial Officer Margaret Hanson-Muse

**When:** July 9, 2008

11 AM- Noon EST

**Where:** Teleconference Call

Call in Number: 866-740-1260

Access Code: 3020001#

Please RSVP to [Nathan.StJohn@sba.gov](mailto:Nathan.StJohn@sba.gov) by July 7th as the number of lines are limited.

**Questions:** Contact [Natale.Goriel@sba.gov](mailto:Natale.Goriel@sba.gov) or call 212.264.1450

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## Summer is the time to discover new opportunities with the WTCGP!

- [7/10 - Doing Business in Saudi Arabia, Qatar and the UAE](#)
- [7/15 - WTCGP MEMBERS ONLY RECEPTION](#)
- [8/7 - Changing Face of India](#)
- [More WTCGP events](#)



### • 7/10 - Doing Business in Saudi Arabia, Qatar and the UAE

#### **WTCGP Breakfast Briefing**

Eckert Seamans Cherin & Mellott, LLC  
Two Liberty Place  
50 South 16th Street,  
22nd Floor  
Philadelphia, PA 19102

**Thu. - Jul. 10, 2008**

8:30 a.m. - 11:00 a.m.

**Admission:** WTCGP members - \$30.00, non-members - \$45.00.

[Register Now!](#)

Revenues from the energy sector have driven increased project investment in the Middle East. Saudi Arabia and the Gulf States of Qatar and Dubai are rich in opportunity and remarkably open to American products, services and technology.

To learn more about these opportunities and the upcoming joint WTCGP - PA OIBD trade mission to Saudi Arabia and the Gulf States of Qatar and Dubai (November 1-6, 2008), please join our experts:

- **Mr. Edward Burton**, president and managing director of U.S.-Saudi Arabian Business Council;
- **Mr. Peter C. O'Neill**, executive director of the Center for Trade Development, PA DCED; and
- **Ms. Joanna Savvides**, president of the World Trade Center of Greater Philadelphia.

The WTCGP would like to thank [Eckert Seamans Cherin & Mellott, LLC](#) for hosting this event.

### • 7/15 - WTCGP MEMBERS ONLY RECEPTION

## Members Only Program

Tue. - Jul. 15, 2008  
6:00 p.m. - 8:00 p.m.

Meet WTCGP members and staff, our Board of Directors and members of the Advisory Council, at the **WTCGP Members Only Reception on July 15, 2008 at 6 p.m.!**

This event will be held at the residence of one of our Board members, **president of Drexel University Dr. Constantine Papadakis and his wife Eliana**, who are graciously opening the doors of their home for us.

All WTCGP members in good standing as of July 10 receive complimentary admission for two people to this event (additional tickets can be purchased for \$50.00). Please RSVP to Emily Olson at [eolson@wtcphila.org](mailto:eolson@wtcphila.org).

If you not a WTCGP member, [join by July 10, 2008](#) to enjoy a great company of international business leaders at the WTCGP Members Only Reception and [many other benefits!](#)

*The WTCGP would like to thank [Pennoni Associates Inc.](#), [Select Greater Philadelphia](#), [Panitch Schwarze Belisario & Nadel LLP](#), [Granary Associates](#), [Julian Krinsky Camps & Programs](#) and [World Shippers & Importers Co.](#) for sponsoring this event. Sponsorship opportunities are still available! Please contact Diana Melnichenko at [dmelnichenko@wtcphila.org](mailto:dmelnichenko@wtcphila.org) for more information.*

## • 8/7 - Changing Face of India

### WTCGP Quarterly Briefing

Temple University  
Center City (TUCC)

1515 Market Street,  
Room 222  
Philadelphia, PA 19102

Fri. - Aug. 7, 2008  
8:00 a.m. - 11:00 a.m.

**Admission:** WTCGP  
members - \$50.00,

non-members - \$65.00.

[Register Now!](#)

This panel presentation will offer a comprehensive overview of business opportunities in India focusing on the economic and political outlook. Specific recommendations will be presented in the fields of international finance, trade, investment, and technical cooperation. The economic policy agenda, foreign policy and national security issues will also be addressed.

Our panel includes:

- **Mr. Ron Somers**, president of the US India Business Council;
- **Dr. Arvind Phatak**, executive director for the Institute of Global Management Studies, Temple University CIBER;
- **Jay K. Meadway, Esq.**, member of Eckert Seamans Cherin & Mellott, LLC in the Litigation Division; and
- **Stephen M. Foxman, Esq.**, member of Eckert Seamans Cherin & Mellott, LLC in the Business Division; and others.

The WTCGP would like to thank [Eckert Seamans](#)

[Cherin & Mellott, LLC](#) and [Temple CIBER](#) at the Fox School of Business, Temple University for sponsoring this event.

## • More WTCGP events

You can find more information about other WTCGP events in 2008 and register for our programs online at the [WTCGP Event Calendar](#).

To learn more about events organized by our partners and supported by the WTCGP please visit our [Regional Calendar](#).

For information on prior events, please visit our [Events Photo Gallery](#) or go to the archives of our bi-weekly newsletter [WorldLinks](#).

### **World Trade Center of Greater Philadelphia**

Two Penn Center, Suite  
305

1500 John F. Kennedy  
Blvd.

Philadelphia, PA 19102  
215-586-4240

[wtcgpnews@wtcphila.org](mailto:wtcgpnews@wtcphila.org)

<http://www.wtcphila.org>

*The mission of the World Trade Center of Greater Philadelphia is to provide a world-class portfolio of services that enhances international trade growth and leads the Greater Philadelphia region to economic prosperity. We offer a number of programs, such as one-on-one counseling, market research reports, customized export/import strategies, and educational opportunities through seminars, international trade missions and networking events. The WTCGP is a licensed and certified member of the World Trade Centers Association and is a Pennsylvania 501(c)(3) non-profit-corporation. Visit our website at [www.wtcphila.org](http://www.wtcphila.org).*





## Upcoming Events

- Save the Date!
- Omani Ambassador Luncheon - August 7, 2008
- 9th Annual Tug Cruise and Mixer - August 7, 2008
- Screening of Air Cargo - September 18, 2008
- Cuba: Can We Expect Change? - September 23, 2008

### Omani Ambassador Luncheon - August 7, 2008

#### **Roundtable Luncheon with The Honorable Hunaina Sultan al- Mughairy Ambassador of Oman to the United States**

**Date:** Thursday, August 7, 2008

**Time:** 12:00 - 1:30 pm

**Location:**

University & Whist Club

*Ballroom*

**Cost:** \$25.00

*One-on-one meetings with the Ambassador are also available following the luncheon*

[Register Online](#)

### 9th Annual Tug Cruise and Mixer - August 7, 2008

#### **Networking Mixer**

**Date:** Thursday, August 7, 2008

**Time:**

## Save the Date!

### **9th Annual Tug Cruise & Mixer**

*Networking Mixer*

Thursday, August 7, 2008

5:45 - 7:30 PM

[Online Registration](#)

## Quick Links...

[World Trade Center Delaware](#)

[Calendar of Upcoming Events  
\(pdf\)](#)

[Calendar of Upcoming Regional  
Events \(pdf\)](#)

**Join our mailing list!**

5:45 - 7:30 pm

*Boat leaves promptly at 6:00 pm*

**Location:**

Port of Wilmington

*Floating Berth*

**Cost:** \$50

***Space is limited!***

[Download Flyer](#)

[Register Online](#)

[Directions](#)

## Screening of Air Cargo - September 18, 2008

### ***Business Seminar***

*Sponsored by the Mid-Atlantic District Export Council*

*Co-sponsored by the WTC Delaware and*

*International Trade & Development, State of Delaware (OMB)*

**Date:** Thursday, September 18, 2008 (Tent.)

**Location:**

University & Whist Club

*Dickinson Room*

***More information TBA.***

## Cuba: Can We Expect Change? - September 23, 2008

### ***International Business Luncheon***

Speaker:

**Kirby Jones**

President, Alamar Associates



[Download Flyer](#)

**Date:** Tuesday, September 23, 2008

**Time:** 12:00 - 1:30 pm

**Location:**

University & Whist Club

*Ballroom*

11th & Market Streets

Wilmington, DE 19801

**Cost:**

WTCDE Member - \$25.00

Non-Member - \$35.00

[Register Online](#)

email: [info@wtcde.com](mailto:info@wtcde.com)

phone: 302-656-7905

web: <http://www.wtcde.com>

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## **Efficient Rail System Key to Port of Tacoma's Past, Present & Future**

***Monday, June 23, 2008***

(TACOMA, WA) - Since 1883, when the burgeoning City of Tacoma became the western terminus of the first transcontinental railroad to reach Puget Sound, the fortunes of the city and its harbor have been inextricably linked to the railroads.

In that year, the old Northern Pacific completed a line that would open the way for trains that whisked tea and Asian silk from the docks of Tacoma to merchants and wedding dress makers in New York City. Tacoma was the city "where the rails meet the sails," says Tacoma waterfront historian Ron Magden.

Silk and tea are no longer dominant imports, and the railroads have gone through an untold number of business cycles and mergers. At the same time, the Pacific Northwest has experienced extraordinary growth.

But on Commencement Bay, the Port and the railroads are still the driving forces of a maritime economic engine that produces tens of thousands of jobs while serving commerce from Western Washington to the East Coast of the United States.

"It's been quite a marriage," Magden said of the relationship between the Port and the railroads. "In all the history between them, there's never been a fundamental breakdown - they've always resolved their differences. The Port of Tacoma prospers today because of its rail road system and its land for growth."

Today, two mainline railroads serve Tacoma. They are the BNSF Railway - successor to the Northern Pacific - and the Union Pacific Railroad (UP). Together, those two current-day mainline railroads carry about 70 percent of the Port's inbound containerized cargo eastward toward the major markets of the Midwest and East Coast.

The Port of Tacoma has been working for the last 30 years building a niche in the business of intermodal cargo. Maximizing the advantage of its rail connections, more than 25 years ago, the Port of Tacoma was the first on the West Coast with a true on-dock intermodal rail yard, enabling a quick transfer of containers from ships to rail cars. Today, the Port has four on-dock intermodal yards and will have a fifth with completion of a new terminal for NYK Line in mid-2012.

"The railroads have made a commitment to work with us and grow with us as we expand," said Mike Reilly, the Port's Director of Intermodal Business. The Port currently handles about 2 million 20-foot container equivalent units (TEUs) annually, a number which is expected to grow to 3.8 million TEUs by 2010. As total cargo movement grows, the Port expects the percentage of intermodal to remain consistent.

"We can handle the business through expansion and adding new terminal space," Reilly said, noting that total container traffic is projected to expand by 14.7 percent per year through 2012.

Larry Gerek, Union Pacific's Senior Business Director for Intermodal Market Development, is the commercial liaison between his company and West Coast ports. He jokes that Jeannie Beckett, the Port's Senior Director for Inland Transportation, who oversees relationships with the railroads, "has no problem telling people that she has me on a speed-dial."

"Working with the Port of Tacoma has been extremely positive," Gerek said. "The folks at the Port have gone above and beyond to try to make sure we have the correct information and insights to make good decisions and support

growth in the Pacific Northwest."

As an example of how working together can help lead to tangible improvements, Gerek pointed to the Port's 2005 work on Bullfrog Junction, where the Port's rail network joins the main lines. Part of a \$10.6 million rail upgrade project, the project relieved concerns about future congestion and improved throughput at the key access point.

"They've also offered up assistance in our efforts to expand capacity," Gerek said. "They have offered their expertise in areas that have unique local requirements, such as environmental mitigation and permitting. They have really stepped up to offer that assistance to the Union Pacific."

Then there's the "Business Exchange" program, in which the mainline railroads, the Port and Tacoma Rail, the short-line railroad that provides service inside the Port area, communicate through a website and have several daily conference calls to plan train movements in and out of the Port.

"The Business Exchange was basically invented at the Port of Tacoma, and it's been a very positive communication tool," Gerek said. "Due to its success, other ports are now experimenting with it."

Union Pacific is currently conducting an analysis of its West Coast operations, according to Gerek, who added, "We're looking at the Pacific Northwest for future expansion needs. There are several ideas and concepts that we're evaluating today to make sure we're ready for the anticipated growth of the Port of Tacoma specifically."

Rick Wilson, Director of Port Development for BNSF Railway, says intermodal growth will occur as the Pacific Northwest attracts its share of the expanding Pacific trade and as shippers and railroads look for alternatives to moving cargo through busy Southern California.

Wilson added that on-dock rail and Business Exchange, which was initiated by BNSF, are key Tacoma advantages but also noted that the Port's Intermodal Department is unique on the West Coast. "Other ports have a rail planning function, but they are not nearly as involved in the day-to-day operations as the Port of Tacoma," he said. "The Port understands rail operations very well and acts as a flow manager to keep traffic moving efficiently."

Larry St. Clair, the Port's Director of Intermodal Marketing, agreed that Tacoma's dedicated staff of intermodal specialists set it apart, as does the fact that 100 percent of the Port's intermodal yards are on-dock. In addition to being more efficient, those operations also generate less pollution than trucks that otherwise would have to haul containers to more distant sites to be loaded on rail cars.

In the Port area, but outside the intermodal yards, are staging areas with as much track as there is on-dock, enabling full trains to be held while others are being loaded. "We are also very fortunate here that the Port is in an industrial area," St. Clair said. "If you think about other West Coast ports, a lot of the conflicts arise because of things like having daycare centers, schools and churches in the core cargo-handling area."

This helps provide the Port of Tacoma, unlike others, capacity for future growth. "We will be working with our partners, the BNSF and UP, to make sure we see our growth in terms of time and place and how we can invest together," St. Clair said.

BNSF is evaluating a number of enhancement projects through its analysis of current capacity and future capacity requirements. One future project could be the expansion of the Stampede Pass tunnel to accommodate double-stack trains. That would give BNSF three double-stack routes out of the Puget Sound region, the others being Stevens Pass and the Columbia River Gorge. Additionally, BNSF is working with the Port and its mutual customers to forecast future demand to best determine when local rail infrastructure projects will need to be constructed.

"We view the Pacific Northwest as a critical part of the BNSF network, or we wouldn't be concentrating on the investments and projects we are pursuing right now." Wilson said.

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# Export NewsBytes



*A Publication of the North Central Export Program*

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Wednesday, July 2, 2008

**Mark your calendars!** ~ “The 10th Annual Bringing the World to You!” - Thursday, September 11, 2008, at the Red Fern – Kersey, PA. Representatives from all 24 Pennsylvania overseas offices are expected to be in attendance. [Click here for registration form](#). Complete information to include a program brochure will be forthcoming.

**Basics of Exporting: Terms of Sale and Export Documentation - September 17, 2008 – Ridgway** - North Central and Clarion University Small Business Development Center (SBDC) will be hosting an export documentation seminar on Wednesday, September 17, 2008, at the North Central Offices in Ridgway. Gary Carver of Carver International, Erie, PA, will provide instruction on Terms of Sale, Pro-forma Invoices, Commercial Invoices, The Harmonized System, Packing Lists and Export Marking. Additional information will be available in the August Newsbytes.

[Click here for International Trade Calendar of Events – July 2008 – June 2009.](#)

**The following are Commonwealth of Pennsylvania coordinated Trade Missions:** **Click on the event for additional information** or e-mail: [ncexport@ncentral.com](mailto:ncexport@ncentral.com) for details.

**Electra Mining Africa 2008 – Johannesburg, South Africa**  
**September 8-12, 2008 ~ Registration deadline: July 31, 2008.**

[FHC China 2008 – Pudong, Shanghai, China](#)

*December 4-6, 2008 ~ Registration deadline: August 1, 2008*

[Trade Mission to Saudi Arabia & the Arab Gulf](#)

*November 1-6, 2008 ~ Registration deadline: August 28, 2008.*

[Education Mission to Japan, Korea and Taiwan](#)

*February 22 - March 1, 2009 ~ Registration deadline: October 31, 2008.*

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**651 Montmorenci Road**

**Ridgway, PA 15853**

**Phone: 814.773.3162**

**Fax: 814.772.7045**

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FPRI Members and Friends,

In case you missed it, we print below the oped by Jacques deLisle, director of FPRI's Asia Program, as it appeared in the Philadelphia Inquirer on Sunday, July 6, 2008 on "China is a Rising Star but Unusually Weak and Poor." The Stephen Cozen professor of law at the University of Pennsylvania, deLisle will moderate a discussion on July 8 at the National Constitution Center with Elissa Rubin, following a screening of "Koppel on Discovery: The People's Republic of Capitalism," of which she was producer. The program, which starts at 6:30 p.m. is free but reservations are required; call 215-409-6700 or visit [www.constitutioncenter.org](http://www.constitutioncenter.org). Also note that FPRI will sponsor a telephone briefing by deLisle and others on the Olympics on August 7 at 11:00 a.m. For details, email [lux@fpri.org](mailto:lux@fpri.org). -- Alan Luxenberg, Foreign Policy Research Institute

China is a rising star, but unusually weak and poor  
by Jacques deLisle  
Philadelphia Inquirer, Sun, Jul. 6, 2008

When hordes of athletes, dignitaries, journalists and tourists arrive in Beijing for the Olympics, they will find a China that has become strong and prosperous to an extent unimaginable a generation ago. The quest for wealth

and power, an ancient imperative of Chinese statecraft, has been a central goal of China's Communist leaders. They have pursued it through Soviet-style economic planning, to catastrophic Maoist "leaps forward," and, more recently, "Wild East" capitalism.

China's rulers are eager, indeed, anxious, to press this image of a rich and formidable China upon visitors to the Games and upon the wider world. The host regime sees the Olympics as a coming-out party for a recently minted great power, as well as a final step in China's recovery from the criticism that followed suppression of the Tiananmen Movement in 1989 and helped scuttle Beijing's bid for the 2000 Games.

Yet China is unusual for a rising power. More than the United States or the Soviet Union or Great Britain during their periods of ascension, China is still weak. Despite a massive military modernization program, China's capabilities remain limited, especially its ability to project conventional force over distance.

Moreover, China is still poor. True, its economy is now the world's second-largest in "purchasing power parity" terms (a measure that adjusts for lower costs of many goods and services in less developed countries). And China's economy has been growing at more than 10 percent a year for much of the last three decades.

In the more common exchange-rate-based measure of economic size, however, China trails Germany. China's economy is vast, but then, so is its population. Great powers ordinarily do not rank below the world median in per-capita income. But China does. By World Bank measures, it is a lower-middle-income country. Average income does not much surpass \$2,000 - or a still-modest \$5,400 or so in purchasing power parity terms.

Challenges posed by this relative poverty are made worse by severe inequality and an aging population. By the most common measures, China's society has greater inequality than that of the United States (where inequality is much higher than in almost any other developed economy) and most other countries, especially in East Asia. Chinese urbanites have incomes more than three times those of rural residents. Average income in Shanghai is nearly tenfold that of China's poorest provinces. Policies to redress still-rising inequality are just beginning. If zealously pursued, such policies could threaten the growth that has underpinned China's rise and its rulers' legitimacy.

China also will grow old before it gets rich. Senior citizens are the fastest-growing age group in China. The proportion of Chinese above age 65 soon will approach that in the United States, and it is much higher than in other developing countries. The graying of China stems from harsh population-control policies adopted a quarter-century ago to avoid economically ruinous population growth. But the increasing ratio of retirees to workers imperils investment rates and productivity gains that have sustained China's growing economy and geopolitical clout.

In keeping with its uncertain prowess, China is an ambivalent power. Its approach to foreign relations often still hews to Deng Xiaoping's injunction to "hide brightness and nourish obscurity" - to downplay strength and avoid driving other states to contain or counterbalance China. Under Hu Jintao, China's foreign policy has pursued a "peaceful rise" or "peaceful

development" or "harmonious world" - each catchphrase adopted because its predecessor was insufficiently reassuring to an increasingly wary world.

A more aggressive Chinese approach has been emerging. Officials and thinkers are invoking a "Chinese model" developing countries could embrace instead of the neo-liberal economics and trade liberalism preached by Washington. Chinese leaders lecture once-smug Americans on failures of U.S. economic policy.

To some extent, greater assertiveness is inevitable. Rising powers seek to change international regimes they did not shape. China, however, has compelling reasons to accept, even support the status quo for now. It depends on participation in the global economy to sustain growth and stability, and it lacks the leverage to demand major changes. Still, although Chinese leaders have a strong record of putting interest ahead of ideology, there is a risk that China's heady sense of accomplishment and resurgent popular nationalism - both of which will be on display at the Olympics - will drive China to challenge the rules of the game on matters ranging from trade to security. Although acquiescence is more likely in the near term, if and when China becomes less compliant, it could pose problems for another country that benefits even more from the current order - the United States.

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## The End of "Innocence"

*Tolerate* no more...China no longer buffers world inflation. Nor is it content with its 'World's Low-cost Factory' status; *Idolize* no more...China, especially its young, no longer blindly admires the West. Nor would they readily worship the 'rich and beautiful' like they used to; *Fantasize* no more...most small investors betted the central government would do all it could (if only for Face's sake) to ensure a stock market bull-run until the Olympics were over. Big mistake so far... But not all are at loss when the government starts behaving less like a Big Brother like it used to...

### FROM SHAWN'S DESKTOP

(07/2008)

**M**y fellow [China-marketeers](#):

Apparently the China Price "levee" can no longer keep the world's inflation at bay. Weighed down by [a variety of 'adversities'](#), much of the Chinese manufacturing sector is now 'under water'.

Many privately-owned SMEs have simply gone belly up -- a massive wave of which already occurred during the Chinese New Year holiday in February, particularly in the Pearl River Delta area. Yet more shall follow [during the upcoming shutdown on behalf of the Olympics](#), especially in the Bo Sea Delta region around Beijing.

But don't cry for these manufacturing bosses. Far from being down and out, they have simply cashed out.

Together with those still in business but looking to diversify and/or climb up the ladder, they are eagerly looking for a 'greener pasture' to invest, particularly overseas, from real properties to the intellectual ones like new technologies or business/product concepts.

Meanwhile, another type of courtship tango is proceeding.

Many Western firms are now drawn to China's millions of youth (often dubbed "Balinghou" in Chinese media, pronounced baa-ling-hoe, meaning 'born after the 80's') as [newfound retail patrons](#). But some are also discovering that the latter can sometimes get on their tail [as a patriotic mob of "angry youth"](#) (*Fenqing*, pronounced *fen-ching*, in Chinese), as exemplified by the [recent boycott campaign of Carrefour](#), a French supermarket chain that has enjoyed much success in China.

By and large, China, especially its young, has since its opening in the late 70's been a rather eager "worshiper" of the West.

On the other hand, however, the memories of the Western warships during the 1800's that knocked open China's door and brought what eventually became a century of defeat and humiliation (to a millennia-old empire that used to pride itself as the center of the world) still, on occasion, return to haunt the national psyche. (And some recent events, from Tibet Riots to torch relays, from CNN to Carrefour, provided a perfect such occasion.)

The "Balinghous", having grown up alongside (and grew somewhat overconfident in the

right all 'wrongs' (nor bring all their local 'underlings' up to speed) overnight.

They also seem to be experimenting with other forces, such as 'market forces' (examples include the desire to use industry standards as a legitimate, non-political entry-barrier to foster 'indigenous innovation') and activism (e.g., allowing NGOs and volunteerism to flourish following the recent quake).

So perhaps not all is sad when an "innocent age" is coming to an end...

### Upcoming MCB programs

Following our [latest China trip](#) and recent involvement in a [state-hosted program in IN](#) as well as [an AME program in MA](#), there will likely be some slow-down in our programming during the summer months.

That said, however, on July 10th we will be co-sponsoring another [US-China CEO Matchmaking Mixer](#) together with Chicago Asia Business Exchange. As an MCB attendee you'd be able to receive a 50% discount. Please visit the [event page](#) or email [info\(at\)meetchinabiz.org](mailto:info(at)meetchinabiz.org) for more details.

Our [executive roundtables in different chapter cities](#) shall resume in the fall, followed by perhaps more [inbound](#) and [outbound](#) matchmaking trips. Please monitor our future newsletters or website for announcements.



[M&As, especially the reversed kind in the SME space, will likely pick up...](#)

Suddenly a seldom heard-of [China Investment Promotion Agency \(CIPA\)](#) is all over the map; In association with the [4th US-China Strategic Economic Dialogue](#) held in Maryland mid-June, CIPA delegations, led by a few of its deputy heads, visited 11 states (including [MA](#), MO and NC), with an officially emphasized objective to encourage Chinese investment in the US.

China is no longer satisfied being just the world's manufacturing plant. Consolidation (20 or more top-tier SOEs are expected to merge each year in the next 2 years), vertical integration (streamlining industry value chains through M&As) and in general, [moving up the ladder](#), are now the name of the game.

On [our latest trip \(12th\)](#) to China, I came across a remarkable example of a privately-owned, indigenous Chinese company that went from being a small, no-name specialty chemicals distributor to what now is a market-maker for certain commodities in China/world markets (and who is now being courted by big-name hedge funds on Wall Street).

process) China's latest economic rise but rather oblivious of the turmoil just before their time, they represent a new China that dare say 'no' to anyone, on anything, at any cost...

Like their counterparts around the world, they readily idolize the 'rich and beautiful'. But the "puppy love" fast diminishes as they graduate from school and enter a society where opportunity and income gaps widen, and socio-political tensions rise, as staggeringly as its GDP growth.

They want their voices heard, not just on the web, but also on the streets:

Anti-West protests around the globe in April... Complaints and condemnation of celebrity donors whose donation to the earthquake relief efforts did not seem to commensurate with their perceived wealth in May... Anti-corruption riot in Weng'an in the southwestern province of Guizhou just days ago (which not only set government/police buildings and vehicles, but also national sensation, on fire), to name just a few examples...

In fact the Weng'an incident has fast turned into yet another "PR headache" (following already a handful so far this year) for the country's top leadership, who, unlike its predecessors of yesteryears, has fortunately been through some steep learning curve since the SARS days.

They have appeared to be test-driving 'transparence' (e.g., their handling of the recent earthquake rescue and relief efforts has won wide praises) and '[truth-telling](#)' lately, even though it may not be able to



<http://www.pbase.com/meetchinabiz/phl20080501>

[Executive roundtable held in Philly on 5/1](#)

### Special Feature

Global Sources (an MCB premier member) publishes many expert advice on China business issues at [SmartChinaSourcing.com](http://SmartChinaSourcing.com).

Below you will find the last two parts of their interview with a 16-year China sourcing veteran addressing the value of third parties such as agents as well as intellectual property protection.

As always, we at MCB would like to remind you to always keep the "[3C's of China](#)" in mind when you continue with your China biz pursuits, be they buying, selling, manufacturing, JV or investment.

Have a great summer!

[Shawn He](#), Chair

***We inform, educate and enable US companies to turn China into an opportunity!***

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## Special Feature



### Importing from China

#### Part 2: Leveraging Third Parties

Global Sources: For new importers, would you recommend they initially work through an agent or trading company (for example, in Hong Kong) or buy directly from China suppliers?

Adam Linden: I would suggest they work through an agent who they are paying a commission to inspect the goods before they leave and to inspect the factory that is making the goods. You really need someone who you can trust that speaks the language and will visit the factories to inspect production as it is happening. This is the most cost effective way to accomplish this. I have never dealt with a trading company from Hong Kong; all the trading companies I have dealt with have been from mainland China to date. A trading company would be a great place to start if you do not have an agent, providing you move slowly like I mentioned above.

Global Sources: How do you ensure the goods meet your quality standards?

Adam Linden: My agent or trading company inspects the factory, materials, production and packaging right up to when the container is loaded.

Global Sources: What goes into determining the cost of your goods?

Adam Linden: I take the [quoted price] multiply it by the exchange rate to convert the number into my country's currency. Then I multiply this number by the duty rate for that particular item and add the shipping and brokerage cost. I then add the commissions and/or royalties at the end to get my final landed cost.

Global Sources: Once the goods arrive in Canada, how do you handle customs clearance and domestic shipping or logistics?

Adam Linden: Our freight forwarding company has offices in China and Canada and handles all the logistics of picking up our goods and moving them for us. They book the space on the ship, and closely monitor the shipment until it arrives in the port. They also try to make sure the goods make rail quickly once the ship arrives in port and that our goods are picked up once they arrive at the railyard so we don't have to pay storage at the railyard. We also use a customs broker who clears the goods before the ship arrives so we don't have to pay storage waiting for the goods to clear. They pay all the import taxes and duties and bill us for these charges and their services.

Global Sources: How do you handle returns with your suppliers? And is there a difference between new and established suppliers?

Adam Linden: Because of our quality control people in China, we do not get many returns but it does happen occasionally. What we do when this happens is we send samples of the defect with an explanation to our agent and our agent negotiates a settlement for us. Usually we request free shoes with our next order or a discount on our next order. The factories are usually pretty good at handling claims if they are a fair, reputable factory and interested in doing business again. As long as you are fair with your request an amicable settlement can be negotiated.

#### Part 3: IP Protection, Other Trends

Global Sources: How do you safeguard your intellectual property, especially with new suppliers?

Adam Linden: Again, it comes down to the agent you are paying commission to find this out. Usually the factories that make certain items are in a certain areas of the country for example: sneakers are

to the master licensee to make sure their intellectual property is protected at the factory level. I survey my marketplace continually for this kind of thing.

Global Sources: Looking back to when you first started importing from China, is there anything where you now think, I really wish someone had told me that?

Adam Linden: Absolutely. When I first started importing, online portals did not exist and neither did the Internet. All we could do was meet prospective suppliers at trade shows and it was very limited in terms of making new contacts. There were fewer direct flights to China, fewer Americanized hotels, and the language barrier made things difficult. Quantities on products were higher which made it very difficult, relatively speaking, for small or medium-sized companies to source from China.

Now, with online sourcing, travel and communication barriers no longer existing, plus the minimum pairage requirements being low, it has opened the doors for everyone to source products from China, not just the established importers. However, change is good as long as you are creative and have a good solid game plan. I wish someone had told me that sourcing overseas would become as common as it is today. Had I known, I would have entered the sourcing business back when I started [doing business].

Global Sources: Do you have any final tips for anyone just getting started importing from China?

Adam Linden: Always start slowly with a new supplier, evaluate their products and samples and the speed at which they answer you. Check out their website and if they are a member of an online portal such as Global Sources Online.

I found a very good supplier through Global Sources who at one time saved my business when another supplier of mine fell through and left a huge hole in one of my programs. Having used Global Sources to find this supplier, I am still around today to talk about it, and still doing a good healthy business with this supplier, and I am extremely satisfied with the quality of the products and level of service I am receiving.

Global Sources: How do you make payment and does your payment method differ for new suppliers and your established suppliers?

Adam Linden: No, for our standard-sized orders, I usually open an L/C (letter of credit) for the suppliers, they most often prefer this way of payment. If the orders are small I will probably pay by wire transfer. An L/C is the preferred way of payment since it adds a level of protection to all the parties. Some suppliers do require a deposit to purchase materials and the balance by L/C. This is also common. And I would recommend buyers always demand a production sample or samples prior to shipping.

mostly made in the Jinjiang area [in Fujian province], safety boots mostly Dongguan [in Guangdong province] or Tianjin.

Now, this is not to say other areas are not making these commodities, but what you find is that this is the case more often than not. Therefore, if you have an agent that knows the country and travels to the factories quite regularly, they most likely will notice if your products are being copied. It does happen.

Often you will find products in the market that are not original. It would then be up to the intellectual property owner to trace its origins once they are on the market and being offered to the public. I also deal with many US-licensed products and import and distribute these products in Canada under license. It would then be up

Due to the simplification of importing from China in this day and age, an established importer must find new, creative and innovative ways to add value to their customers' business if they have any hope of staying in business. This is the name of the game if you want to survive in today's global marketplace.

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## **SBA'S REGION II HOSTS SPECIAL CONFERENCE CALL ON THE COLOMBIA FREE TRADE AGREEMENT**

**What:** The SBA has been actively involved in educating the public on the benefits of small business exporting and the Colombia Free Trade Agreement. While our country is, right now, going through a time of economic uncertainty, our exports are at record highs. Small businesses generate nearly 30 percent of America's exports, and that number is increasing. In all, more than 97 percent of all U.S. exporting companies are small – and more than 70 percent have fewer than 20 employees. SBA staff nationwide has been working diligently trying to demystify the process of going global and demonstrate that exporting can help small businesses grow in ways they never even imagined.

**Who:** SBA Regional Administrator Michael Pappas

Vice Chairman of the United States Council for International Business

Thomas Niles

Regional Manager/Senior International Credit Officer-U.S. Small Business  
Administration/U.S. Export Assistance Center

Bob Elsas

**When:** July 16, 2008

10AM- 11AM EST

**Where:** Teleconference Call

Call in Number: 866-740-1260

Access Code: 3020001#

Please RSVP to [Nathan.StJohn@sba.gov](mailto:Nathan.StJohn@sba.gov) by July 15h as the number of lines are limited.

**Questions:** Contact [Nathan.StJohn@sba.gov](mailto:Nathan.StJohn@sba.gov) or call 212.264.1450

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## *Colombia: The World's Most Extreme Emerging Market*

**Join us!!**

Date: July 14, 2008

Time: 8:30 to 11:00 a.m.

Place: Union League

140 South Broad Street, Philadelphia, PA, 19102

**This seminar will provide you with the opportunity to learn**

- Export strategies for Colombia
- Visa and Security due diligence
- Opportunity to network with Colombian industry leaders

Feature Speakers: David Meron, U.S. Embassy Bogota;  
Chief, Fraud Prevention Unit

Victoria E. Ibáñez, Executive Director  
American Chamber of Commerce-Barranquilla

Ricardo Triana, Director Trade Bureau  
Embassy of Colombia in the United States

To register email: [anaq@mic-tradeconsulting.com](mailto:anaq@mic-tradeconsulting.com) or call 215-567-2535

