

US GOVERNMENT HELP ON FOREIGN BIDS

The Department of Commerce's Advocacy and Multilateral Development Bank Center, founded in 1993, aims to promote US exports, create and retain US jobs by supporting US companies' bids for international projects, and expand US businesses' global market share. The center concentrates on trade transactions—not policy.

An action center

The center uses US government resources to resolve unfair treatment of US firms by foreign government decisionmakers, politicized procurement processes, tenders tied up in a country's bureaucratic red tape, and problems that

arise when foreign competitors receive assistance from their home countries' governments. The center assists US companies by coordinating advocacy by high-ranking US government officials through letters, phone calls, meetings with foreign officials, and trade missions. The center also conducts due diligence on companies, bids, and projects; determines whether a bid is in the US national interest; helps companies devise strategies; and acts as lead coordinator for US government commercial advocacy within the Trade Promotion Coordinating Committee (TPCC)—an interagency committee chaired by the secretary of Commerce. In exchange for these services, the center expects clients to maximize the US content of their exports.

Interview with Daniel J. Bloom

Daniel J. Bloom, executive director of the Advocacy and Multilateral Development Bank Center, recently discussed key elements of the center with Paula M. Miller, assistant editor of the *CBR*.

Q: How many cases for projects in China is the center currently handling? What sectors are most popular?

A: Currently, the center is tracking several dozen projects in China, with a total value of more than \$30 billion. The most popular sectors are—by number of cases—aerospace, infrastructure/transportation, heavy machinery, energy and power, oil and gas, environment, and telecommunications.

Q: By the center's calculations, in 2004, how many US jobs may have been created through the center's assistance with China projects?

A: By our estimates, in 2004, China contracts won with our center's assistance created or retained roughly 30,000 US jobs.

Q: The center seems to emphasize helping small and medium-sized enterprises (SMEs). Does the center handle SME applications differently from those of large corporations?

A: We consider working with SMEs a high priority and recently created the position of a full-time, small business liaison—now filled by Joseph Enright—to conduct outreach to the SME community. Since June 2002, the center's staff has advocated successfully for about 36 contracts involving SMEs in China.

All requests, regardless of size, are reviewed in the same manner: Following the receipt of an advocacy request, the center conducts due diligence on the requesting company, the bid, and the project and then makes a national interest determination. After completing due diligence, the center's regional manager works with bidding companies and the US Commercial Service

to devise an advocacy strategy that will craft an appropriate message to the foreign government, pinpoint the most effective medium for the message, and implement the advocacy strategy.

Q: How easy or difficult is it for US companies to win bids in China, compared to other countries? What are the biggest tender hurdles in China? How does the center help US companies overcome these hurdles?

A: China is one of the more difficult markets for US companies. The firms that are successful in China tend to develop a long-term commitment to the country. They know the market and the competition, and often have representative offices and good agents on the ground, developing long-term relationships that allow them to present the most competitive bids. They also have good exit strategies, should things go wrong.

China's unique legal and regulatory regime forces creative business alternatives. The PRC central government can override local rules, and recently promulgated national rules are sometimes applied retroactively. Chinese buyers often ask bidders to set up local manufacturing facilities, to be willing to transfer technology (it is wise to check with DOC's Bureau of Industry and Security—www.bxa.doc.gov—regarding possible technology transfer considerations), to bring subsidized financing, or to work with a Chinese partner.

Q: What is the center's relationship to export assistance agencies such as the US Export-Import Bank (Ex-Im Bank)?

A: The center works closely with these agencies and in recent years has signed memoranda of understanding (MOUs) with both Ex-Im Bank and the Private Export Funding Corp. (PEFCO). The MOU with Ex-Im Bank simplified and expanded access to financing programs for US exporters, including SMEs seeking US government advocacy assistance. The MOU with PEFCO capitalizes on PEFCO's relationship with the Ex-Im Bank and makes US dollar loans available to foreign importers that purchase goods and services of US manufacture or origin.

Recently, the center began managing commercial liaison efforts with multilateral development banks, including the

A US government agency helps level the playing field for American companies

Financial assistance

To serve its clients more effectively, the center has established relationships with US export assistance agencies such as the Export-Import Bank (Ex-Im Bank), the US Trade and Development Agency, and the Private Export Funding Corp. US company bids that already have financing lined up are more attractive to foreign decisionmakers.

Team China

In 2003, the Advocacy Center launched “Team China,” which operates under the center’s director, Daniel J. Bloom

(see below). At present, the team consists of two regional managers for China—Roza Pace (roza.pace@mail.doc.gov) and Xiaobing Feng (xiaobing.feng@mail.doc.gov)—who work in Washington. Sean King is a special assistant for China under Neal Burnham, deputy assistant secretary in the US Commercial Service’s Office of Domestic Operations. The Washington team interacts daily with Bruce Blakeman, special counsel to the secretary of Commerce, who is stationed with the Commercial Service in Beijing. The team focuses on US company requests for advocacy for specific export opportunities in China.

—China Business Review *staff* and
Advocacy and Multilateral Development Bank Center *staff*

World Bank and the Asian Development Bank. Projects financed by multilateral development banks represent multibillion dollar commercial opportunities for US companies.

Q: How can projects qualify for center support? What are the minimum requirements?

A: The eligibility requirements for US government advocacy support are spelled out in the center’s guidelines, which place a premium on US export content, including employment, in the determination of whether and to what extent a given bid is considered to be in the US national interest. Of course, there is no minimum transaction size for advocacy eligibility. The guidelines are posted on the center’s website (www.export.gov/advocacy).

Q: What is a good example of a China case success?

A: In the summer of 2004, Landrum and Brown, Inc. (L&B), a small Ohio architectural firm, came to the center seeking US government advice and assistance on a bid for the design for the expansion of the Beijing Capital International Airport for the 2008 Olympics. The center helped L&B to secure a competitive financial package and to demonstrate the full support of the US government for this small business that was new to the China market. Specifically, the center helped L&B acquire a letter of interest from the Ex-Im Bank, which was then submitted for an expedited review procedure under the MOU between the bank and the center. In addition, the center worked with the Trade and Development Agency to help the company secure a training grant, contingent upon L&B winning the tender.

The center also developed an advocacy strategy aimed at leveling the playing field to offset high-level advocacy support received by L&B’s competitors. (L&B’s foreign competitors received foreign-government advocacy assistance at the ministerial and prime-ministerial levels.) As the runner-up in the Beijing competition, the firm received a monetary award, which it used to compete on another project in China.

Soon after winning second place in the Beijing competition, L&B was invited to bid for the design for the expansion of the

Shanghai Pudong Airport. This time the company was awarded first place. In winning the Shanghai contract, the Cincinnati company, with fewer than 100 employees, beat out large multinational players from around the globe. The center was recently informed that things are going well for L&B in Shanghai and that the process has been a huge success. The company believes that US government support improved its business prospects in China where numerous project expansions are planned over the next decade.

Q: What are your top three suggestions for US companies hoping to export to China?

A: Know your market, know your customer, and know how you want to get paid. That means sell products that China needs, enter sales contracts with solvent partners, and pay attention to how, when, and in what currency you will get paid. Make sure you are in compliance with US and PRC trade laws. Become familiar with the Foreign Corrupt Practices Act and make sure that your product does not require a US export license. Make sure that the product meets Chinese standards, which may differ from US standards.

If a company is already an exporter and is looking to expand into the China market, this is a good place to start:

- Visit the China Business Information Center’s (BIC) website (www.export.gov/china) or call 800-872-8723. BIC offers clients access to counseling with trade specialists in the United States and referrals to US Commercial Service officers in China and helps channel trade leads to clients through US Export Assistance Centers (USEAC) located throughout the United States.
- Meet with your state USEAC representative to discuss your specific needs. You can find the appropriate USEAC by calling the BIC phone number listed above.
- Talk to your local state office that deals with trade issues.
- Join organizations such as the US-China Business Council [www.uschina.org; publisher of the *CBR*], or state China business councils to network with people with similar interests, educate yourself on how to do business in China, and meet PRC and US government officials working on China trade issues.