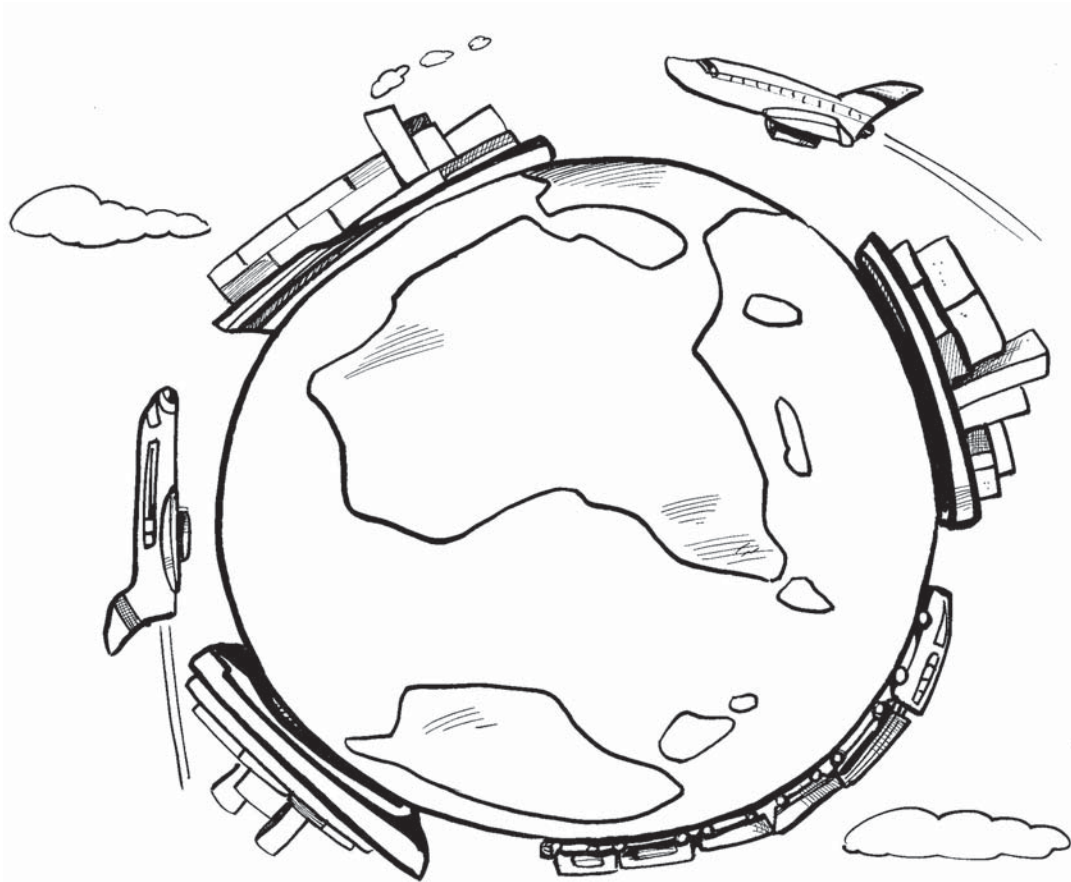


International Trade: Passport To Success



International trade is one of the hot industries of the new millennium. But it's not new. Think Marco Polo. Think the great caravans of the biblical age with their cargoes of silks and spices. Think even further back to prehistoric man trading shells and salt with distant tribes. Trade exists because one group or country has a supply of some commodity or merchandise that is in demand by another. And as the world becomes more and more technologically advanced, as we shift in subtle and not-so-subtle ways toward one-world modes of thought, international trade becomes more and more rewarding, both in terms of profit and personal satisfaction.

This chapter explores the flourishing business of international trade from both the import and export sides of the fence. Think of this chapter as an inves-

tigative report—like those TV news magazine shows but without the commercials. We'll delve into the steadily rising economic success of the field and dip into the secrets of America's, and the world's, import/export industry.

The International Adventurer

The quintessential importer is Trader Sam in his battered fedora, bargaining for esoteric goods in exotic markets amid a crescendo of foreign tongues. Or maybe that's Indiana Jones. If that's your idea of an international trader, you're absolutely right. You're also dead wrong.

Importing is not just for those lone footloose adventurer types who survive by their wits and the skin of their teeth. It's big business these days—to the tune of an annual \$1.7 trillion in goods, according to the U.S. Department of Commerce. Exporting is nearly as big. In one year alone, American companies exported \$904 billion in merchandise to more than 200 foreign countries.

Stat Fact

According to the U.S. Department of Commerce, America's recent annual exports to Western Europe exceeded \$200 billion. American exports to Asian nations totaled more than \$223 billion.



Everything from beverages to commodores—and a staggering list of other products you might never imagine as global merchandise—are fair game for the savvy trader. And these products are bought, sold, represented and distributed somewhere in the world on a daily basis.

But the import/export field is not the sole purview of the conglomerate corporate trader. While large companies export 70 percent of the value of all exports, according to the U.S. Department of Commerce, the big guys make up only about 3 percent of all exporters. Which means that the other 97 percent of exporters—the lion's share—consists of small outfits like yours will be, when you're new, at least.

Champagne And Caviar

Why are imports such big business in the United States and around the world? There are lots of reasons, but the three main ones boil down to:

▲ **Availability:** There are some things you just can't grow or make at home. For example, bananas in Alaska, mahogany lumber in Maine or Ball Park franks in France.

▲ **Cachet:** A lot of things, like caviar and champagne, pack more cachet, more of an "image," if they're imported rather than home-grown. Think Scandinavian furniture, German beer, French perfume, Egyptian cotton. Even when you can

make it at home, it all seems classier when it comes from distant shores.

▲ **Price:** Some products are cheaper when brought in from out of the country. Toys, electronics and clothing, to rattle off a few, can often be manufactured or assembled in Korean, Taiwanese and Mexican factories for far less money than if they were made on the domestic front.

Aside from cachet items, countries typically export goods and services that they can produce inexpensively and import those that are produced more efficiently somewhere else. What makes one product less expensive for a nation to manufacture than another? Two factors: resources and technology. Resources means natural products, such as timber and minerals, as well as human ones, like low-cost labor and highly skilled workers. Technology is the knowledge and tools to process raw resources into finished products. A country with extensive oil resources and the technology of a refinery, for example, will export oil but may need to import clothing.

Import/Export—The Prequel

OK, you may be thinking, sounds good. But what exactly does an international trader do? In the simplest terms, he is a salesperson, but instead of peddling domestically manufactured products on his home turf, a trader deals in more exotic merchandise, materials that are foreign to somebody on some far shore. The importer/exporter also acts as a sort of international matchmaker, pairing up buyers and sellers of products in different countries. He can operate as a middleman, purchasing merchandise directly from the manufacturer and selling to retailers or wholesalers in another country. Or he may have his own network of retail distribution representatives selling on commission. As a third permutation, he might hire an outside company to find sales for him. And as a fourth version, he might serve as a consultant for foreign countries that want to export their products but don't know how.

Let's back up a little and take this one step at a time. When you're wearing your import hat, you'll be bringing goods *into* the United States. When you've got on your export cap, you'll be shipping things *out* of the country, into foreign markets.

Let's say, for example, that you've decided to import Guatemalan hand-crafts. You might have spotted them at an outdoor market while you were traveling through Central America, or maybe you became involved by

Stat Fact

According to a recent U.S.

Department of Commerce report, America imports almost as much (in dollars) from Canada as from all other Western Hemisphere nations combined.



answering a trade lead, a “want ad” placed by a local artisan group desperately seeking U.S. representation. In either case, you swing into action. You get hold of a price list and some samples and then, here in America, you ferry the samples around to wholesalers or retailers, generate interest through your top-notch salesmanship, and book orders. Once you’ve made a predetermined number of sales, you purchase the handcrafts from the artisans, have them shipped to your buyers, and then those buyers pay you.

This may sound complicated, with you busily purchasing merchandise and having it sent on to third parties who haven’t yet coughed up a dime, but there are ways to protect yourself that you’ll learn as we go along in this book. And this won’t be the only way you’ll structure deals. You might, for example, work off a commission as a representative, negotiating payments directly between artisans and buyers, so that you don’t put up any money yourself. But we’ll discuss all this later, too. For now, let’s say that you’ll learn how to make it work.

Ice Chests To Siberia

You’ll also learn how to export merchandise. You might, for example, decide to sell ice chests in Siberia. (Well, why not? It isn’t icy there *all* the time.) You may have seen the manufacturer’s advertisement seeking a sales or distribution rep-

resentative. But in this instance, let’s say you came up with this idea on your own after spotting the sporty items in a local store and figuring that the really American-looking country-western decals on the product would give it a certain “imported” cachet in the target country. You approach the manufacturer, who may very well be astounded by the idea of exporting her product—this is still a novel idea to most companies.

But you explain why you think she

has a hot ticket for a cold climate, and you offer to purchase the ice chests at her factory price and she can leave the selling to you. All you need from her is a price list, some samples and figures on what quantities you can order, and how long it will take her to fill your Siberian orders.

The manufacturer agrees and you’re off and running, with your first tasks being to determine just how to generate sales in Siberia and how to price the ice chests to cover expenses (including shipping costs, taxes and tariffs) and still make a profit. Next, you find a foreign partner to distribute your product in Siberia. You send him some samples and a price list, and he gets busy selling.

Beware!

Don’t let yourself get stuck with inventory that’s failing to move.

A product that doesn’t sell domestically often won’t sell well overseas, either.



To Boldly Go

Because the United States covers a wide geographic region with a large population, many haven't really felt the need to travel abroad to sell products. But exports represent a vast, virtually untapped field of endeavor—one into which few companies have boldly gone.

Surprisingly, most of those daring exporters are smaller firms. More than two-thirds of exporting firms have fewer than 20 employees, and 97 percent are small or medium-sized companies (meaning they have fewer than 500 people).

Most of the small and medium-sized firms—59 percent—export to only one country, while about half—53 percent—of the big guys export to five or more markets.

As you predicted, the American ice chests are a smash hit. Your sales representative generates oodles of sales from Siberian retailers and sends the orders to you along with prepayment, a partial upfront payment, or letters of credit from the buyers (a letter of credit is an agreement from the buyer's bank to release the buyer's funds into your local bank account—more on this later). So with your orders and cash (or promise of cash) in hand, you purchase enough ice chests to fill the orders and have them picked up by the shipping company directly from the manufacturer. As a final step, you send your Siberian sales representative his commission.

And that's—in a very basic way—how the international trade business works. It can appear daunting, with convoluted components like customs, trade barriers and tariffs, currency fluctuations, exclusive/nonexclusive distribution rights, and packing and shipping plights—not to mention cultural and communication twists—but it can also be exciting, rewarding and profitable. And not at all daunting once you've done your homework.

Back To The Future

It's no wonder that international trade is a hot field today. We're living in a brave new world. The enthusias-

Trader's View

Wahib Wahba, an exporter in

Annapolis, Maryland, advises the newbie trader to focus on a country in which he or she already has direct experience.

"I see a lot of [traders] who were in the American military overseas," Wahba says, "or who have an ethnic background from another country and have family or contacts overseas. Personal contact is a very strong [asset]."



Trade Talk

International business discussion
groups are full of information for the SME. Just what is this entity? What you're about to become—a small or medium enterprise.



tic emergence of free market ideas around the globe has created an unprecedented bounty of international trade opportunities. Markets that didn't even exist a few short years ago now devour imported goods with startlingly voracious appetites.

If you picture the globe as a world market map and the international trader as a jet-setting country-hopper (like in those B-movies where a dotted line shows the trail of the hero's

plane), you'd be hard-pressed to find a spot where you couldn't deal in imports or exports. The "Seven Tigers" and other nations of the Asian Pacific Rim are booming, with China representing the single largest market opportunity in the world. On the other side of the international date line, Mexico has emerged as one of the United States' biggest trading partners. The passage of the North American Free Trade Agreement, otherwise known as NAFTA, offers a historic opportunity to create a single, unified market from Cambridge Bay in northern Canada to Tapachula at the southern tip of Mexico. Across the Atlantic, new members of the European Union are experiencing rapid economic growth. Former Soviet countries—the "stans"—are developing quickly and eager to trade with wealthy nations. And in Africa, traditionally isolated countries are beginning to follow South Africa's successful example in using economic development to facilitate social and political reform.

As a budding import/export entrepreneur, you couldn't wish for a better setup. The world is your oyster, the globe your market. Opportunities abound whether you want to import foreign goods into America or export our own products to outsiders.

Counting Your Coconuts

What can you expect to make as an international trader? The amount's entirely up to you, depending only on how serious you are and how willing you are to expand. Annual gross revenues for the industry range from \$30,000 to \$200,000 and beyond, with an average of about \$75,000. Some traders work from home, supplementing 9-to-5 incomes with their trading expertise. Others have launched thriving full-time businesses that demand constant care and feeding.

Carole Korb, an exporter in Pismo Beach, California, runs her trading business, C.J. Korb International, on her own. Over on the East Coast in Annapolis, Maryland, Wahib Wahba heads an export company, Global Partners, that, with a staff of five, oversees multimillion-dollar contracts.

"There's tons and tons of opportunity for [export] trade," says Wahba. "U.S. man-

ufacturers are at least 10 years behind the clock in exporting.” So the potential for growth is entirely up to you—as long as you’re willing to put in the time.

“There are still opportunities in the industry,” says Sally Cox, who exports natural food from Seattle through her business, Excel Trade, “because it’s challenging to do it well.”

“You work very, very hard,” says Korb. “There’s a lot of running around. You have to be available.”

And Wahba echoes this sentiment. “Just keep doing your job,” he counsels. “Work on it all the time.”

“Do not expect immediate or short-term success,” adds Lloyd Davidson, an export manager in Florida who runs LND Export Management. “Be willing to work around the international clock, if you will, accept discourtesies, both foreign and domestic, in stride, maintain the highest standard of personal and business ethics in dealing with your principal and buyer, learn from your mistakes, and keep a supply of antidepressants nearby.”

Bright Idea

Cruise the world on the internet.

Meet international businesspeople, get an idea of what global small business is like, even ask advice.

For starters, check out the International Small Business Consortium, which boasts more than 33,000 members from more than 140 countries at

www.isbc.com. You can get help from, and develop business connections with, people all over the world.



Crank-Up Costs

One of the catch-22s of being in business for yourself is that you need money to make money—in other words, you need startup funds. These costs range from less than \$5,000 to more than \$250,000 for the import/export business. You can start out homebased, which means you won’t need to worry about leasing office space. You don’t need to purchase a lot of inventory, and you probably won’t need employees.

Your basic necessities will be a computer, printer, fax machine and modem. If

you already have these items, then you’re off and running. Several of the traders we talked with started from ground zero. “We started from nothing,” says Wahba, but once they got a large project, that was all it took.

Korb and Cox went out on their own after working for companies that were importing and exporting.

Stat Fact

Traders typically take about 10 percent of the sales from each import/export transaction.



Fun Fact

Never heard of Niue, Kiribati or San Marino? Well, some U.S. exporters have. The U.S. Department of Commerce counts these obscure places among the 200-plus countries and territories that import American-made goods.



Neither financed the business—they just opened an office in their homes and went from there.

The Rock Of Gibraltar

In addition to profits and startup costs, two other important aspects to consider are risk and stability. You want a business that, like the Rock of Gibraltar, is here to stay. In import/ export, the stability factors are as strong as you are. The world

isn't going anywhere (we hope), and neither is the need and desire for international trade.

The key to longevity in import/export, Cox feels, is in maintaining solid relationships—the kind that take years to develop. “Anyone can sell a similar product,” she says. “What will differentiate you is service and relationships.”

The risk factor is relatively low, providing you're willing to work for your rewards. Michael Richter, an international trade consultant in Daugendorf, Germany, advises: “Look at the markets, the pricing, the trends. Look to your customers' wishes, target your market, and you will never, ever fail, so long as you do all this thoroughly and earnestly.”

The Right Stuff

So you've decided that running an import/export business is potentially profitable for you. You're willing to invest not only the money but also the time to learn the ropes and become established as a pro. What else should you consider? Personality.

Not everybody is cut out to be an international trader. This is not, for example, a career for the sales-phobic. If you're one of those people who would rather work on a chain gang than sell Girl Scout cookies, or if you blanch at the thought of making a sales pitch, then you don't want to be in import/export. This is also not a career for the organizationally challenged. If you're one of those let-the-devil-handle-the-details types whose idea of follow-up is waiting to see what

Fun Fact

According to the U.S. Department of Commerce, Angola, Norway and Israel rank among the top 50 suppliers of imports to the United States. Canada, China and Mexico are at the top of the list. At the bottom? Kuwait, Honduras and Costa Rica.



Traits Of The Trade

Hey, kids! Take this fun quiz and find out if you've got what it takes to become an ace international trader.

1. My idea of a fun evening is:

- a. Watching James Bond movies on TV. He's my idea of an agent!
- b. Kicking back with a piña colada, a copy of *The Exporter* magazine and a "Spanish for Gringos" tape on my headset.
- c. Cruising around town singing "American Pie."

2. When I send Christmas gifts to relatives who live out of state, I usually:

- a. Wait until December 24, stuff the gifts into old grocery bags with the addresses scribbled in crayon, then rush to the post office and stand in a huge, snaky line with all the other procrastinators and hope my gifts arrive on time and intact.
- b. Wrap my gifts carefully in specially selected packaging no later than December 10, call my predesignated FedEx or UPS courier (I've already checked to see which is cheaper and faster), then follow up to make sure the gifts arrive on time and intact.
- c. Hope no one notices I forgot to send gifts.

3. I consider myself to be a "people" person because:

- a. Even though I have to force myself, I'm able to interact with people so long as it's not more than once a day.
- b. I love working with all kinds of folks!
- c. I know all the words to the Barbra Streisand song "People."

4. If I could spend one week a month in a foreign country, I would:

- a. Go to the nearest McDonald's and stay there until it's time to go home.
- b. Try to meet all kinds of people so I could see the world from different perspectives and learn about other cultures.
- c. Try not to breathe because I might pick up weird foreign germs.

Scoring: If you chose "b" for each answer, you passed with flying colors! You've got what it takes to become an international trader. You're self-motivated, detail-oriented and eager to work with people all over the world on their own terms.

happens next, you should think twice about international trading.

If, on the other hand, you're an enthusiastic salesperson, a dynamo at tracking things like invoices and shipping receipts, and your idea of heaven is seeing where new ideas and new products will take you and then getting them there,

and if, to top it off, you love the excitement of dealing with people from different cultures, then this is the career for you.

Move Over, Trader Sam

It also helps if you already have a background in import/export. Most of the traders we talked with were well-versed in the industry before launching their own businesses. Carole Korb went off on her own after working as an exporter for companies that sold their products overseas. Sally Cox worked for an importing company, then left to start an exporting business. Alfred Garcia, who exports various types of food through his company, Ocean Export, in Berkeley, California, was an employee at an exporting company until he started his own business with a friend. Garcia caught the bug when he traveled around southeast Asia as a young man. “I wanted to get into international business,” he says, “so I found a job at an export company.”

John Laurino, owner of United Network International Trading, an international business services provider in São Paulo, Brazil, learned the ins and outs of import/export as an international purchasing manager for a large company before striking out on his own in 1994.

And in Florida, Lloyd Davidson worked in the operations sector of international banking before making the move to his own company, LND Export

It’s No Secret

Should you forget a career in import/export if you’re not already steeped in the industry? No. It’s entirely possible to start from scratch. You simply offset your deficit in international trade with your assets in a business you already know. If you’re a computer whiz, start out importing or exporting computers. If your turf is landscape materials, go green. Launch your import/export business with those same materials. Go with what you already understand.

And don’t let the mechanics of international trade—like letters of credit or tariffs—scare you away. “You have to know what you’re doing,” advises Annapolis, Maryland, exporter Wahib Wahba. “Otherwise, you may send a shipment and never get your money just because you spell a name wrong.”

For your first few forays, the native Egyptian suggests, hire a customs broker or freight forwarder to handle the paperwork for you. After that, you can do it on your own. “It’s no secret at all,” Wahba says. “It’s just a trick.”

Management. “I decided to expand into export management and export trading,” he explains, “relying on my previous experience in an international environment to support my new endeavors.”

The Trade Bug

But their route isn't the only way to go. Richter, the German trade consultant, let his enchantment with the world be his entrée into the industry. “I was simply interested in the worldwide markets and their cultural and personal relationships,” he explains, “and I started from being an apprentice—right from the beginning—mostly in investment and construction goods and projects.” Now, 37 years later, Richter is still in the business—and still enjoying it.

Tiffany Tompkins, who imports wine from Chile and South Africa to Minnesota, decided to start her business to support vintners who were producing good wines and paying their workers well. Customers who purchase these wines, called “fair trade,” are assured that workers who produced the wines are being paid “livable wages,” meaning they earn enough to cover the basics, including food, rent, clothing, schooling for their children and basic medical care. Tompkins decided to try her hand at fair trade after some international travel. On a trip to China, Tompkins saw that workers were paid paltry wages to produce items for export, and she wanted to do things differently. “I thought there must be a better way,” she says.

And Wahba, a native of Egypt, started out as a mechanical engineer for Caterpillar, the earthmover people, working overseas. In 1985, he arrived in the United States, where he promptly started in on both an MBA degree and a position with a company that sold runway lights and navigational aids for airports. When the company became too heavily involved in domestic sales to handle the international work, Wahba formed a company to take up the slack. The new company also began selling other types of construction projects, from wooden telephone-pole installation to railroads, supplying materials or construction services or both, and soon business was so good that Wahba was able to buy out his former employer.

Wahba stresses that his success developed from his prior experience in the field. “Nobody becomes an exporter overnight from nothing,” Wahba says. “You have to be coming from somewhere.”

Fun Fact

Premier international trade merchant
Marco Polo, who's also the man responsible for the European image of the Far East until the late 19th century, was only 17 when he first set out for China.



Future Forecast

So here you are—on the brink of starting your own import/export business. As you can see, there are several paths you can take toward success. Keep in mind, however, that they all require dedication, hard work and, especially for those who are newbies in the field, a great deal of learning.

If you are still reading, we assume you have decided to take the plunge and forge ahead with your new career. There is, however, one more thing to take into consideration: the industry prognosis. Will international trading be around for the next 100 years and beyond?

The answer is optimistic. As we saw at the start of the chapter, there's a great big beautiful tomorrow for the import/export industry. Unless aliens from the planet Zarcon land on the White House lawn and either enslave us all or show us how to live on love alone, thereby eliminating the need to earn a living, the industry outlook is healthy. On the other hand, if aliens from the planet Zarcon landed on the White House lawn, they would probably bring with them greater opportunities for trade—of the intergalactic kind.

So fasten your seatbelt, bring your tray table to the upright position, and let's start your learning curve. Next chapter: Import/Export 101!