

# Coping with Globalization

**I**ntegration of national economies into a global economy has been ongoing for many years but has rapidly accelerated since the 1990's with the advent of the internet, universal use of email, high speed data transmission, and the joining of the World Trade Organization by China in 2001. With optical fiber spanning the continents, financial and trade transactions are done in seconds, anything that can be digitalized can be done anywhere by the least expensive supplier, and worldwide supply chains utilizing low cost labor manufacturing can be effectively coordinated.

***Companies with plain vanilla products and services and/or high labor costs are in jeopardy in a globalized world!!***

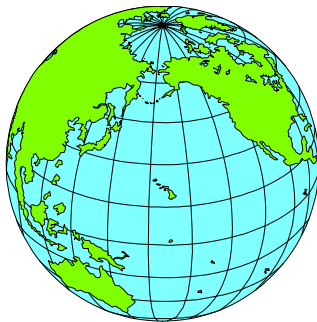
In this article, we will discuss 1) how some companies are coping effectively with the challenges and opportunities of economic globalization and 2) how SPI, the Department of Commerce (DOC), and other resources can help.

## Coping Strategies

Many of our large and mid-size corporations are faring very well in the globalized world. Many have basically become global corporations, with substantial presence in many nations. **Small domestic companies** may need help in meeting the challenges and seizing the opportunities of a globalized world.

**Business X Rays** – The best corporations are getting regular X rays of their businesses to identify and strengthen their strong positions, assess their technology, outsource areas that are not differentiating, and eliminate/sell weak segments of their business. Segments of businesses offering plain vanilla products or services or requiring high labor intensity are in jeopardy in a globalized world.

**Repositioning** – If the technology has changed dramatically or big parts of the business are in a labor intensive industry, a major repositioning may be required. Good examples are Kodak switching to digital photography. Dupont shed its textile fibers business, and is trying to reinvent itself as a “Science Company.”



**Outsourcing** – The best companies are outsourcing to win, gain expertise, grow faster, extend a successful business model internationally, focus their resources, and cut operating and benefit costs – not to shrink. An interesting variation of outsourcing is Home Sourcing – Jet Blue outsourced its entire reservation system to housewives in Utah, who work 25 hours a week and

receive 4 hours of training per month.

**Expanding Globally** – the best companies are establishing sales offices and expanding production facilities overseas to take advantage of low cost labor, access to markets, and resources. The big offshoring driver is really access to local markets, and to learn the requirements and preferences of the local customers, not just cost reduction.

Many US fluoropolymer processors see globalization as a huge opportunity with more and more sophisticated markets booming in China, in particular. Without (yet) local sources for high-tech items of commerce based on fluoropolymers, they are seeing strong demand. Others report the migration of their customers from the US to Asia and are making plans to follow them there, by starting up fluoropolymer processing facilities in Asia to keep supply chains compact.

## Collaboration and Supply

**Chaining** – The best companies collaborate nationwide and worldwide to optimize their work/production flows and their supply chain. Wal-mart is the Supply Chain Master, collaborating horizontally among retailers, suppliers, shippers, and customers. UPS specializes in synchronizing supply chains worldwide for companies big and small.

**Increasing Productivity And Reducing Costs** – If you are in a US labor intensive industry and

compete with very low labor cost producers like in China, most pundits say “**small gradual cost improvements will not do it.**” You are in big trouble!! If you have a specialty business with moderate to low labor intensity, you still need to have top notch technology and to work hard and constantly to get productivity up and costs down. Seasoned retired consultants with strong business, sales, marketing, and technical experience may be helpful.

**Small Companies Can Act Big** by collaborations, alliances, and using the technical tools for collaboration and reaching suppliers, shippers, and customers all over the world. There are numerous businesses, like UPS, which can facilitate this collaboration.

**Big Companies Can Act Small** by acting faster and by creating a digital buffet of products and services that allows the customer to serve themselves in their own way at their convenience. This requires a top-notch web site program.

**Advanced Technology** – The best companies have top notch manufacturing technology and use advanced communications technology to make their Company and staff more efficient and effective.

Detailed information is available worldwide using Google, MSN, and Yahoo web searching, even the address and phone number of that key contact. They use wireless cellphones, beepers, laptops, palm assistants to get and organize information and connect



to anyone, anywhere, anywhen. Your English speaking associate in India or China can be working while you are sleeping, and have your presentation or a study to you for your morning coffee. Accenture, a consulting company, has gone fully virtual, with no headquarters, no offices, and everyone communicating primarily on the fly with other company members.

## Who Can Help

While most large and many mid-sized companies are coping well with the challenges of Globalization, many small companies and individuals just see the current and upcoming challenges of globalization and don't know how to deal with them or take advantage of the opportunities. Small companies need help to survive and prosper in the global trade jungle!!

## SPI CAN HELP! SPI REPRESENTATION

The SPI is a very strong and effective representative of your interests with Congress, the Executive Branch, regulatory authorities, and state authorities on the keys issues of the Plastics Industry including: Natural Gas and Energy Policy, International Trade Policy, Regulatory Compliance Costs, Tort Reform, High Health Costs, Education and Workforce Development, etc. A small sample of recent SPI efforts follow:

**Major Victory For SPI and its Members** – On June 29, 2006, the U.S. House of Representatives passed H.R. 4761, the Deep Ocean Energy Resources (DOER) Act, in a bipartisan vote of 232-187. The bill is the combined

result of approximately two dozen bills that address access to natural gas resources in the Outer Continental Shelf (OCS).

**SPI President Bill Carteaux** and other industry leaders met with President Bush at a special roundtable organized by the White House. The session came just days after Carteaux and others in the business community met with White House Deputy Chief of Staff Karl Rove and other White House officials to talk about the Central American Free Trade Agreement (CAFTA).

**SPI Submitted Comments** to the federal Interagency Work Group on Manufacturing, asserting that the IWGM and the Commerce Department's Manufacturing Initiative should play a "critical role in dismantling the obstacles to a strong and globally competitive manufacturing sector in the US. SPI urged the IWGM to examine and develop initiatives addressing excessive corporate tax rates, healthcare costs and other mandated employee benefits, regulatory compliance costs and energy and natural gas costs.

**SPI Co-sponsored the US Pavilion at Chinaplas 2006**, Asia's No. 1 plastics and rubber show, featuring more than 1,300 exhibitors, in April 2006 in Shanghai. SPI representatives promoted the US Plastics Industry and met with Chinese industry and government officials to discuss the plastics industry's concerns.

**NPE 2006** ended June 23 after five days of networking and heavy booth traffic. The show attracted 64,451 registrations, two percent greater than at NPE 2003.

The international visitor registrations were 33 percent larger than in 2003 and accounted for 24 percent of all visitor registrations. A total of 1,850 companies exhibited at NPE 2006 on 949,500 square feet of net exhibit space.

### **SPI is Your Trade Advocate –**

SPI has hired a staff of international trade experts. In a bi-weekly newsletter, SPI educates its members about important trade policy matters that may impact their operations. By meeting with key US government officials, SPI also has been working to ensure that the plastics industry's interests are considered in the development of US trade policy.

For example, SPI recently filed comments on the US-Korea Free trade negotiations, urging U.S. trade negotiators to allow for the maximum period possible for eliminating US tariffs on many processed products. Noting the record level deficit of \$6.1 billion in plastics product trade, SPI noted that because the US has the lowest tariffs in the world on plastics products, the US is a primary export target for US trading partners. SPI stressed that the US should eliminate tariffs on plastics products goods only to the same extent that Korea offers the same concession on its tariffs.

In addition, SPI is helping U.S. plastics manufacturers understand how to protect their intellectual property rights abroad, understand how to export goods from the United States, and working to ensure that US trading partners do not use standards or regulations as a barrier to trade.

**SPI Strongly Supported Tort Reform Legislation** passed earlier this year that limited state

courts' jurisdiction over class action lawsuits, and continues to support further policy measures that would reform tort law and reduce the number of frivolous lawsuits and windfall damage awards that largely benefit trial lawyers.

**Hosting A Plant Tour –** All SPI members are encouraged to invite lawmakers to visit their facilities. This is an excellent opportunity to educate lawmakers on the issues facing the industry while also allowing them an opportunity to meet with constituents. For information on how to host a plant tour, contact Natha Freiburg in SPI's Government Relations Department at 202/ 974-5216 or [nfreiburg@socplas.org](mailto:nfreiburg@socplas.org).

### **SPI BUSINESS DEVELOPMENT**

SPI is a leader and a partner in helping plastics companies succeed in today's competitive national and worldwide marketplace. Through its business development programs, SPI provides the tools to help companies increase productivity, build a strong workforce, reduce costs and maximize opportunities. SPI also offers unparalleled forums for members to grow their business and exchange strategies for success by networking with customers, suppliers and industry peers. SPI programs include: cost savings programs, financial management surveys, industry statistics and benchmarking, international trade, workforce development, and trade shows.

**SPI Explores Feasibility Of Group Health Insurance –** Responding to the single most requested benefit, SPI is explor-

ing the possibility of offering group health insurance for member companies. By putting together a large pool of many member companies and their employees, SPI could be able to help companies enhance employee benefit packages and lower overhead costs by garnering more cost-efficient group rates and multiple plan designs.

**SPI'S GLOBAL BUSINESS COUNCIL (GBC)** is SPI's international trade advisory committee. Its mission is to increase global awareness and competitiveness by providing resources to SPI members, while fostering growth of the plastics industry worldwide.

GBC accomplishes this mission by providing economic information, data and statistics; monitoring international practices and standards; offering networking opportunities to its members; promoting international public policy issues and advocacy; providing assistance with market entry and market opportunities and collaborating with other international associations and trade groups.

The GBC is also active in helping members explore business opportunities in other markets by organizing **trade missions**. It is sponsoring a business development mission to the Czech Republic and Poland, September 24-30, 2006. Both of these countries have fast-growing plastics markets, and the mission is aimed at educating participants about these opportunities, networking with plastics industry representatives in these countries, and opportunities to have one-on-one meetings with potential customers. To learn more about

SPI's GBC or to obtain information about the upcoming mission, contact Karen Toliver at ktoliver@socplas.org or Gennie Ross at eross@socplas.org.

## **DEPT. OF COMMERCE (DOC) CAN HELP!**

**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. MAC ensures access to world markets for American companies and workers so they can compete on a "level playing field." MAC's country desk officers are experts on the commercial, economic, and political climates in their assigned countries. They focus on resolving trade complaints and market access issues.

**MAC's Trade Compliance Center (TCC)** works with large and small businesses to ensure that they receive the benefits of the more than 270 trade agreements that open up foreign markets to U.S. goods and services. For help, contact the TCC by email or visit TCC On-Line.

**EXPORT.GOV** is the U.S. Government's Export Portal. 95% of the world's consumers live in other countries and the benefits of exporting are enormous. Learn how to export in the Export Basics section or register to access market research and trade leads. Trade Specialists are also available in your area to help plan your international business. Call 800/USA-TRAD(E) to find a trade specialist and get answers to your export questions. Some of export services include:

**DOC Export Promotion Webinars** – The U.S. Commercial Service is offering a free monthly web seminar program for US companies looking to enter or increase their presence in key foreign markets.

**DOC Export Market Research Reports** – The DOC's Commercial Service offers a host of services to US companies seeking to export their products. Industry and country market research reports prepared by Commercial Service officers stationed in overseas markets are particularly helpful to obtain an assessment of domestic market conditions and an understanding of the business climate for entering the particular market. For a copy of these reports, please visit DOC's website at [www.export.gov](http://www.export.gov).

## **WORLD TRADE CENTERS CAN HELP**

The World Trade Centers hold seminars and workshops and act as resource centers to help small and mid-sized companies navigate the complicated requirements and regulations associated with international trade. The World

Trade Center Association is based in NY and is made up of 278 World Trade Centers in 78 countries. It has 750k member companies. You can find the nearest World Trade Center at [www.world.wtca.org](http://www.world.wtca.org). Tel: 212/432-2626, email: [wtca@wtca.org](mailto:wtca@wtca.org).

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*This article was written by E. Robert Hill, FluoroNews Editor.*

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*and various articles from the Wall Street Journal and the Wilmington NewsJournal. Our thanks also to Karen Toliver, SPI; David Jones, Delaware Marketing Services; Sina Ebnesajjad, FluoroConsultants Group; and David Willis, Whitford Corporation, who provided valuable comments and suggestions.* **FN**