



# GLOBAL IMPACT



A Publication of the Ocean Marine Division of Great American Insurance Group

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## SELECTING EXPORT MARKETS DOESN'T HAVE TO BE DIFFICULT

Dear Friends:

Whether you're pursuing new objectives or completing a simple task, a degree of risk is always present. To help you minimize risk, we bring you another issue of *Global Impact*.

We understand that expanding internationally may be important for you. We're also aware that it carries risk. In an effort to reduce this, we've identified a number of factors on pages 1-2 you may wish to consider.

If your products pass through U.S. ports, review the Port Maritime Security Act, which is currently making its way through Congress. Read on page 3 how this legislation may impact your business.

Eliminating danger from the workplace is everyone's business. Read on page 4 how to make "hot work" and "confined spaces" safer for your workers.

As always, we welcome your comments.

John A. Rowney  
Division President  
Ocean Marine Division

Exports are increasingly becoming more important to the success of our economy and individual companies. And, if you're responsible for any international activity, chances are your company's success at exporting will impact your job performance and value in your organization.

Consequently, identifying, assessing and choosing the right foreign markets to pursue can result in your company exceeding its profit expectations. However, selecting the wrong markets can result in great expense and frustration. To make your job easier, consider the following factors.

### STUDY ECONOMIC INDICATORS

Rank the potential countries' markets by the dollar value of your product they import from the United States. (Data needed is available from the U.S. Department of Commerce). Then rank each market by its total demand (domestic production plus world imports) for the previous three years. This will determine each country's market size, its rate of growth, U.S. market share, and whether it's increasing or decreasing.

If total demand for your type of product is increasing, look at the country's rate of growth and per capita income. If indicators are positive, it's likely that your product demand will continue to rise. However, if these indicators are stagnant or down, it's likely that the growth in demand for your product will slow and may not provide the market potential you're looking for.



### CAN YOU BE COMPETITIVE?

Identify each selected market's trade barriers (tariffs, as well as standards, regulations, quotas, labeling requirements, etc.). If excessive, these barriers may make your product too expensive and limit your exports. If manageable, investigate whether any vested interests can bar your product from the market. Importantly, know your competitors' products, prices, distribution methods, commitments to after-sale service, and target customers. If intense competition exists, look to smaller markets which may be unattractive for multinationals, but big enough for you.

### CONSIDER CURRENCY STRENGTHS AND RISKS

Importers from countries with soft currencies or insufficient reserves may find it difficult to pay you. Understand the risks, buy insurance or choose other markets. Should you accept the importer's currency, guard against wide fluctuations. And keep abreast of political risks. Should a military coup take place, a succeeding government may reverse policy; should social turmoil envelop a nation, the disruption of activities could put you out of business. New

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governments have been known to reverse policy with regard to a whole range of investment and trade issues. Additionally, follow the political relationship between the United States and your target countries. Warmer political relations may allow U.S. businesses greater access to the foreign marketplace. Cooler relations obviously can have the opposite effect.



**DETERMINE INFRASTRUCTURE NEEDS**

If your product requires a skilled support staff (human infrastructure) make sure it's available in your target markets. If not, you may be forced to provide costly support from your home office. The lack of

physical infrastructure may also curtail exports. For example, the inability to quickly deliver perishables due to inoperable roads or inaccessibility to refrigerated storage can be a deterrent.

The shipping costs of heavy merchandise to distant locations may also prove too expensive. In this case, you may wish to consider licensing your technology.

**UNDERSTAND THE CULTURE AND ADAPT**

Sensitivity to foreign cultures is not only polite, it's good business. Become familiar with your customers' cultures and study their tastes. If your products and designs don't suit them, make changes or consider going elsewhere. Products not adapted to suit cultural preferences may not be accepted. For example, Mexican women prefer bright, splashy prints on swimsuits that may not sell well in the U.S.

Furthermore, behavior considered friendly in one country may be considered offensive in another. And be aware that many foreigners believe that to be polite means having to agree with you, not always considering the ramifications of doing so.

**INVESTIGATE INTELLECTUAL PROPERTY PROTECTION AND ENVIRONMENTAL LAWS**

Many countries claim to enforce intellectual

property laws, but have a poor track record. If you sell software, investigate how piracy is handled. If protection isn't a priority, you may want to avoid this market.

Environmental standards greatly differ from country to country. Certain machinery may not meet stringent foreign environmental pollution standards, which could prevent product importation. On the other hand, some developing countries may not provide adequate facilities to treat or store toxic by-products generated by a manufacturing process, which could create a serious health risk and legal problems.

**UNDERSTAND THE LEGAL SYSTEM**

In some countries, the accused is presumed guilty until proven innocent, and judges may unfairly favor domestic sales agents terminated over poor performance or consumers who are injured by the inappropriate use of a product. Thus, one of the most pressing issues in doing business abroad is the lack of civil, commercial and criminal codes. And confusing and burdensome bureaucratic requirements can tie up valuable time. That's why you must carefully assess each country's laws and practices and determine if you wish to expose your company to them.

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**HOW MANY MARKETS SHOULD YOU PURSUE?**

Depending on your company's

level of resources, objectives and product competitiveness, the number of foreign markets to target simultaneously and the selection process used to determine what markets to pursue will differ considerably.

If your company is new to international trade and your staff and level of resources allocated to pursuing exports are limited, it may be wise to focus on fewer foreign markets (i.e., one to three). This will prevent spreading your resources too thin. ■



# THE PORT AND MARITIME SECURITY ACT MAY HAVE IMPLICATIONS FOR YOUR BUSINESS

In response to the terrorist attacks on September 11, 2001, the U.S. government has begun to look at new ways to protect our country, businesses and citizens. From President Bush's creation of the new position of Homeland Security Director, to enhanced airline security measures



and increased border patrols, American leaders recognize the need for greater protection. Our country's seaports are no exception.

As such, Congress is currently considering legislation that

will increase security in our nation's seaports. If passed, funding for infrastructure and security improvements will be dramatically increased, and the procedures for entering goods and shipments will be drastically altered.

**THE PORT AND MARITIME SECURITY ACT** Introduced in both the House of Representatives and the Senate in various forms, the Port and Maritime Security Act seeks to amend the Merchant Marine Act of 1936 by establishing a coordinated policy to protect our nation's seaports from threats of crime and terrorism.

## ROLE OF SEAPORTS IN AMERICA

The U.S.' 361 public seaports conduct more than 95% of our country's overseas trade, while the U.S. marine transportation system moves more than 2 billion tons of domestic and international freight annually. Furthermore, waterborne cargo contributes more than \$742 million to the U.S. gross domestic product and creates employment for more than 13 million citizens. It is also anticipated that over the next 20 years, the total volume of goods passing through our seaports is expected to more than double.

Although imperative to our country's economic success, seaports have not kept pace with the

times. Often exposed and open, they are susceptible to acts of terrorism. And unfortunately, most seaports' security, technology and infrastructure sorely lag behind in effectiveness. The Port and Maritime Security Act seeks to address these issues.

## THE ACT'S KEY INITIATIVES

Comprised of more than 20 sections, The Port and Maritime Security Act recommends the establishment of a task force and local port security committees, Coast Guard port security vulnerability assessments, infrastructure improvement, and

maritime transportation security programs. Employment investigations, the use of screening and detection equipment, and counter-terrorism and incident contingency plans are also recommended.

Some have already expressed concerns over the use of video surveillance equipment and the infringement on privacy rights.

## THE IMPACT

The Act also calls for mandatory advanced electronic information for cargo and passengers, as well as pre-arrival messages from vessels destined to U.S. ports. Although set up to ensure precise cargo documentation



and improved safety and security via detailed description of ocean shipments well before entry, these two requirements could pose some challenges. For instance, thieves could gain access to this information in advance, which would provide them with more time to plan a theft.

Additionally, the Act contains a number of provisions that would modify customs reporting requirements. This means traffic to foreign trade zones may be slowed, in turn, causing some inventory delays. ■

*The Port and Maritime Security Act seeks to amend the Merchant Marine Act of 1936 by establishing a coordinated policy to protect our nation's seaports from threats of crime and terrorism. How will it impact your business?*

# HOT WORK AND CONFINED SPACES SAFETY – WHAT YOU NEED TO KNOW

**H**ot work and working in confined spaces are perhaps two of the most dangerous kinds of work that can take place. In order to protect yourself, your employees and your business, here's what you should know.

## WHAT ARE HOT WORK AND CONFINED SPACES?

Hot work, defined as any work that produces a possible source of ignition, includes two types of activities: flame producing, such as welding, cutting, burning or riveting; and spark producing, such as drilling, grinding, chipping and abrasive blasting.

Confined spaces are spaces that are difficult to enter or exit, not normally occupied, may not have adequate ventilation, and can contain one or more hazards, such as atmospheric, physical and/or mechanical.

Typical maritime industry confined spaces include, ballast, cargo, wing, and fuel tanks, pump rooms, void and machinery spaces, cofferdams, etc.

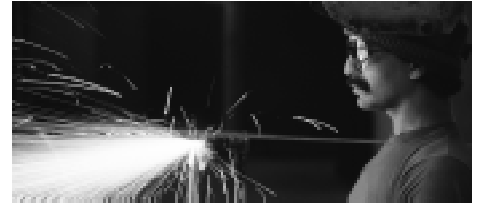
## TAKE PRECAUTIONARY STEPS

According to the American Waterways Operators and the National Fire Protection Association, you can take precautions to make both hot work and working in confined spaces less dangerous.

In the case of hot work, you should determine whether a fire exists prior to beginning work, as well as determine if any hazards are present, especially those that could fuel a fire (i.e. liquids, gases or simple combustibles). Furthermore, you should perform hot work only in designated areas.

As for confined spaces, you should ensure that the atmosphere is properly tested for oxygen, flammability and toxicity and that there is proper mechanical ventilation. You should also NEVER enter a confined space alone.

Regarding both scenarios, you should provide proper fire extinguishing equipment, establish procedures for periodic re-testing of conditions, and be prepared in case of an emergency.



## ROLE OF MARINE CHEMIST OR SHIPYARD COMPETENT PERSON

Before performing hot work or working in a confined space, a Marine Chemist or Shipyard Competent Person must properly test the atmosphere for oxygen and flammability, always using a properly calibrated instrument. As such, you should always check the Marine Chemist Certificate/Shipyard Competent Person inspection and testing log to ensure everything is in order.

## REACH FOR SAFETY

The American Waterways Operators and the National Fire Protection Association also strongly encourage the use of REACH – Recognize, Evaluate And Control Hazards. By following these steps, you can reduce or eliminate accidents that may just cost you your life. ■

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*Ed Wilmot  
(212) 510-0135  
ewilmot@gaic.com*

Great American Insurance Group  
Ocean Marine Division  
125 Maiden Lane  
New York, NY 10038  
[www.gaic.com/web/GAIMenu.nsf/pages/OM](http://www.gaic.com/web/GAIMenu.nsf/pages/OM)



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