



GLOBAL IMPACT



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Dear Friends:

There's no doubt that expanding globally contains risk. But the risk of operating solely in the domestic market could be greater.

In this issue, you'll read about new data which measures the gains that accrue to companies that export, import, invest abroad or are recipients of foreign direct investment (p1-2). Managers would be well advised to incorporate this data into their strategic plans.

Downstreaming is a waterways maneuver that requires considerable skill. But even then the tactic is dangerous. Read about the pitfalls of downstreaming and steps you can take to minimize risk (p3).

"He said, she said" takes on a whole new meaning in Congress. Read about divergent perspectives regarding port security (p4).

We hope you enjoy this issue and welcome your comments.

Sincerely,

John A. Rowney
Division President
Ocean Marine Division

ANALYSIS SHOWS MANY BENEFITS COME TO GLOBALLY-ENGAGED COMPANIES

Has your company considered expanding internationally, but has had difficulty measuring the potential benefits to the bottom line? Howard Lewis III and J. David Richardson's new report, *Why Global Commitment Really Matters!*, may help. Data from the report reveal that companies linked to the global marketplace perform better than those only operating domestically. But unlike previous reports, the research doesn't just focus on exporters.

In fact, the report says companies that invest abroad, import or are recipients of foreign direct investment (FDI) also experience greater success than companies solely focused on the domestic market. And, the analysis makes direct comparisons of companies of the same size in the same industries. But that's not all — the study also says employees and communities of globally-engaged firms prosper more.

FASTER GROWTH FOUND AT EXPORTING FIRMS

Companies that export grow faster and fail less often than companies that don't. Plus, their workers and communities are better off. According to the report, published by the Institute for International Economics, a Washington, DC think tank, U.S. exporting firms witness an annual growth of 2 to 4 percentage points more than their non-exporting counterparts. Better opportunities for employee advancement, annual total sales increases between 0.6 to 1.3 percent and a nearly 8.5 percent less chance of going out of business are further benefits



exporting firms experience. And these gains are not dependent on any specific time period or export volume.

HIGHER WAGES ARE THE NORM

Workers employed in exporting firms have better-paying jobs, according to Lewis and Richardson. For example, blue-collar worker earnings are 13 percent higher in exporting firms than earnings in non-exporting plants. Furthermore, when comparing large plants, these wages are 23 percent higher, and when comparing small plants, the number is 9 percent higher. White-collar employees obtain better wages, too — 18 percent more than their non-exporting counterparts. In addition, worker benefits at exporting plants are 37 percent higher, and include improved paid leave and medical insurance.

STRONGER PRODUCTIVITY RESULTS

According to the report, U.S. plants that are recipients of FDI employ workers whose productivity is 19 percent higher. This is because these plants provide their employees

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with more machinery and equipment, as well as use more cutting-edge technology than their non-globally engaged counterparts. And these benefits accumulate at plants with an equity stake as low as 10 percent and as high as 100 percent. In summary, the report says blue- and white-collar jobs at these plants pay 7 and 2.5 percent more,

respectively, when comparing plant size, industry and location.

THE USE OF MORE ADVANCED TECHNOLOGY

Data show that U.S. companies with investments abroad also use more advanced manufacturing technology than U.S. domestic

companies. In fact, this has led to increased labor productivity. In short, worker productivity is 11 percent higher in large multinationals and 33 percent higher in small ones, as compared to U.S. competitors not invested abroad.

And, average annual earnings of employees at large American multinationals are 18 percent higher than at their U.S. counterparts; this number increases to 25 percent at small multinationals. Even though analysis demonstrates difficulty in fully separating white-collar job gains at American-owned multinationals, blue-collar job gains are significant.

IMPORTERS PROSPER TOO

U.S. imports consisting of components, capital goods and raw materials typically are not in competition with American jobs. These imports, which total about 70 percent of U.S. imports overall, provide competitive prices and help enhance worker productivity. In turn, higher productivity leads to a variety of additional benefits.

The report also contends that investment-engaged firms import more than non investment-engaged firms. For instance, in 1992, U.S. foreign-backed manufacturing plants imported 16 percent of their intermediate goods, while U.S. manufacturing plants invested abroad imported 11 percent. By comparison, in 1992, non-investment-engaged U.S. manufacturers imported approximately 7.5 percent of their intermediate inputs. The research indicates that one benefit investment-engaged firms enjoy is their ability to grow through intelligent importing. This is reflected in these firms' use of better tools and methods.

BENEFITS ACROSS COMMUNITIES

According to the new report, U.S. communities that host foreign multinationals often experience positive effects in terms of technology, wages and skills. As for U.S. communities that host American multinationals, data is still unavailable.

However, in general, most communities that host globally-integrated companies benefit via a more stable workforce and a stronger tax base. Plus, revenue generated from global integration flows throughout a local community and helps spread risk — an important concern if the domestic market enters a period of slow or negative economic growth.

NO DISADVANTAGES FOR SMALL FIRMS

Small firms do not experience a disadvantage compared to larger firms in realizing the benefits from exporting, according to *A Profile of U.S. Exporting Companies, 2000-2001*, published by the U.S. Commerce Department. This is important since 212,568 out of 238,284 exporters or 89.2 percent of all U.S. exporters are small businesses.

And, over the past decade, small American firms have dramatically increased their export commitment. It is this commitment to exporting, and not the volume or share of exports in overall sales, that is responsible for higher performance.

GLOBAL EXPANSION IS KEY

Fifty years ago, less than 5.5 percent of U.S. economic growth was attributed to trade. Today, however, trade has become an integral part of everyday life and now accounts for 25 percent of U.S. economic growth. But the benefits that accrue to globally-engaged firms, workers and communities don't just apply

to the United States, according to *Why Global Commitment Really Matters!* In fact, regardless of country location, globally-engaged companies incur similar benefits.

While it's true that the pursuit of international trade and investment has risks, the danger of only operating domestically could be greater. The bottom line: global engagement is a major key to success in today's rapidly evolving business environment. ■

Due to successful efforts to lower global barriers, international trade and investment have become a primary engine of world growth. And while it's true that the pursuit of global trade and investment has risks, the danger of only operating domestically could be greater.



TRAINING AND SKILL ARE THE BEST INSURANCE AGAINST DOWNSTREAMING ACCIDENTS

By Captain Steve Zeringue

When one hears the word “downstreaming” for the first time, the notion of a sandy bank and meandering river may come to mind. However, to those mariners who work the river for a living, the term downstreaming conjures up an entirely different image.

Downstreaming is a carefully orchestrated maneuver designed to navigate a vessel downstream with the current to purposely land on a barge or tow. It is sometimes used in lieu of



other maneuvers to save time and/or callout the crew. However, in order to execute

downstreaming successfully, the operator must possess considerable skill and precision and must preplan the maneuver. In all cases, pilothouse personnel are reminded that no maneuver should be attempted if they are not familiar with it or confident they can carry it out safely.

HOW DOWNSTREAMING WORKS

Initially, the towing vessel will be positioned upstream above a barge before turning about and heading downstream, often times with its engines in reverse. The next step is to safely land the vessel on the barge and then back the barge out of the fleet or tow.

POTENTIAL PITFALLS

If the vessel meets the barge at an improper angle, the oncoming current can push or rotate the vessel and pin it perpendicular to the barge. In a strong current, this unwanted movement can take place in a matter of minutes and cause the vessel to take on water and possibly capsize, sink, or get pulled under the barge.

PREPLANNING IS KEY TO SUCCESS

Proper preplanning and maintaining situational awareness are keys to a successful maneuver. Knowing the surrounding elements (wind direction, current direction and speed, weather, vessel traffic, etc.), and understanding conditions may change at various river stages are crucial factors. Other considerations include:

- Develop proper techniques / procedures:
 - be aware of the effects of the current,
 - use the rudders and engines sparingly to maintain a reserve in case of an emergency,
 - consider positioning one engine in reverse to reduce emergency response time.
- Ensure pilothouse personnel are familiar with the handling characteristics of the vessel.
- Provide simulator training and allocate time for techniques to be practiced.
- Design and conduct related emergency response drills.

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The value of simulator training is primarily its ability to allow mariners to practice techniques without risk. Pilothouse personnel can be placed in authentic and challenging scenarios and be given the opportunity to hone their techniques, strengthen their skills, and evaluate/learn from their decisions without consequence.

ADDITIONAL RESOURCES AVAILABLE

Many years ago, the inland industry and the U.S. Coast Guard formed quality action teams to improve the industry’s safety and environmental performance. As a leading cause of inland maritime incidents, downstreaming was selected as the focus of one team’s study. This effort resulted in the development of an instructional video and checklist (available through the American Waterways



Operators) and

these additional findings were identified:

- Potential risks associated with downstreaming increase for towing vessels with less than 1,350 horsepower.
- First deck doors and windows should be closed and secured.
- The same technique may not apply at different river stages.
- Provide simulator training and allocate time for techniques to be practiced. ■

PORT SECURITY EFFECTIVENESS UNDER REVIEW

A VIEW FROM THE CAPITOL

In mid-May, U.S. Senators Fritz Hollings (D-SC) and John McCain (R-AZ) raised concern that the Bush administration is not appropriately addressing the port security mandates in the Maritime Transportation Security Act (MTSA). The MTSA, authored by Hollings, was signed into law last November and created the nation's first maritime security guidelines.

Hollings and McCain said, "We remain concerned about the adequacy of security at our nation's port facilities... our ports remain exposed and susceptible to acts of terrorism that could cause a large loss of life and economic disruption. By most accounts, current inspection levels of containerized cargo are insufficient, and technology currently is not deployed to allow for the non-intrusive inspection of such cargo."

Overall, the two senators believe that the Department of Transportation (DOT) and the Department of Home-

land Security (DHS) have failed to ensure that all MTSA requirements are being executed timely and effectively. As a result, the senators have requested that the General Accounting Office examine the Administration's methodology and approach toward the initial port vulnerability assessments, as well as how the costs associated with fixing the deficiencies are estimated.

In addition, the senators are seeking the methodology for developing the Sea Marshall program, the Automated Vessel Identification System, the maritime intelligence system requirements, the transportation worker ID cards, and the effort to certify secure systems of international intermodal transportation. Plus, an examination of how the Administration will assess security efforts at foreign ports has been requested. Each of these elements is mandated in the new port security laws.

Recently, the DHS awarded \$75 million



to "high threat" ports nationwide; an additional \$35 million was set aside for radiological defense at the ports in New York/Newark and Charleston, SC. According to the two senators, the Coast Guard will require more than \$6.6 billion over the next 10 years for private port facilities alone to meet the baseline mandates in the new federal port security laws. However, to date, the Administration has awarded less than \$500 million.

Hollings and McCain are working to change this funding dilemma. In short, Hollings said, "We cannot rest in our homeland security efforts, and port security is chief among them." ■

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