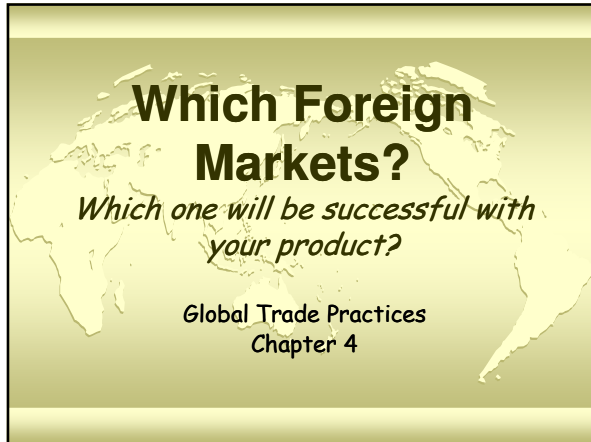


Which Foreign Markets?

Which one will be successful with your product?

Global Trade Practices
Chapter 4



Basic Entry Decisions

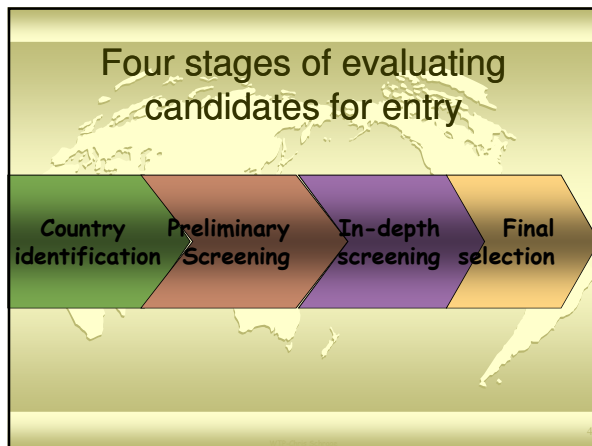
- Which markets to enter?
- When to enter the markets?
- What scale of entry?



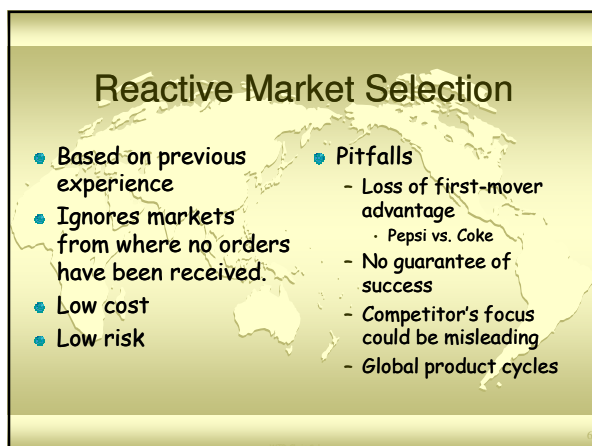
Which Foreign Markets

- **Favorable benefit-cost-risk-trade-off:**
 - Politically stable developed and developing nations.
 - Free market systems
 - No dramatic upsurge in inflation or private-sector debt.
- **Unfavorable trade-off**
 - Politically unstable developing nations with a mixed or command economy or where speculative financial bubbles have led to excess borrowing..











Proactive Market Selection



- Demographic
- Macroeconomic
- Government Policies
- Environmental
- Industry-specific

Global Assessment

- Basic Issues
 - Product user
 - Product benefits
 - Cultural limitations
 - Infrastructure needs
- Market
 - Growing, declining, stagnant
 - Competitive, entry barriers, substitutes
 - Environmental conditions
 - (PORTER'S MODEL)



Tariff Trade Barriers

- Most common method of domestic market protection
- Taxes due on imported goods
 - Import duties
- Based on product **value**
 - Ad valorem duty
- When making comparisons-
 - Distinguish between import duties placed on imported goods and VAT (value added tax) charged on all goods sold. *VAT is similar to Iowa Sales Tax.*

Nontariff Trade Barriers

- More complicated
- Can be discriminatory
- Can keep product out of country
- Often reviewed by World Trade Organization



Non-tariff barriers

- Import licenses
- Government standards and testing
 - FDA
 - CE Mark
- Product labeling
- Quotas
- Government procurement rulings
- Investment restrictions

Japanese Restriction



- JAPAN AGRICULTURE STANDARD
 - JAS
- Organic foods
 - OMIC

Paul Yamaguchi

Surgical Devices International



- **Spain's Nontariff Barrier**
 - Since usage breaks surface of skin
 - Must be registered with Ministry of Health
 - All documentation must be in Spanish
 - Domestic agent must be determined at time of registration

Other examples

- **European Union-U.S. Beef**
- **European Union-GMOs**

China Ban on Direct Sales Hits U.S.
 U.S. Trade Representative Caroline Barshesky went to bat for Amway, Avon Products and Mary Kay Cosmetics during her recent trip to China. But it's questionable whether her efforts on behalf of the U.S. companies will lead Beijing to reverse a ban imposed last week on all direct-marketing efforts. What irks Washington is that the order, aimed at curbing a proliferation of pyramid schemes, lumps together illegal and legitimate business practices. The U.S. says the three companies have invested more than \$120 million to make and sell their products in China, providing incomes for two million Chinese and are "completely accountable." Ms. Barshesky and the U.S. companies aren't the only ones upset by all this; police say a protest by hundreds of people involved in direct sales erupted into a riot with

Country Data

- **Country Commercial Guide**
 - Reports from National Trade Data Bank
- **U.S. Department of Commerce**



- **Information regarding:**
 - Tariff barriers
 - Service barriers
 - Barriers to trade
 - Typical import steps
 - Internal taxes
 - Imports subject to special control
 - Labeling and marking
 - Standards
 - Government procurement barriers
 - Investment barriers
 - Customs valuation
 - Tariffs and import taxes
 - Other imports
 - Etc.