



Northern Wisconsin International Trade Association

Spring
2009
News

GREETINGS! DA JIA HAO! NAMASTE!

DR. RAMA YELKUR

On behalf of the Northern Wisconsin International Trade Association (NWITA), I would like to thank all of you for your support in our first year of operation. April 9, 2009 will mark the first Anniversary of NWITA. In the past year, we hosted six Doing Business Globally workshops on a variety of topics that you suggested to us. Many of you have contacted us with your queries and we are happy to be of assistance to you.

As we continue to grow, please feel free to provide us with any feedback and tell us more about your needs. If you would like to play a more active role in the organization, such as serving on the advisory board of NWITA or becoming a sponsor, please contact us at nwita@uwec.edu. We are looking forward to partnering with you to find solutions to the international business needs in our region. Please visit our website www.nwitaglobal.org to learn about upcoming events and other news.

“DUE DILIGENCE” BEFORE YOU “DO A VIOLATION”

BONNIE ANDERSON

There are many regulatory requirements for international trade. Other agencies may be involved, however. The exporting community generally works with Department of Commerce and the Export Administration Regulations for export controls, www.bis.doc.gov. For export clearance, the regulatory requirements of the Bureau of Census through the Foreign Trade Regulation (www.census.gov/foreign-trade/regulations/index.html) and US Customs and Border Protection (www.cbp.gov) must be met. Depending on the product(s) for export, there can be many complex or very few export requirements. This article addresses two “primary” elements that can help with your export compliance.

Element # 1

General Prohibitions 4 - 10 of Export Administration Regulations addresses that an exporter can not knowingly export or re-export to a prohibited end-user or a prohibited end-use. Although not stated as a regulatory requirement to “screen”, screening is the process used to determine that there is no violation of denial or when an export license may be required for an end use or end user. Some ways to manage the prohibition requirements are:

- Screen all *current* ship to/sold to/bill to/ultimate consignee entities for denial.
- Establish a process to screen all “*new*” entities/customers prior to any contractual agreement.

- Screen using lists obtained at www.bis.doc.gov “lists to check” or utilize a vendor supplied automated service. The automated process can be web based/ad hoc by sub-

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WISCONSIN INTERNATIONAL TRADE TEAM

JEN PINO-GALLAGHER

Where do I begin? This is often the first question a potential exporter asks. The answer is not an easy one because the rules and regulations dictating the export process are determined not only by the product itself, but by the destination market. Companies with experience selling within Wisconsin and regionally are often taken aback by the complexity of selling a product overseas. Even the terminology associated with exporting – INCOTERMS, schedule B numbers, duty drawbacks – can baffle the novice, and seasoned exporters.

Luckily, Wisconsin companies have an in-state resource to help navigate the often confusing process of international trade. The Wisconsin International Trade Team is a collaboration of the international divisions at the Wisconsin Department of Agriculture, Trade and Consumer Protection and the Department of Commerce. The Trade Team's sole purpose is to help Wisconsin companies build international trade. To achieve this goal, staff provide a broad array of services from determining a company's export readiness to providing guidance on the proper export documentation.

Team members work with a variety of Wisconsin companies ranging from food processors, to livestock companies, to manufacturers of everything from metal fasteners to high tech scientific instruments.

The trade team members at the Wisconsin Department of Agriculture, Trade and Consumer Protection focus their services on Wisconsin's food and agricultural companies while staff at the Department of Commerce assist non-agricultural businesses. Services and support are not limited to Wisconsin's borders. Through the Wisconsin International Trade Team, companies can access international offices covering 22 markets.

Companies interested in exporting should begin their information search by requesting a one-on-one consultation with a Wisconsin International Trade Team member. During the consultation, Trade Team staff evaluate a firm's export potential and readiness and offer guidance on the mechanics of the export process.

In addition to one-on-one consultations, companies can also access education and market building opportunities. Examples of Wisconsin International Trade Team services include:

- **Export Seminars** — The Wisconsin International Trade Team coordinates and participates in state-wide exporter education seminars. Seminar topics range from exporter basics to detailed sessions on trade regulations, tariffs and market characteristics.
- **Branded Program™** — The Branded Program, available to food and agricultural companies, provides 50% cost reimbursement for a wide variety of international marketing activities. Eligible activities include (but are not limited to) advertising, in-store promotions and product

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scription or a fully integrated process.

- Establish a process to obtain information on the ultimate end user and the intended end use of the product(s) for each export transaction (not all inclusive):
 - Diversion Risk
 - Nuclear End-Uses/Users
 - Missile End-Uses/Users
 - Chemical & Biological Weapons End-Uses/User
- Establish set times/places in the order process when screening will occur.
- First contact with new entity
- Order entry (new and current entities).
- Any changes in address, end use or end user after order entry.
- Before release for export.
- Retain ALL screening results for 5 years from the date of the transaction.
- Establish an order process

hold & release program for “deemed” matches to denied entities and questionable end use of products.

- Document all processes and procedures and make them readily accessible and available to employees as a tool to help reduce the possibility of violation.

Element # 2

General Prohibitions 1 – 3 of the Export Administration Regulations address the requirements to know the product classification, before export or re-export, by assignment of an ECCN (Export Control Classification Number). ECCN classification determination is required for ALL commodities, technology, technical data and software intended for export. The ECCN classification codes, Categories 0 through 9, can be found at www.bis.doc.gov, Part 774 of the Export Administration Regulations.

Once a classification has been



Bonnie Anderson presenting “Export Documentation”

determined, the reason for control of the ECCN entry and the country chart located in Part 738, are used to determine if formal authorization by validated export license is required for the export transaction. The determined ECCN classification will then be entered, for each item, by line item, on the commercial invoice.



Attendees at the Export Documentation workshop held on February 27, 2009 in Eau Claire, WI

EX-IM BANK: A VALUABLE PARTNER FOR WISCONSIN COMPANIES SEEKING TO EXPORT

MARIANNA OHE

Companies in northern Wisconsin and surrounding areas may be leery of competing in the global marketplace during the current economic crisis, but the truth is that exports are more important than ever in these difficult times. NWITA members can get the financing support they need to export from a valuable partner – the Export-Import Bank of the United States (Ex-Im Bank).

One recent example: **Dan's Fish Inc. of Sturgeon Bay, Wisconsin**, a 20-employee wholesaler of fish and fish products including caviar, has been able to increase its export sales using an Ex-Im Bank short-term multibuyer insurance policy. The company's primary export markets are Finland, Sweden and Estonia, and roughly 60 percent of its business consists of exports.

"With Ex-Im Bank insurance, we're able to expand internationally and service more of a world that's hungry for fish," says Dan's Fish President and owner Daniel Schwarz. "The insurance gives us security that otherwise would be unattainable. This allows us to grow and keep our employees. In fact I think we will be adding staff soon."

It is true that lending standards have been tightening at many banks over the past year. But NWITA members can turn to Ex-Im Bank, the official export credit agency of the United States, which has the financing tools to help U.S. companies break into, or expand their business in, global markets.

We do not compete with private sector lenders. We provide export financing products that fill gaps in trade financing, to keep trade flowing to emerging markets. In other words, Ex-Im Bank assumes credit and country risks that the private sector is unable or unwilling to accept. In short, we support exports that otherwise would not go forward.

Ex-Im Bank is active in about 90 countries. We support every kind of export – from capital goods associated with large infrastructure projects, to exports by thousands of small businesses including consumer products and services.

We offer a variety of financing tools:

Working Capital Loan Guarantees: These guarantees cover 90 percent of the principal and interest on working capital loans for pre-export costs. These costs can include purchase of raw materials or finished products, production of exports, and coverage of standby letters of credit serving as bid bonds, performance bonds, or advance payment guarantees.

Export Credit Insurance: This insurance protects mostly small-business exporters and their lenders against the commercial and political risks of a foreign buyer defaulting on payment. The insurance can cover multiple buyers, countries, and transactions, and also allows exporters to extend credit terms directly to their international buyers.

Loan Guarantees: Such guarantees enable American firms to offer foreign buyers competitive credit to win a sale of equipment and services.

Financing enhancements: Ex-Im Bank has enhanced several of its trade finance products to help counter the tightening of credit and the lack of liquidity in the export marketplace. Among the changes is expanded access to the Bank's working capital loan guarantees. These loan guarantees are now available for **indirect exporters**, which are U.S. companies that provide goods and services destined for export by other U.S. companies.

Korean LOC facility: Ex-Im Bank provides \$2.9 billion in insurance cover involving letters of credit issued by 11 Korean financial institutions. It will help meet increased demand to insure U.S. lenders' confirmation of Korean bank letters of credit.

To learn more about Ex-Im Bank financing products, visit our web site at www.exim.gov or contact the Bank at **1-800-565-EXIM (3946)**, or through our regional Midwest Regional Office in Chicago at (312) 353-8081.

Ex-Im Bank also has many partners -- help in reaching us can be as near as:

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- your local bank
- your Chamber of Commerce
- any of more than 100 Export Assistance Centers around the country that are run by the U.S. Commerce Department's Foreign Commercial Service.

Delegated Authority Lenders: More than 200 commercial lenders delegate authority to provide Ex-Im Bank-guaranteed working capital financing without prior approval from the Bank. This greatly accelerates access to our financing. JPMorgan Chase Bank, N.A., and Wells Fargo HSBC Trade Bank, N.A., both in Milwaukee, are Ex-Im Bank Delegated Authority Lenders.

Insurance brokers that work with Ex-Im Bank also are listed on our web site. They are able to help clients select the best Ex-Im Bank export credit insurance for their needs.

To get a list of **U.S. Commerce Department Export Assistance Centers**, go to www.export.gov or www.buyusa.gov and click on "Find Local U.S. Office." Ex-Im Bank and **U.S. Small Business Administration (SBA)** offices often are co-located there to provide one-stop shopping. You can learn about SBA financing programs at www.sba.gov.

More than 50 **Ex-Im Bank City-State Partners** around the country can help local small businesses with exporting and obtaining Ex-Im Bank financing. The **Wisconsin Department of Commerce's Division of Investment and Export** is an Ex-Im Bank City-State Partner located in Madison. It can be reached at (608) 266-1480.

Consider participating in one of the **Ex-Im Bank exporter training seminars** that are held around the country and at Ex-Im Bank headquarters. A calendar of seminars is available on the Bank's web site.

Ex-Im Bank's financing is more critical and useful than ever before in the current economic crisis. When banks can't lend, private insurers do not renew export credit insurance policies, and exporters can't get credit, we are the financing source for you to make international sales.

**A more comprehensive version of this article is available on the NWITA website at: <http://www.nwitaglobal.org/newsletters.htm>*

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demonstrations, fees for exhibiting at overseas tradeshows, public relations, promotional publications and freight costs for samples. For a complete list of eligible activities, visit: www.foodexport.com

- **Food Export Helpline™** — The Food Export Helpline offers customized export assistance on the details affecting food and agricultural exports ranging from sanitary certification to issues affecting shipping live or frozen cargo.
- **Market Builder™** — The Market Builder determines a product's market potential through customized in-market research and competitor comparisons. Also available through this service is product feedback from qualified importers and distributors and one-on-one meetings with interested buyers.
- **Agent/Distributor Search** — If conditions look positive for a Wisconsin product in a market, international office staff will identify potential agents or distributors, obtain background information, and arrange meetings and follow-up with candidates that best meet the exporter's needs.
- **Client/End User Search** — In markets too small to support distributor networks or in situations where products are customized for each customer, international office staff will develop a list of potential buyers, obtain background information, and introduce your product to them but allow your own staff to follow-up with sales calls.
- **Buyers' Missions** — Buyers' Missions bring foreign buyers to the U.S. to meet directly with Wisconsin companies. These missions are a great opportunity to build relationships with key industry players without the time and expense involved in overseas travel.

While there is no one single source for all the export answers, the Wisconsin International Trade Team offers a perfect place to begin the export journey.

To explore the world of exporting, or for assistance with a specific export question, contact the Wisconsin International Trade Team by emailing international@wisconsin.gov or call 1-800-462-5237.

FEATURES OF LABOR CONTRACT LAW IN CHINA

RAUL XU

Prior to January 2008, labor relations between foreign-funded enterprises in China and their employees were mainly regulated by Regulations on the Labor Management of the Foreign-Funded Enterprises (referred to here as the Regulation). However, the new Labor Contract Law (referred to here as the Law) has changed many existing rules concerning labor relations. Foreign-funded enterprises in China need to pay careful attention to these changes. In this article, we compare these two laws to help clarify the differences.

Conclusion of Non-Fixed Term Labor Contracts

According to the Regulation, only those who have been working with the same employer for ten years may request to conclude a non-fixed term labor contract. To better protect employees' rights, the Law expands the scope of non-fixed term labor contracts. Now a labor contract shall be concluded as non-fixed term if:

1. The employer and employee reach an agreement on the conclusion of a non-fixed term labor contract;
2. The employee has worked consecutively for the employer for 10 full years;
3. The labor contract is to be renewed after two fixed-term labor contracts have been concluded consecutively;
4. If the employer fails to sign a written labor contract with the employee after one full year from the date when the employee begins work, it shall be deemed that the employer and the employee have concluded a non-fixed term labor contract.

Termination of Labor Contracts

Compared to the Regulation, the Law specifies additional circumstances under which labor contracts may be terminated. According to the Regulation, an employer may terminate the labor contract only if:

1. An employer and employee reach an agreement for termination;
2. An employer terminates the contract during the probation period of an employee when it is evident the employee does not meet the position's qualifications, fails to carry out the contract, seriously violates labor discipline and/or policies, or has been convicted of reeducation-through-labor or criminal punishment;

In addition, the Law grants more rights to the employer by adding the following circumstances under which the employer may terminate the contract:

1. The employee causes severe damage to the employer by seriously neglecting duties or seeking private benefits;
2. The employee simultaneously enters an employment relationship with other employers and thus seriously affects his completion of the employer's tasks, or the employee refuses to make the ratification after his employer points out the problem;
3. The labor contract is invalidated because the employee deceives, coerces, or takes advantage of the employer's difficulties to force the employer to conclude a

labor contract or to make an amendment to a labor contract, which is contrary to employer's will.

Although the Law grants employers more rights in terms of the termination of the labor contracts, the main purpose of enacting the Law is to provide better protection of employees' rights and interests. While the Regulation only states that an employee may terminate the labor contract if forced to work for the employer under violent treatment, threat, or imprisonment

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or other means of restricting personal freedom by the employer or if the employer fails to carry out the labor contract or violates the State laws, administrative regulations and infringes upon the legal rights and interests of the employee, the Law adds many more circumstances under which an employee may terminate the labor contracts. These circumstances include:

1. The employer fails to provide labor protection or work conditions as stipulated in the labor contract;
2. The employer fails to timely pay the full amount of remunerations;
3. The employer fails to pay social security premiums for the employees;
4. The labor contract is invalidated because the employer employs the means of deception or coercion or takes advantage of the employee's difficulties to force the employee to conclude a labor contract or to make an amendment to a labor contract, which is contrary to employee's will;
5. An employer violates the safety regulations or forces any employee to perform dangerous operations that endanger the employee's personal life.

Economic Layoff System

The Law states the employer may lay off 20 or more employees, or less than 20 employees where the layoffs account for 10% of the total employee number if:

1. The enterprise is under reorganization according to the Enterprise Bankruptcy Law;
2. The employer encounters serious difficulties in production and business operation;

3. The enterprise changes products, makes important technological renovation, or adjusts the methods of its business operation, and it is necessary to lay off the number of employees after changing the labor contract; or
4. The economic situation on which the contract is based has changed considerably and the employer is unable to perform the labor contract.

Before laying off any employees, however, the employer shall explain to the labor union or to all employees 30 days in advance. After the employer has solicited the opinions from the labor union or the employees, layoffs may commence upon reporting the employee reduction plan to the labor administrative department.



Conclusion

The new law has imposed more limitations on the conclusion and termination of labor contracts, thereby establishing a new system for economic layoffs, severance pay, and narrowing the application of non-competition clauses. These changes aim to better protect employees' rights and balance the relations between employees and employers. Employers must be well aware of these changes as the costs

of breaching the law are even higher than before.

**A more comprehensive version of this article is available on the NWITA website at: <http://www.nwitaglobal.org/newsletters.htm>*

EXPORT COMPLIANCE

CHERIE SONSALLA

Exporting is more than making a sale and arranging a shipment to a foreign customer. Even if the sale is through another U.S. company, your company assumes liability for the final destination of your products. You and/or your company could ultimately be held responsible if products end up in an embargoed country or in the possession of a person or entity that is on one of the denied parties lists – even if it is unbeknownst to you. Violators of the Export Administration Regulations (EAR) could be subject to both administrative and criminal penalties.

Because the U.S. government wants to ensure export compliance, on October 1, 2000, it changed the Foreign Trade Statistics Regulations to define the party who is ultimately responsible for the export. Prior to the change, it was simply defined as the exporter. The new regulation defines it as the United States Principle Party of Interest (USPPI). The U.S. Census Bureau's interpretation of who is the USPPI can be found on page 7 of the AES Compliance Best Practice Manual. In essence, it is the business that gains the most from the transaction, monetary or otherwise. In a simple transaction in which a U.S. manufacturer sells directly to a foreign customer, the U.S. manufacturer is the USPPI. However, your sale could be to another U.S. Seller (wholesaler/distributor), which has included its own profit margin in the selling price to the foreign entity. If its profit margin (or other benefit) is greater than yours, it would become the USPPI.

There are several lists to check before an order should be accepted. Note that many of these lists include U.S. individuals or entities that have been denied export privileges. The Bureau of Industry and Security (BIS) maintains three lists: Denied Persons, Unverified and an Entity list. These are individuals or entities that have been denied export privileges or for which a li-

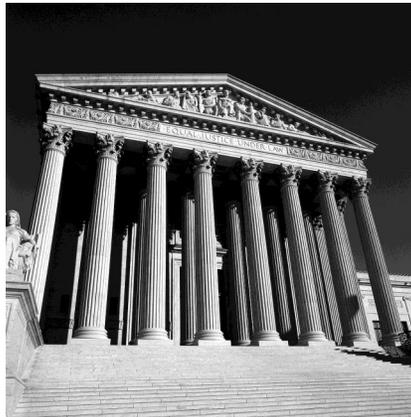
cense for export is required under the EAR. BIS is concerned with issues of exporting goods that could pose a danger to U.S. interests if diverted or misused. The U.S. Department of State has authority over defense articles; therefore it services and administers the Nonproliferation Sanctions as well as the Debarred List. These are foreign individuals, private entities and governments that engage in proliferation or are barred from participating in the export of defense articles and services. The U.S. Department of Treasury's Office of Foreign Asset Control (OFAC) administers and enforces the Specially Designated Nationals list as well as economic and trade sanctions based on U.S. foreign

policy. There is a link to most of these lists on the BIS website and they are also included at the end of this article. Before the shipment leaves the U.S., the USPPI must file a Shipper's Export Declaration (SED) through the U.S. Census Bureau's Automated Export System. If the USPPI delegates an authorized agent such as a freight forwarder to file the SED, it must give a properly executed power of attorney to the agent. The agent

must also be physically located in the United States.

Even if you are not the USPPI, you can be held legally liable if your goods wind up in an embargoed country or in the hands of an individual or entity from which the U.S. government has banned from conducting business with a U.S. company. Whether you are just getting started in exporting or are doing research about a particular transaction with regard to the EAR, I recommend that you visit the Bureau of Industry and Security's website, which has a number of resources for exporters. The Export Control Basics link gives general information that defines what is an export and if an export license is needed for your product (note that a license may or may not be required depending

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(Export Compliance *from page 8*)

upon the country or entity you to which you are shipping). With regard to compliance I recommend reading the Compliance/Enforcement section. The BIS warns that it is our duty to check out the details of a sale and specifically states that a company or its employees and sales force are not to self-blind. Under Know Your Customer Guidance, there is a link entitled Don't Let this Happen to You. These are examples of hefty fines, prison or probation, and revocation of export privileges that have been the consequence for exporters that shipped EAR controlled substances without licenses, or have undervalued the shipment, or have shipped to an entity to which they should not have been doing business.

This article is not meant to sway you from finding new markets for your products, but rather is to inform you there are regulations that must be followed,

whether or not you are the USPPPI. By simply setting up export compliance procedures for your company, you will avoid costly fines and penalties for actions that you would otherwise unknowingly violate.

Recommended websites:

- U.S. Department of Commerce, Bureau of Industry and Security
- U.S. Department of Treasury, Office of Foreign Assets Control
- U.S. Department of State
- U.S. Census Bureau – Automated Export System

**A more comprehensive version of this article, including links to the recommended websites is available on the NWITA website at: <http://www.nwitaglobal.org/newsletters.htm>*



INTERNATIONAL INTERNSHIPS

RAMA YELKUR

In 2008 we selected Eric Becker, a Production Operations major with an International Business minor, to intern with H&T International, a logistics and transportation company in China (www.hlt.com.cn). Eric completed his internship with H&T in Summer 2008 at their corporate headquarters, while living on the campus of Jinan University in Guangzhou, China. He has extended his stay at Jinan University to learn the Chinese language and will be returning to UW-Eau Claire in Fall 2009. Eric's internship stipend was supported by the PIE program and his airfare to China was supported by MEGTEC Systems (www.megtec.com) in De Pere, Wisconsin.

H&T has continued its relationship with the College of Busi-

ness and has hired Garrett Russell, a Finance major with an International Business minor to intern with them in 2009. Garrett started his internship with H&T in March 2009. His stipend and airfare to China were supported by the PIE program.

You can read about Eric's and Garrett's experiences abroad on their internship blogs [Eric: <http://www.uwec-china.blogspot.com> and Garrett <http://uwec-guangzhou.blogspot.com/>].

We are now in the process of securing an internship in India with ITC Maurya (www.itcwelcomgroup.in), a five star hotel in New Delhi, India. Elizabeth Karabin, a Marketing major with an International Business minor, has been awarded this

internship for the summer of 2009.

As part of the Partnerships in International Education (PIE) program funded by a Department of Education Title VIB grant, we are committed to supporting one student each year of the two year grant period for an international internship.

These internships are great experiences for students and mutually beneficial to both business and academe. If you have operations in overseas locations and would like to utilize our students trained in international business or if you would like to get more involved in international internships for UW-Eau Claire College of Business students, please contact Dr. Rama Yelkur.

BECOME A NWITA MEMBER

Benefits to being a NWITA member include:

- Notification of speaker events on a variety of global business topics
- Access to online resources on the NWITA website
- Access to student interns for international business projects
- Chance to share your own global business stories online (corporate members)
- Opportunity to network with others of similar interests
- Annual newsletter
- Contacts with consultants

Types of membership available

Corporate (individual)	\$50.00
Educational Institution (individual)	\$30.00
Student	\$15.00

Register online

<http://www.nwitaglobal.org/>, click Join NWITA