

*Can a small business succeed in a
globalized economy?*



“Who benefits from globalization? Big business, that's who!” So begins a typical internet blog aimed at spreading alarm about the World Trade Organization's progress in removing barriers to trade. And of course it is true: big businesses do benefit from free trade. But is the corollary that small businesses suffer from global open markets?

Small businesses – those with fewer than 50 employees – dominate the economies of most WTO members. Indeed, the great majority of WTO members are not home to any large, multinational businesses at all. Whatever results these WTO members obtain from trade liberalization will flow directly from the successes of their small companies in the global marketplace.

Can small companies enable their home countries to benefit from a globalized economy? The answer is a resounding “yes!” Consider the evidence. In the United States, home to many large multinational companies, nearly a quarter of a million small businesses last year had exports of about US\$190 billion, accounting for a quarter of all exports.

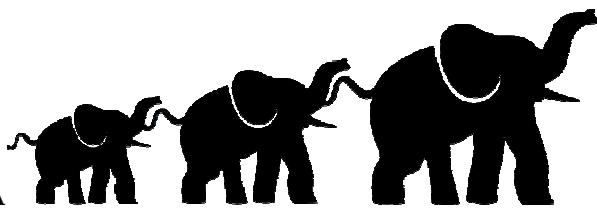
What are the keys to small business success? Experts suggest three essentials:

The right niche – As one small business adviser counsels, “small businesses have to compete by identifying niche markets that are too small for the big e-commerce sites and/or by offering a level of service that the big guys can't offer.”

A good internet website – Historically, small businesses have succeeded through word of mouth advertising within their own communities. In a global “community” successful small companies and their customers are online.

Consistent, reliable, and speedy delivery – Customers expect orders to be delivered directly to them and on time, every time, with no incomplete shipping arrangements or Customs details remaining to be sorted out.

Making the perfect shipping arrangements each day for many customers in many foreign countries is an enormous challenge for a small business competing in the global marketplace. Here are six small businesses from among many thousands who have overcome this problem with the help of express delivery companies.



Rajanacrafts, Phnom Penh CAMBODIA

Rajana started out in 1995 as a project of a UK based charity, SAO. Two young Cambodians learned basic card making and silk painting techniques, selling out of the home of the founder. Their business grew and in 2000 it was recognized by the Government of Cambodia as a local association. Rajana is a fair trade producer of a variety of Cambodian handicrafts and also a fair trade buyer, helping 122 families in rural Cambodia.

Co-Manager Kieng Sabay explains the success of Rajanacrafts: "Exports have always been a small but important part of our business. Safe delivery of product to our customer in a timely fashion was an issue from the beginning. However, exporting handicrafts from a developing country is not always straightforward. We have used several creative means to facilitate exports. Many times Rajana crafts were carried onto aircraft by hand by friendly travelers and posted within the destination country. We sometimes shared shipping with other larger local businesses too. Within the past four years we have developed a great relationship with an express delivery company, DHL. We now exclusively deliver our exports using DHL airfreight. DHL in Cambodia have helped us a lot. They take care of the required details for customs clearance. We have experienced 100% safe delivery of our products, in good time."



www.rajanacrafts.org

Fromages.com, Tours France

Passion for Cheeses

Fromages.com was launched in 1996 with the ambition of becoming a worldwide purveyor of French "artisanal" (artisan) and "fermier" (farmer) cheeses, products traditionally made and consumed locally. President Marc Refabert describes the chief difficulties of shipping cheese around the world: it is perishable ("if delivery is delayed for six hours beyond what I expect I will not allow it to be delivered") and it is an agriculture product ("no two countries have the same rules").

Fromages.com has turned these problems over to FedEx Express. A review of Fromages.com by Fork & Bottle, an on-line reviewer of internet gourmet food purveyors, noted that an order from Fromages.com for a New Year celebration in California, placed on 27 December, was delivered by FedEx 72 hours later, less than 24 hours after being shipped. "Everything was beautifully packed with four reusable ice packs. The cheeses were perfect – no compression from being packed. I was nervous ordering from France – but really it was perfect transaction. No hassles."



www.fromages.com



Eutron Invest Romania

Eutron Invest Romania has been one of Romania's success stories. It started its business in Bucharest with the import and distribution of some of the first currency counting machines on the Romanian market. Today, Eutron has become the first Romanian supplier capable of providing complex integrated solutions for cash management, customer flow management, automated identification of data, and brand/documents security. As the leading Romanian expert in the analysis and automation of cash processes, Eutron is able to provide any type of store with complete front-office and back-office, store equipment, and anti-theft systems. Since its beginning, Eutron Invest Romania has provided solutions, along with service and technical assistance, to over 3000 companies in finance and banking, retail, logistics and warehousing, distribution, transportation, telecommunications, and other industries. By investing in the latest technologies and offering the best-in-market products and services, Eutron has assured not only its own rapid growth but the success of its customers and partners on the local and international markets.



In order to achieve and maintain its high pace of development in a market that has recently joined the European Union, Eutron needed the support of a reliable and flexible partner in transportation able to ensure its connections with key suppliers – more than 25 international partners – and with customers in all Romanian cities. From the beginning, Eutron's partner in transportation has been TNT, Europe's leading business-to-business express delivery company. As Dan Tone, General Manager of Eutron Invest Romania explains, "TNT's time-definite services have always helped us to shorten distances and provide the best service on the market. An essential contributing factor has always been TNT's operational performance along with its flexible approach and 24/7 expert customer service".



www.eutron.ro

VYCMEX S.A. DE C.V. Monterrey, Nuevo León, México www.vycmex.com.mx

Vycmex is a leader in the sale and distribution of hydraulic equipment for industrial applications in Mexico, handling many major brands. The company serves primarily the automotive, plastic injection, and metal industries.

Since its beginnings in 1983, the company has expanded its operations and today covers close to 85 percent of the Mexican territory and several other countries throughout Latin America. Because of its rapid growth and the time-sensitive requirements of customers, Vycmex needed to optimize delivery times, regain control of their shipment process to assure on-time delivery, and expand their coverage, all while assuring total client satisfaction every step of the way.

“We needed an efficient and reliable logistics company that would effectively handle our shipments and would allow us to focus on our core business: selling hydraulic equipment,” said General Manager, Enrique Garcia.

Vycmex turned to UPS to handle all their transportation and distribution needs. UPS Worldwide Express SaverSM, an end-to-end international transportation solution, gives Vycmex customers full visibility of the location of their packages, while UPS TradeAbility helps Vycmex to identify specific country tariff codes to calculate duties necessary for customs clearance; generate cost estimates for duties, taxes and transportation; and find other information about complying with the laws of the countries they ship to in Central and South America. Accurately estimating landed costs has helped the Vycmex speed cash flow and reduce the number of refused shipments and returned products. Through UPS services Vycmex has reduced transit times for shipments, shaved costs, and increased overall customer satisfaction. Most important, Vycmex has been able to expand beyond the Mexican market in a short period of time and is now serving customers in markets such as Argentina, Chile, Peru, Uruguay, and Venezuela.

“We consider UPS a strategic partner. They have provided us the tools necessary to run a more efficient operation and have made it possible for our company to expand to other markets,” concluded Garcia.





from Lebanon to the World

BuyLebanese.com, Beirut, Lebanon

BuyLebanese.com was launched in 2000 with the aim of providing their worldwide clientele with the best Lebanese food and products, directly from Lebanon. Today, the web site serves a loyal clientele in more than 100 countries and is listed among the world's best e-mails in "*thepurplebook: the definitive guide to online shopping*" (Time Warner Books) 2006 and 2007 editions.

“Our main challenge was to handle perishable goods and have our packages delivered as fast as possible in a perfect condition”, says Karim Saikali, General Manager of BuyLebanese.com.



Karim Saikali, General Manager
BuyLebanese.com
Beirut, Lebanon

Aramex was assigned the full logistics, from collecting the goods from the various suppliers, packing them and shipping them to their respective destinations.

BuyLebanese.com’s commitment to excellence combined with Aramex’s outstanding service has helped achieve a significant growth in the internet company’s operations.



We bring you the best Lebanon has to offer

www.BuyLebanese.com

Fresh Produce Exporters' Forum
Tyger Valley, South Africa



The Fresh Produce Exporters' Forum of South Africa (FPEF) was formed in 1998 to create, within free-market principles and a deregulated environment, a prosperous but disciplined fruit-export sector. FPEF provides leadership and services to its 66 members, which represent 76% of the fresh fruit volume exported from South Africa. The membership profile includes exporters, producer-exporters and industry related service providers.

Fresh produce is a major export industry for South Africa, earning over R8bn in foreign currency, and providing over 400,000 jobs. South African fruit is generally of a high quality and much desired by international buyers. Market opportunities are opening up in the People's Republic of China, Russia, the Middle East, Eastern Europe, India, and in Africa. Many markets with great potential are distant from South Africa but FPEF is committed to maintaining the high quality that has earned South African produce its prestigious reputation.

"Fruit is a perishable commodity and the timely delivery of it into any specific market not only determines the freshness and quality, but also the price," says Stuart Symington, FPEF's Chief Executive Officer. "Consumers are increasingly demanding higher sanitary standards for fruit and phytosanitary protocols have to be adhered to if an exporting country wants to maintain its global position. The same would apply if the exporting country wants to open up new markets." For many products, the rapid transport and careful handling offered by express delivery can be critical to meeting customers' expectations.



How can small businesses lose the benefits of global markets?

Every small business understands that if it fails to satisfy a customer, particularly a foreign customer, it may not have a second chance. The quality and pricing of its products are under its control, but assuring consistent, on-time delivery is not. For these, a small business must depend on others. Thousands of small enterprises around the world have turned to express delivery companies to handle the delivery end of their business.

Express delivery companies can help small enterprises to cope with a wide variety of differing national import rules, but they cannot change or circumvent the rules. Osama Fattaleh, Senior Vice President of Aramex, a rapidly-growing express delivery company headquartered in Amman, explains some of the obstacles faced by express delivery companies.



Osama Fattaleh
Senior Vice President – Chief Strategy Officer
Aramex
Amman, Jordan

“We are seeing successful efforts by many Customs administrations to streamline their processes. Of course, much remains to be done and not all countries are equally advanced but Customs modernization efforts are definitely underway in many places. In our primary operating area, the Middle East, both Egypt and Saudi Arabia are cited in the 2008 World Bank’s “Ease of Doing Business” report as among the top ten in the world in terms of progress made over the last year in streamlining business regulations and cross-border trading. However, the progress being made by finance ministries and Customs is being undone by restrictive postal regulations that in some countries impose a tax of ten percent on the *gross* receipts of express delivery companies to cover the operating losses of the domestic postal operator. Measures such as this place heavy burdens on small businesses customers because we must pass these costs on to them. Almost certainly they lose sales. And they do not have the option of shifting their delivery business from express delivery to the post because they would not be able to meet their customers’ demands for on-time delivery and tracing of shipments. It does not benefit any country’s overall transport efficiency to penalize one mode of transport – express delivery – in order to subsidize another – the post. Whatever gain there is to the post is more than offset by the lost of efficiency in express delivery. Competitive business communities need both a dependable post and access to global markets through efficient express delivery.”

How can World Trade Organization members keep the global marketplace open for small businesses?



Carolina Roca
Superintendent of Tax Administration
Republic of Guatemala

For many WTO members the issue is not whether it is desirable to modernize and reform cross-border trading procedures but whether they can do it. The cost and, in some cases, technical complexity of modernization and reform are daunting hurdles. But not insurmountable. Under the leadership of its Superintendent of Tax Administration, Sra. Carolina Roca, and with the strong political support of the President and Finance Minister, the Republic of Guatemala has made enormous gains over the past three years. By her own description, Sra. Roca began in 2004 with a Customs agency that was focused only on tax collection, was widely perceived as corrupt, had inadequate training programs (resulting in poor employee morale and performance), made poor use of information technology (heavy reliance on paper documents), and had much of its manpower tied up in inspecting containers for release (no pre-arrival risk assessment or post-release auditing). In three years of quiet but determined effort, Customs of Guatemala has been transformed in tangible ways: the average release time for ordinary “green channel” imports has been reduced from 18 to 6 hours, for “red channel” imports from 5.5 days to 14.5 hours, and for expedited shipments to one hour. Customs collections are up by 45 percent over 2004 although average rates of duty have been reduced by 25 percent and import inspection rates have been cut by more than half. Sra. Roca acknowledges that more needs to be done - Guatemala lags regional and OECD standards for number of documents required – but she is pleased that the all-important indicator “cost to import” shows that Guatemala is now below the regional average and aiming for the OECD average. Despite threats to the physical safety of her and other top managers, Sra. Roca has transformed Guatemalan Customs. And she has won the immense gratitude of Guatemala’s small business community.

<http://portal.sat.gob.gt>

Why It Is Important to Remove Weight and Value Limits on Express Shipments

WTO members should look at their own express delivery exports and imports to understand why it is in their interests to assure that urgent shipments can be delivered expeditiously to customers.

- *Aircraft manufacturers* use express delivery to support “aircraft on the ground” programs aimed at getting disabled airplanes back in service. The ability to get large parts overnight to any airport in the world is critical to airlines in *every* country that must keep aircraft in service to stay profitable and to avoid stranding travelers and delaying cargo movements.
- *Heavy equipment manufacturers* use express delivery to supply urgent replacement parts to mining and construction operations around the world; these operations are chiefly in developing countries. Even a few hours delay in delivering these parts results in closed operations and idled workers.
- *Automobile manufacturers* use express delivery to support worldwide assembly operations; for example, a French auto manufacturer sends daily express shipments of components from France to its assembly plant in Brazil. The willingness of Brazilian Customs to handle these shipments under immediate release procedures made it feasible for the French company to invest in Brazilian assembly.
- *Producers of high-value consumer electronics* products such as digital cameras, mobile telephones, and MP3 players use express delivery to move products from the developing countries where they are assembled to major markets. Without rapid, dependable delivery it might not be practical to assemble high-value goods, especially those that incorporate rapidly changing technology, in places distant from the markets where they will be sold.
- *Perishable goods shippers* use express delivery to assure that high-value produce reaches customers in optimal condition and in compliance with sanitary and phytosanitary requirements.

Express Delivery Does Not Bypass Customs Controls – All express delivery shipments are subject to the same Customs scrutiny that applies to other trade. Express delivery companies have made major investments in systems that enable express delivery companies to send information to Customs electronically in advance of arrival, and that track and quickly retrieve packages designated by Customs for further inspection.

High-value shipments are not high-risk - To the contrary, the fact that goods are identified as high value in declarations to Customs is convincing evidence that there is no attempt to circumvent proper controls. Also, shippers may be more willing to identify high-value goods when shipping with express delivery services because the highly-secure, integrated express delivery system reduces risks of pilfering that may be a concern when shipping high-value goods by other modes.

The opportunities are real: The small business customers of express delivery companies would in the past have been limited to serving a local clientele who walked in off the street. Today, their market is the world. They are able to serve customers anywhere and to satisfy their customers' demands for speedy, reliable delivery. There are many thousands of small businesses such as Rajanacrafts, Fromage.com, Eutron, Vycmex, BuyLebanese.com, and FPEF that use express delivery to reach global markets that could not practicably be reached in any other way, and there are many thousands more who could benefit if barriers to their products and to express delivery are removed.

The barriers are real: Express delivery companies and their customers understand trade barriers in a very immediate way, because they bump into them every day. These barriers, restricting products or impeding their delivery by express operators, limit not merely the growth opportunities of small businesses but also the development of the national economies within which they operate. These barriers include high tariffs and regulatory barriers for imported goods, and obsolete customs procedures and anti-competitive restrictions on express delivery operations imposed under postal laws.

What do express delivery companies need in order to serve the needs of customers in the global marketplace? *Efficient Customs procedures*, including fully electronic pre-arrival filing of data for release of shipments and automated risk assessment; *legal transparency and predictability*, including publication of import regulations and opportunities for public participation in their development prior to implementation; and *removal of discriminatory, anti-competitive restrictions on express delivery operations*, in the form of postal regulations that impose licensing requirements and special taxes, often only on express delivery carriers.

The solutions are possible: Superintendente Carolina Roca and the Government of Guatemala have shown that a small nation with limited resources – if it has talented officials and a national will to see the job done - can achieve great strides in customs modernization and reform, and removal of postal barriers. With similar commitment by national leaders – and proper technical assistance and capacity building - there is no reason for any nation to be left behind.

Express delivery companies can greatly magnify the benefits of international agreements that reduce barriers to trade by enabling businesses of all sizes to serve customers who in the past would have been considered too distant, or whose needs for reliable, fast, on-time were too demanding to be met. By integrating all of the steps required to move products to customers, express delivery companies place world-class logistics within reach of small companies everywhere, and allow them to share in the benefits of a global marketplace.