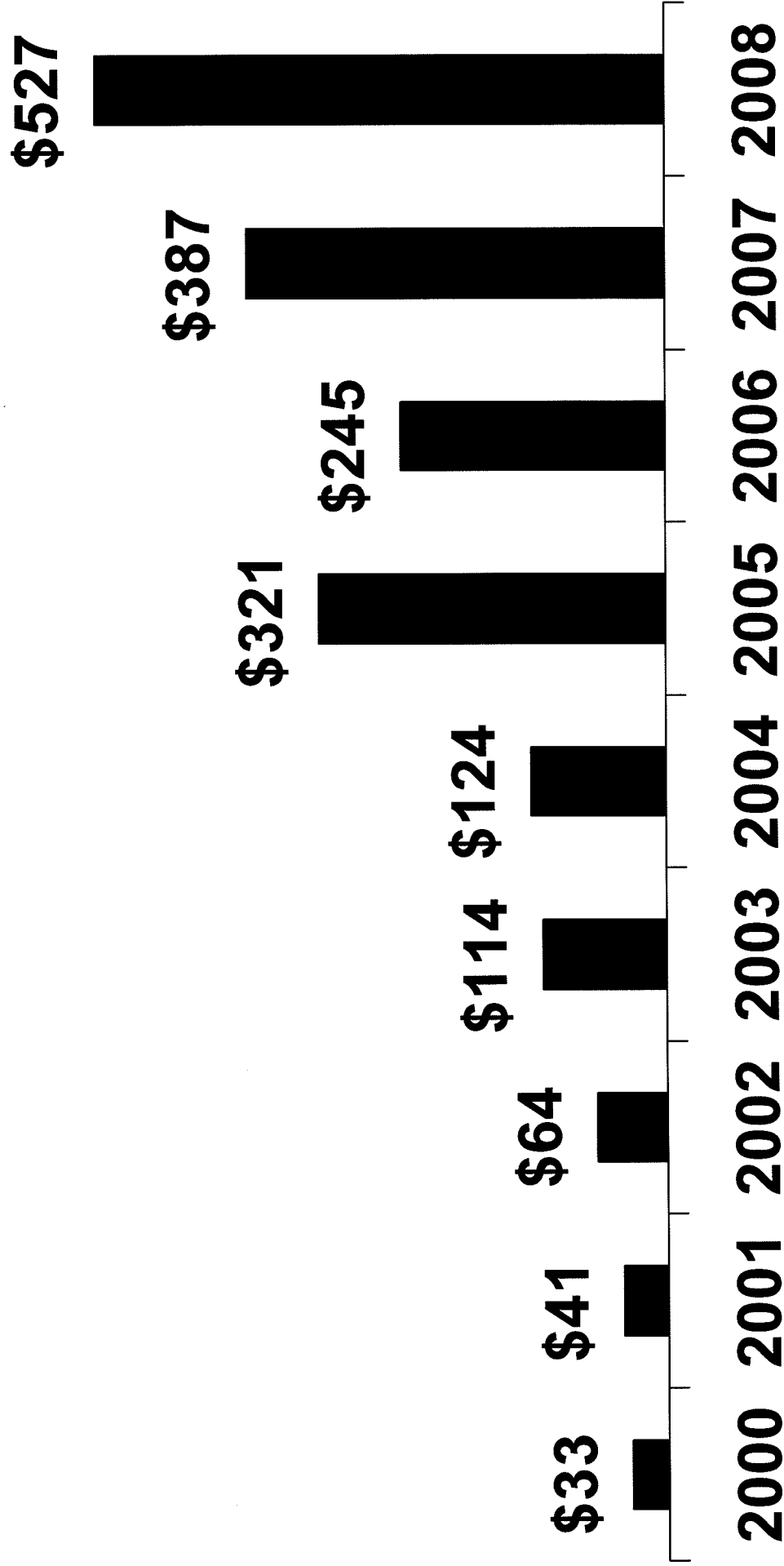


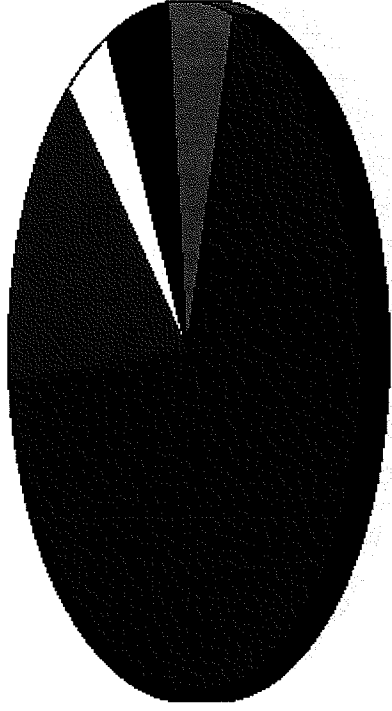
# Utah Exports to China (\$ million)



# Utah Exports to China 2008

Item	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Total</b>	\$32,588,000	\$40,629,000	\$64,142,000	\$113,904,000	\$124,025,000	\$321,374,000	\$245,081,000	\$386,626,000	\$527,021,000
Computers & Electronic Prod.	\$6,219,000	\$10,097,000	\$20,559,000	\$56,171,000	\$58,976,000	\$47,503,000	\$48,404,000	\$174,834,000	\$363,888,000
Waste & Scrap	\$2,696,000	\$2,398,000	\$4,771,000	\$8,512,000	\$7,741,000	\$15,698,000	\$25,643,000	\$30,482,000	\$32,079,000
Processed Foods	\$6,483,000	\$14,726,000	\$17,929,000	\$18,778,000	\$14,011,000	\$19,970,000	\$21,556,000	\$22,464,000	\$30,798,000
Transportation Equipment	\$420,000	\$1,273,000	\$1,588,000	\$6,131,000	\$8,442,000	\$9,901,000	\$14,919,000	\$16,409,000	\$21,076,000
Machinery Manufactures	\$7,145,000	\$5,387,000	\$9,152,000	\$8,104,000	\$8,408,000	\$29,595,000	\$27,382,000	\$20,853,000	\$15,430,000
Misc. Manufactures	\$493,000	\$1,757,000	\$1,430,000	\$2,954,000	\$4,090,000	\$7,020,000	\$7,318,000	\$12,565,000	\$14,780,000
Paper Products	\$28,000	\$104,000	\$66,000	\$528,000	\$1,071,000	\$593,000	\$8,407,000	\$15,804,000	\$12,657,000
Chemical Manufactures	\$1,605,000	\$913,000	\$3,347,000	\$7,749,000	\$10,619,000	\$10,788,000	\$16,563,000	\$17,025,000	\$12,360,000
Fabricated Metal Products	\$1,947,000	\$677,000	\$1,150,000	\$2,873,000	\$3,335,000	\$5,864,000	\$8,120,000	\$5,352,000	\$9,688,000
Elec. Eq., Appliances & Parts	\$3,171,000	\$451,000	\$193,000	\$223,000	\$1,722,000	\$7,647,000	\$2,493,000	\$1,667,000	\$3,562,000

# Utah Exports to China 2008



Product	Value (\$)	Percent
Computers & Electronic Prod.	363,887,871	69 %
Waste & Scrap	32,078,609	6.1 %
Processed Foods	30,798,005	5.8 %
Transportation Equipment	21,075,809	4 %
All Others	79,181,175	15 %
Grand Total	527,021,469	100 %

## Many SMEs Stand to Profit from Future Global Trade Negotiations

[http://ita.doc.gov/td/industry/otea/sme\\_2007/SME\\_index\\_2007.htm#Part3](http://ita.doc.gov/td/industry/otea/sme_2007/SME_index_2007.htm#Part3)

The Commerce Department's Exporter Data Base (EDB) reveals that in 2007 the total number of U.S. firms exporting goods stood at 266,457. The EDB captures companies exporting merchandise, but not firms that export only services.

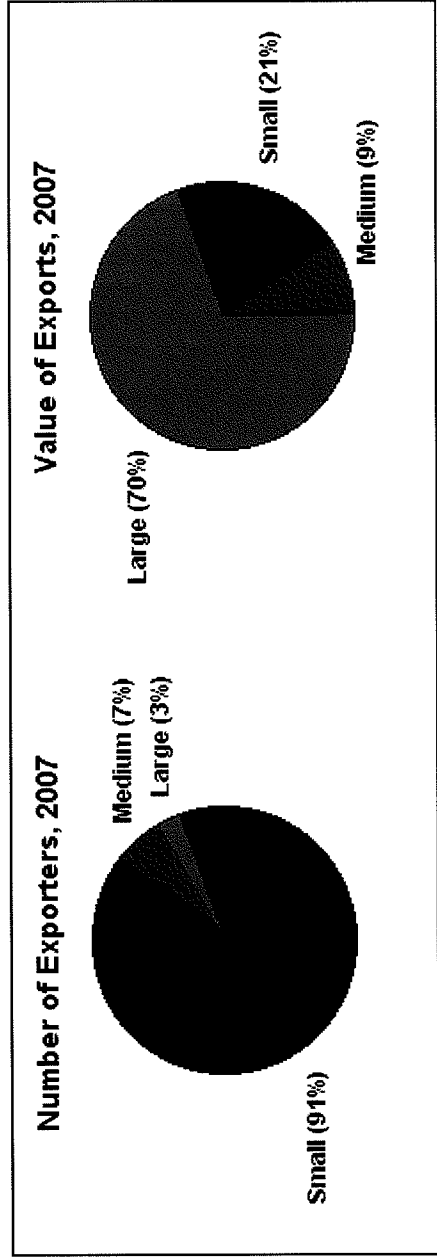
Small and medium-sized enterprises (companies with fewer than 500 workers) would be among the major beneficiaries of U.S. initiatives to reduce foreign barriers to U.S. exports. A total of 259,381 SMEs exported from the United States in 2007, accounting for 97 percent of all U.S. exporters.

The number of SMEs that export merchandise more than doubled in this period, soaring from 108,026 in 1992 to 259,381 in 2007.

The known export revenue of SMEs rose from \$102.8 billion in 1992 to \$312 billion in 2007. SMEs were responsible for 30.2 percent of goods exports in 2007.

Non-manufacturing companies dominate exporting by SMEs. In 2007, wholesalers and other non-manufacturing firms made up 71 percent of all SME exporters and generated 64 percent of total SME exports.

[Back to top of report](#)



## SMEs Have a Global Reach

Evidence shows that many SMEs could sharply boost exports by entering new markets. In 2007, 59 percent of all SME exporters-nearly three-fifths-posted sales to only one foreign market. On the other hand, more than half-54 percent-of large firms that exported recorded sales to five or more foreign markets in 2007.

All exporters-both large and small companies-benefit from efforts by the U.S. Government to lower foreign barriers to U.S. products. With the implementation of NAFTA, exports to Canada and Mexico by SMEs and large firms rose significantly relative to the rest of the world. The share of SME

exports going to Canada and Mexico increased from 24 percent of total U.S. exports in 1992 to 26 percent in 2007. Similarly, the share of large firms' exports going to those two countries rose from 26 percent in 1992 to 33 percent in 2007.

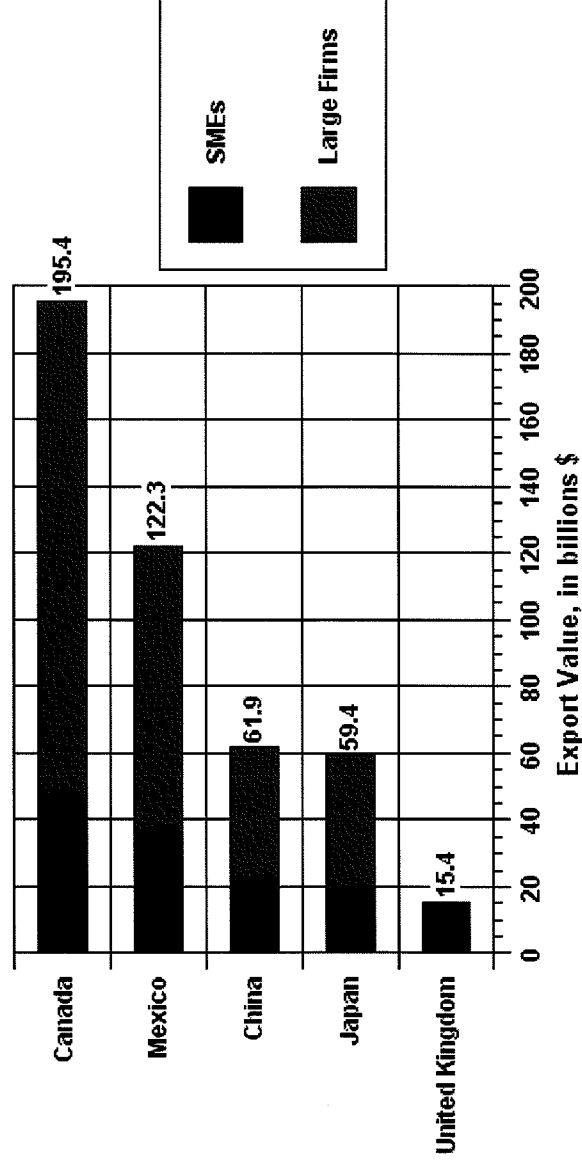
Compared with large firms, SMEs are especially dependent on U.S. Government initiatives to open foreign markets. This is because, unlike big companies, most SMEs do not possess offshore business affiliates that can be used to circumvent trade barriers and gain market access. Ninety-one percent of all SME exporters do business from a single U.S. location, and only 15 percent of SME exports go to affiliates (related parties) abroad. In contrast, 11 percent of large firms that export are single-location companies and 39 percent of the exports from large firms go to foreign affiliates.

Canada is by far the most popular export destination for SMEs. In 2007, some 90,576 SME exporting companies registered sales to Canada. Mexico ranked second, receiving merchandise exports from 42,354 U.S. SMEs. Other popular markets for SME exporters that year were the United Kingdom, Germany, and China.

Together, the NAFTA countries accounted for 33 percent of U.S. merchandise exports from SMEs in 2007. Canada alone purchased \$45.4 billion in merchandise exports from SMEs, followed by Mexico with \$35.3 billion. Other top markets for SMEs in 2007 were China (\$21.2 billion), Japan (\$18.4 billion), the United Kingdom (\$15.4 billion), Germany (\$12.1 billion), and South Korea (\$10.8 billion).

[Back to top of report](#)

**Top Five Export Locations, 2007**



## More Firms Are Exporting to China

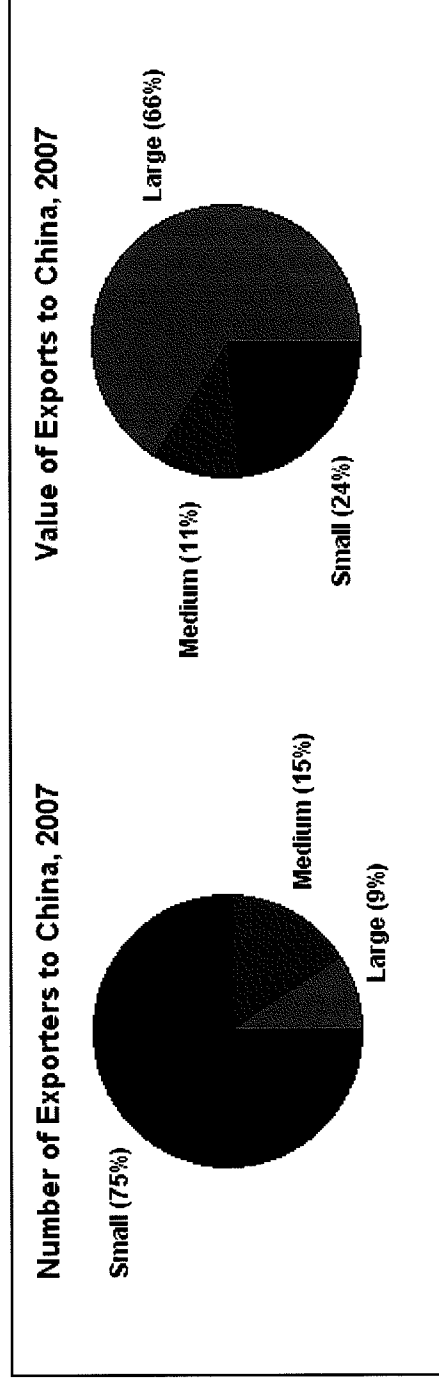
A total of 28,608 U.S. firms are known to have exported merchandise to China in 2007 - the last year for which data are available. The 2007 total of exporting firms is nearly seven times the number in 1992, when 4,092 firms exported to China.

The number of known small and medium-sized enterprises (SMEs) that exported to China in 2007 totaled 25,949- up from 3,143 SMEs in 1992.

Ninety one percent of all U.S. exporters to China in 2007 were SMEs. This is up from 1992, when 77 percent of exporters to the China market were SMEs.

The number of SMEs exporting to China has been rising much faster than the number of large companies. From 1992 to 2007 the number of SMEs exporting to China surged by 726 percent, compared to 180 percent for large-company exporters.

[Back to top of report](#)



### China is an Important Growth Market for SMEs

SMEs are known to have exported goods to China worth \$21.2 billion in 2007 (i.e. exports to China that can be linked to individual companies using information on U.S. export declarations). China was the third largest market for U.S. merchandise exports from SMEs.

SMEs are responsible for a significant share of U.S. exports to China. In 2007, SMEs generated 34.3 percent - over one-third - of all known U.S. merchandise exports to China. This is higher than the SME share of overall U.S. merchandise exports of 30.2 percent.

[Back to top of report](#)

## **Six Tips To Doing Business in China**

### **Before You Set Up Shop, Consider These Best Practices**

- Issue: April 2008
- Author: Kathryn Peterson
- Topics: International Business

#### **Before You Set Up Shop, Consider These Best Practices**

Warren Osborne stopped believing in serendipity the day he started doing business in China. Like many entrepreneurs wanting to expand to Asia, Osborne, CEO of Seastone LC, a Provo-based gift card company, says the transition requires more than a bit of luck — it takes hard work, realism and understanding of Chinese customs like “saving face.”

Businesses in Utah are looking to China as a means to reduce costs and capture its vast market, with 1.3 billion people and the fastest-growing economy in the world. Since joining the World Trade Organization in 2001, China has rapidly become an economic force, doubling its share of global manufacturing output and creating a commodity-market boom. In 2004, China became the largest exporter of information and communication technology exports. And the 2008 Olympic Games in the capital, Beijing, starting in August, will represent a great opportunity for China to showcase itself to the world.

Gov. Huntsman’s trade mission to China in 2006, in which 19 companies participated, and his fluency in Mandarin, has helped bolster relations in the country now commonly referred to as the “New Wild West.”

“I attribute a lot of our success in China to the governor’s efforts,” says Brett Heimburger, director of Asia for the Governor’s Office of Economic Development (GOED). “Large corporations like Boeing can make their states and trade numbers look really good. But Utah has mostly medium size firms, so when you consider that between 2004 and 2007, we increased exports to Asia by 62 percent, from \$1.4 billion to \$2.3 billion, that’s significant growth. Utah exports to China alone increased 214 percent, from \$123 million in 2004 to \$387 million in 2007. This growth, as the governor predicted, was significant. I think the trend will continue.”

To help Utah businesses continue to succeed in China, Business Connect asked local experts to share their best practices. Here’s what they had to say:

#### **1. Understand the Culture**

“Understanding Chinese culture is crucial to establishing a presence there,” says Aaron Wong, founder and CEO of Arrow Quality International, a Lehi-based Chinese consulting firm. “In China, ‘saving face’ means you always give a good impression and never ruin someone else’s reputation. In the Chinese culture, you always greet the boss or the elderly first. Otherwise you lose face. There is certain etiquette at business meetings, too. The Chinese consider it offensive to rush through things.”

These seemingly small differences can yield costly mistakes. “There’s a certain way to do business in China. Learn it now, or else,” Wong says.



## **2. Overcome the Language Barrier**

Don't do business in China unless you speak Chinese or have someone with you who can, Wong says. "I've been a linguist for the federal government. There are lots of levels of Chinese speakers in Utah, but just because a person spent two years in China as an LDS missionary doesn't mean they know how to conduct business in China. The negotiation and business language is different than what you see."

## **3. Choose the Right Partner**

Take time to find the perfect partner for your company. Once you find the right partner, build trust and develop a win-win relationship. "Most people think that they'll serendipitously find the right partner when they visit China. I see people becoming partners after meeting only one or two times," Osborne says. "Be sure to cast a wide net, track down 40 or 50 plus potential partners, interview them like you would an employee, ask 100 questions in that interview process to qualify them. Consider things like quality, service, pricing, experience, professionalism, references, etc."

Kent Millington, president of Orem-based IPDevPro, has taught at the University of Science and Technology of China, as well as Peking University. "The Chinese word for networking is *guanxi*, which means friendship or connections. You really need a network when you enter country. If you don't know anyone, contact GOED and they'll help you."

## **4. Define Quality Control**

Last year, Mattel recalled more than 20 million toys made in China. According to Wong, the company made two cardinal mistakes. First, they handed the responsibility of quality checks over to the factory. Second, they got greedy by trying to pay less for manufacturing their products with the assumption of receiving equal quality to higher priced manufacturing. These mistakes coupled with insufficient knowledge of doing business in China lead to increased risk of poor products, Wong says. Unfortunately, Mattel is not the only company that has made these types of mistakes. According to the Consumer Product Safety Commission, 60 percent of all product recalls are from products made in China.

To solve this problem, Wong recommends providing a detailed prototype to manufacturers along with drawings and charts to help communicate exactly what they want. Also, don't expect high quality products by paying low. Manufacturing in China is beneficial only if you plan on purchasing in bulk. Depending on the product, bulk purchases are typically not as large as it may sound. "Like many products you purchase, you get what you pay for. If you expect to only pay pennies for a product, then that's what it's going to be worth," Wong says. "Also, protect your product by applying for a patent or trademark before you start your search for a factory. Use non-disclosure and confidentiality agreements to protect your idea. When working with factories, sign contracts. Make sure all written legal agreements are translated in Chinese."

## **5. Know the Law**

It's important for every company to get the right legal assistance it needs in China, says Heimburger. "Rules and regulations change dramatically. Protect your intellectual property. If you don't do that, then you don't have much of a leg to stand on."

Michael Chen, an attorney with Salt Lake-based Kirton & McConkie, helps Utah companies understand China's legal environment. Chen, who grew up and went to law school in China, says the biggest mistake U.S. entrepreneurs usually make is underestimating the difficulty of the Chinese market. "They think that if they have a good product, they can sell. But Chinese consumers are very picky — they look for value and compare prices." From a legal standpoint, Chen says businesses should do upfront research about protecting their intellectual property, labor laws and manufacturing laws.

## **6. Be Realistic**

"Our decision to go to China wasn't really a decision, it was an organic evolution," says Mark Ritchie, vice president of operations at Black Diamond Equipment Ltd., a Salt Lake-based outdoor equipment company. "It seemed silly to have components shipped and manufactured here. We were also

running out of space and people. In order to keep up with growth, we expanded to China. Some of the evolution has been painful, mostly time consuming, but it has strengthened us and made our products more sustainable. The reality is that there are a lot of challenges to overcome; it's going to be a lot of work, but if done the right way, it's definitely worth it," Ritchie says.

Lew Cramer, president and CEO of World Trade Center Utah, says maintaining a realistic and healthy mindset is key to doing business wisely in Asia. "Go in with your eyes wide open. Be flexible with your timeline and budget. It will take twice as much time and twice as much money than you think," Cramer says. In fact, Cramer recommends expanding to Canada or Mexico first, in order to test the global waters before heading to China.

## **SIDEBAR 1**

### **Do's and Don'ts of Business in China**

- In China, business relationships are personal relationships; establish a trusting relationship that demonstrates your respect.
- Business cards are important. When exchanging business cards, it is polite to present your card with the thumb and forefinger of both hands.
- Become friends with local influential officials.
- Take time to discuss issues, ask for feedback and explain your decision. The Chinese respect this approach over the preferred fast meetings in the United States.
- Handshaking is the accepted greeting, with a light handshake encouraged, lasting as long as 10 seconds.

### **Don'ts**

- Avoid unintentional criticism of others.
- Don't poke fun at someone, even for laughs.
- Don't be the first to reach for a restaurant bill.
- Don't be late for an appointment. It is considered a serious insult.
- Don't make snap decisions; the Chinese like to be included in the decision-making process.