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Dan Smith

At Gala Industries, 'We will not lose employees as a result of our Asia expansion,' says Don Smith

## The World Stage

*'The globe is starved for energy and American companies leading the way in the research, transmission and management of energy resources will profit overseas. Companies engaged in the research, management and sales of environmental technologies, nanotechnologies, and wireless GPS and tracking technologies will find lucrative international markets, as will high-tech manufacturing businesses, especially those that operate in specialized environments like clean rooms'*  
—Joe Robinson

*Companies in the Blue Ridge Region know the benefits and the dangers of international trade and they go at it with gusto*

By Lorie Long

Uttering phrases like "the globalization of the economy," "international importing and exporting," or "multilateral trade agreements" can spark a heated debate. That's especially true in business sectors such as manufacturing, where jobs have moved overseas, leaving regional workers without employment and businesses struggling to survive.

A recent NBC News/Wall Street Journal poll reveals that more than 50 percent of Americans think the globalization of the U.S. economy is bad for America.

In contrast, experts agree that interna-

tional trade may provide the key to growth and prosperity for the nation generally and the Blue Ridge Region specifically, if savvy businesses take advantage of the opportunities overseas markets offer.

"Success in international trade requires a mindset change," says David Denny, an international trade consultant and Director of the International Trade Center, an outreach program at Radford University.

"[International trade] is not a bad thing and it's not only for the big guys. Generally, people perceive the globalization of the economy in a negative way, but it has the potential to improve the bottom line."

Joe Robinson agrees. Recently retired from the Virginia Economic Development Partnership (VEDP) as the International Trade Manager for this part of Virginia,

Robinson now helps businesses cultivate international markets and negotiate international trade agreements as a private consultant. He has, quite literally, written the book on international trade (*Global Business: From Theory to Practice*). Robinson has trained more than 1,000 managers in more than 300 companies in his 14 years at VEDP, dispelling the myths and touting the benefits of international trade.

"Exporting products brings new dollars home," says Robinson. "Dollars brought into the region from outside add value to the region. It's new money, not just money that has been circulating around the area."

"That's why tourism is such a desirable business: the dollars it brings to a region

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# World

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have vibrancy. Exporting seasonal products can keep local employees busy all year long. Many export-related jobs carry a higher wage rate than jobs related to production solely for domestic consumption. Companies who export products may have to meet high quality standards, like attaining ISO 9001 (the International Standards Organization's specific requirements for quality management systems) certification. That serves to raise the competitiveness of the business in all its markets, including domestic ones."

## Imports

Importing products and services from overseas suppliers that compete with domestic suppliers is the source of much of the concern about the negative impact of foreign trade, according to Denny and Robinson. "Importing is a double-edged sword," says Robinson. "The initial reason for importing products and components was to save money. However, fluctuation in the value of the dollar compared to the value of international currencies changes the picture. When the dollar is strong, U.S. companies can purchase quality products and components economically overseas. When the dollar is weak, they can buy domestic products and components economically.

"Monitoring the balance of exports and imports and the status of currencies is the key. I worked with a company that exports more than \$20 million worth of products annually, but needed to buy a component only available overseas. They imported \$1 million worth of components to export \$20 million worth of products. That's good balance."

The time is right for businesses to add an international element to their business plans. "Previously, international communications and banking laws were cumbersome," says Denny. "Complex paperwork had to be shipped back and forth physically and products had to arrive directly into certain ports. Today, Free Trade Zones (FTZ) allow for the electronic clearance of international shipments through U.S. customs and the goods can come in anywhere, thereby reducing costs and time to destination.

"Virginia provides many public support programs for companies planning to trade internationally, and many are free. The only downside is that companies don't know about the benefits and don't use the resources. A good product or service will sell anywhere in the world."

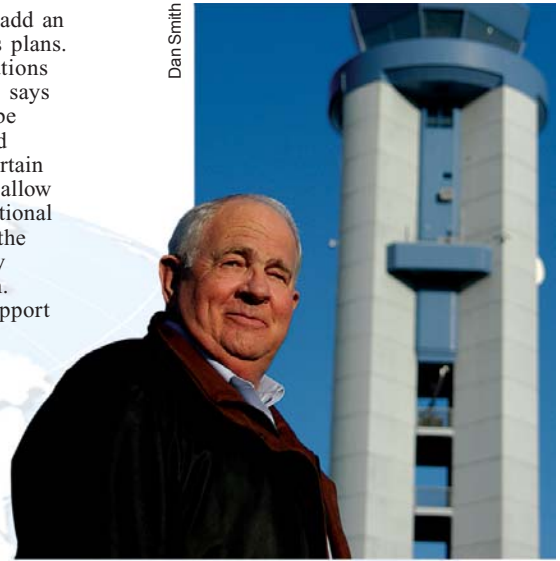
## Free Trade Zone

In the late 1990s Radford's New River Valley Economic Development Alliance foresaw the need to establish a FTZ in the region to accommodate the growth of international trade. With the support of local communities and The Roanoke Regional Airport Commission, it created a FTZ and International Port of Entry at the New River Valley International Airport in Dublin. Now officially designated as a Federal Port, local financial support is no longer required. The Port of Entry processes goods and passengers entering and exiting the U.S.

The FTZ, considered to be outside U.S. territory, enables the movement of materials prior to the assessment of U.S. customs duties, which occurs when the materials actually enter U.S. commerce. These services help companies manage cash flow and reduce the duty costs associated with international trade.

Jim Loux, founder and president of

Dan Smith



**Jim Loux: 'Imports go into making exports. Importing goods and services keeps industries in other countries working for you so you can keep your own employees working.'**

Allegheny Brokerage Company Inc., operates a customs brokerage and freight forwarding service at the airport in Dublin. Not only does the company help businesses process the documents required by U.S. Customs to clear imports and exports, it handles the movement of freight in and out of the country.

"Companies who trade internationally want to be able to put their goods on their own loading dock and have them delivered overseas," says Loux. "We help small- to medium-sized companies get into international trade for the first time. There's so much money to be made. I talk to customers who are just scraping by in the U.S., struggling in a highly competitive market. I tell them, 'You might be the only one offering your product or service in the international arena.' International trade brings in new money and keeps people working."

"There's an upside to the devaluation of the U.S. dollar," continues Loux. "Foreign buyers are coming here to buy. That keeps our people working and encourages businesses to expand. Imports go into making exports. Importing goods and services keeps industries in other countries working for you so you can keep your own employees working. It's all about balance. Protect your business by engaging international markets. Twenty years from now, that's where it will all be happening."

## Profit centers

What businesses can profit most from international trade activities? "American products, services and technical expertise are coveted overseas," says Robinson. "For instance, Appalachian hardwoods, such as

## VIRGINIA EXPORTS 2002-2007 (numbers are in thousands ~ \$ USD)

Partner	2002	2003	2004	2005	2006	2007
World Total	10,795,528	10,852,981	11,630,744	12,215,567	14,104,000	16,884,685
Canada	1,838,781	2,106,019	2,514,537	2,585,811	2,635,558	2,729,218
China	368,600	521,175	608,378	721,516	942,515	1,103,787
United Kingdom	653,706	723,959	663,330	743,582	809,443	1,099,415
Germany	1,157,614	989,887	1,124,656	1,178,992	1,588,057	962,060
Portugal	34,600	46,272	23,099	27,821	202,017	897,071
Singapore	98,174	117,670	181,499	310,828	546,076	822,745
Japan	1,321,873	907,608	939,806	772,949	821,044	783,784
Mexico	449,523	398,995	423,915	405,449	486,491	615,782
Brazil	249,264	225,878	208,156	273,893	411,800	527,562
Taiwan	100,595	113,848	164,795	115,094	151,928	503,734
Italy	239,609	223,922	199,442	254,733	450,892	451,530
Netherlands	316,613	389,232	601,924	409,885	324,867	438,792

# World

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hickory and walnut, are prized throughout the world. The globe is starved for energy and American companies leading the way in the research, transmission and management of energy resources will profit overseas. Companies engaged in the research, management and sales of environmental technologies, nanotechnologies, and wireless GPS and tracking technologies will find lucrative international markets, as will high-tech manufacturing businesses, especially those that operate in specialized environments like clean rooms. Firms offering software engineering and architectural services will prosper overseas and medical tourism will account for new dollars in the health care industry.

"American companies are great innovators, risk takers and problem solvers. Foreign producers may manufacture products cheaply but they can't manage their businesses as well as American companies can," adds Denny.

Many regional companies already have discovered the benefits of expanding their businesses internationally. A maker of equipment that pelletizes plastics, Gala Industries in Eagle Rock first entered the international arena in the 1960s when the global market for plastics grew explosively.

Sales Manager Steve Cahoon says that "exports account for at least 50 percent of the company's business, with the percentage expected to grow in the future. Sales rose more than 20 percent last year." The company imports a small amount of components from Europe for its products but has retained its manufacturing facility in Virginia. "We're not on the China bandwagon," says Cahoon. "We rely on our extensive process knowledge and customer support to keep U.S. competitive. There's no patent or intellectual property protection in China. Companies may copy and manufacture cheap versions of our individual components there, but we offer complex, customized, turn-key systems and we work more and

more upstream in the process. We keep ourselves lean at home. That's our competitive edge."

Don Smith, managing director of Gala Asia, plans to open a branch office in Thailand soon. "Orders will come back to our Virginia manufacturing location where we will need local, skilled workers such as computerized equipment operators, designers and managers with good communications skills. Our headquarters here will continue to grow. We will not lose employees as a result of our Asia expansion," says Smith.

### The best lumber

Ryan Turman, business development manager for Turman-Mercer Inc. in Hillsville, sends his Appalachian hardwoods all over the world. The company, which employs 450 workers, provides hickory, walnut, red and white oak, poplar, basswood, cherry and others to more than 50 companies manufacturing furniture, flooring, toys and tool handles in Asia and Europe.

"The lumber here is the best in the world. We will always have jobs in our sector because you can't move this business overseas. But, you've got to learn to sell your products overseas. Following your customers is a necessity. The domestic sale of lumber is practically at a standstill because of the halt in the housing industry. If we hadn't been doing business internationally, our people would be out of jobs."

Turman says that the company used to diversify its business by selling in different regions within the U.S. Now, diversification means selling internationally. "Globalization is here to stay," says Turman.

According to Rob Erdman, program manager for Synchrony Inc. in Salem, the company's transition from research and development to manufacturing has a decidedly international component.

A maker of one-of-a-kind highly-engineered electrical assemblies, bearings, generators and high speed motors and controls, primarily for U.S. government applications, Synchrony plans on finding

exponential growth and job gains through the international commercial application of its products. "For instance," explains Erdman, "our magnetic bearing systems are a very green technology. They eliminate the need for oil to control friction, and thus eliminate the need for the pumps, filters and other components present in traditional systems."

"Our products will find an international market in sectors such as natural gas production, manufacturing processes, and heating and air conditioning systems. We will require electrical and mechanical engineers and technicians skilled in machining and fabricating

**Don Smith (left) and Steve Cahoon of Gala Industries: 'We rely on our extensive process knowledge and customer support to keep U.S. competitive'**

Don Smith



systems that require less maintenance. "Because of the weak dollar, it's easier for U.S. to sell when we compete with outside suppliers," says Iannello.

### How to play

How can the Blue Ridge Region's current and future workforce establish careers that will flourish in an international economy? "Whatever you study, focus on its international component," says Loux. "If you are looking at a career in law, economics or finance, study international law, economics or finance. Learn to speak a foreign language fluently."

Denny says, "Be adaptable and flexible and study other cultures. Keep in mind that business is always conducted people to people."

Turman notes, "The U.S. will always have the skilled labor required to produce finished products. And, if your business requires intelligent, sophisticated management, the U.S. is the place to look."

This region offers a uniquely low-cost and highly efficient alternative to exporting and importing through major metropolitan ports, and companies can access all U.S. markets from this region. "I talked with a business manager who said he had tried to work some international trade though Boston and it just never panned out," says Denny. "I told him 'Here's your problem in one word: Boston.'"

With a local FTZ, Port of Entry, multiple support programs and the availability of international brokerage services, there's every reason for businesses in the Blue Ridge Region to go global.

(Lorie Long is a Union Hall-based freelance writer.)

Don Smith



### Rob Judge of Synchrony assembles small components

Don Smith



### Synchrony's Mark Banks and Scott Efke discuss a problem

electrical assemblies to work for U.S. here in Virginia."

Victor Iannello, president and founder of Synchrony, predicts that 50 percent of the company's business will originate overseas within three years, coming from developing countries without an existing electrical infrastructure and who will benefit from using modular