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#### Coming up in January, 2010

How to deal with difficult governments.

Year end 2009 export and Import report from the Heartland

## North American Transportation Experts Point to Unsettling Future for Border Crossings

How can the US adequately watch its thickening borders with limited resources?

With no surface transportation funding on the boards, will Heartland highways continue to support truck traffic?

Will oil skyrocket to \$200, or even \$400 a barrel?

These are some of the difficult questions posed by panelists in the 5<sup>th</sup> annual North America Works, and National Forum on Trade Policy, that took place in early November in Kansas City, with remote participation from Ohio State University, Indiana University and the Chicago Federal Reserve Bank.

### Border Protection

“Our centralized decision-making in Washington leads to a perimeter, one size fits all, approach to border security,” said Chris Sands, Hudson Institute senior fellow. He pointed out that young, work-to-rule, border agents don’t have the experience to know what to look for and tend to be overly reactive causing traffic delays at many border crossings.



**The North America Works conference panel discussing security versus trade, included (l to r) Roger Scarbrough, president Scarbrough International; Chris Gutierrez (standing), president, KC SmartPort; Alejandro Ibarra-Yuenz, professor of Economics & Public Policy, Monterrey Institute of Technology; Chris Sands, senior fellow, Hudson institute; and Jody Edgerton, conference organizer, Mid-America Regional Council.**

Mr. Sands suggested that a return to decentralized border policy would be more effective where agents know the situation and what to look for.

(continued pg.6)



**The GEM four-passenger e4 is the company's top selling export model.**

## North Dakota-Made GEM Cars Energize Chrysler's Export Market

Global Electric Motorcars (GEM), based in Fargo, ND, is the world's largest manufacturer of road-legal, neighborhood electric vehicles.

Not to be confused with GM, this is a division of Chrysler and a small business glimmer of hope for the future of Chrysler – especially offshore.

These battery-electric vehicles are plugged into cities, master-planned communities, universities, industrial complexes, security companies, airports and resorts throughout the world.

(Continued Pg.5)

# CLEARED TO LAND



**Kansas City International Airport (KCI\*)** is one of the most convenient commercial airports in the world. In 2006, more than 10 million passengers enjoyed its easy terminal access, few delays and low fares. Twelve major passenger airlines offer 250 daily departures, with **nonstop service** to more than 60 destinations.

But, KCI is more than great airport. KCI has land. Beyond the terminals, there are **7,000 acres** of land available for commercial development surrounding the airport. KCI has become a **prime opportunity** for developers, manufacturers, shippers and freight forwarders looking to expand their businesses.

KCI offers Class A office space for \$13 per square foot. CBRE/Trammell Crow is developing the **KCI Business Airpark**, featuring build-to-suit flex buildings combining low-cost, **on-airport sites** with easy access to four major Interstate highways, an expansive cargo-handling infrastructure and one of the nation's largest Foreign Trade Zones. KCI is the smart choice for passengers, cargo and commerce alike.

\*IATA Code: MCI

[FlyKCI.com](http://FlyKCI.com)



**KANSAS CITY  
AVIATION DEPARTMENT**

**think** 

# Washington Economist Predicts 4% GDP Growth

Political economist, Dr. Fred Bergsten, director of the Peterson Institute for International Economics, predicts that GDP will grow at a rate of four percent over the next 18 months.



**Dr. C. Fred Bergsten, Director  
Peterson Institute**

In a Kansas City International Relations Council speech, he said, every recession since World War II has had a “V” shaped recovery. “First a sharp decline, followed by an equally sharp recovery.” According to Dr. Bergsten, we can expect the same for the current recession, despite the fact that the recovery is taking longer than expected.

In terms of the U.S. dollar, he believes the sinking dollar will eventually become one of several currencies as the world’s standard, along with the euro and the RMB. He further suggested that in addition to G-20, there ought to be a G-2 between the US and China, with regular discussions between the two countries to maintain an economic balance in the world. While President Obama tried to implement such a dialog on his Asian trip, he was stymied by a Chinese government not yet willing to enter into such a dialog.

Bob Rebori, President of Bio-Microbics, Shawnee, Kansas, said, “The G-2 comment was clever as the historic assumption is China needs Americans to purchase their goods for sustained growth, and the U.S. needs China to continue investing in our debt instruments. This is true, but to sustain it, several things need to occur.”

“First, we need to be stronger with a currency more attractive against the euro improving America’s purchasing power. China needs a stronger dollar as well as their currency, the RMB, will get stronger.”

Mr. Rebori continued, “Secondly, to sustain exports with a stronger currency and to sustain consumption in China with its rising costs, the quality of Chinese goods must vastly improve. Today, checks and balances on commerce is mostly based on the political response to some failure, and a below-the-surface response to restricting imports into China. Consequently, businesses there are operating for maximum short-term gain with little regard for safety and specifications.”

Commerce Bank VP, Gabe DiGiorgio, offered another viewpoint. “I keyed in on his comments regarding the actions taken by the government to bolster financial institutions during the downturn, and his recognition of the administration’s actions in avoiding the mistakes made during, the great depression. And now we are seeing a recovery under way.”

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# Heartland Exports Slip in October - Imports Hold Ground

Bucking a national trend of export hikes in October, Heartland new exports orders fell off, while imports maintained a slower growth pace.

Dropping from a fast growth index of 54.6 in September, October’s index cooled to 49.3, just below growth levels.

Nationally, the weak dollar helped propel new export orders to a fast-clipped 55.5 in October, up slightly from September’s 55.0. Export sectors that grew in October include: apparel; leather & allied products; food, beverage & tobacco products; chemical products; electrical equipment; appliances & components; computer & electronic products; transportation equipment; & machinery.

Heartland imports dropped from

September’s 56.0 to 50.7 in October - growing, but more slowly. Nationally, imports also grew more slowly.

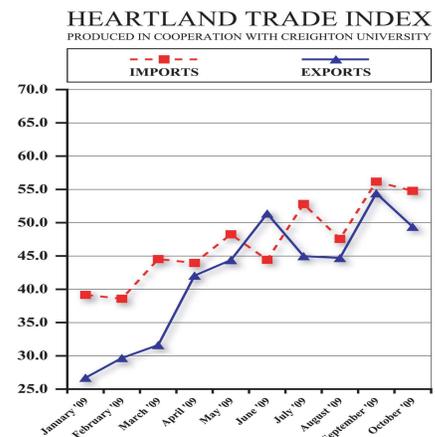


Professor Ernie Goss of Creighton University, who tracks the Heartland Index, pointed to a weak economy as the primary indicator for both export and import drops. Why Heartland exports drifted versus the national index is not clear. He said, “I expect the downturn in Heartland new export orders to be temporary, with the cheap dollar and expanding global economic conditions fueling exports in the months ahead.”

The International Trade Index is an exclusive, real-time, leading economic indicator

measuring export orders and imports for a 9-state region, including Arkansas, Iowa, Kansas, Minnesota, Missouri, Nebraska, Oklahoma, North and South Dakota.

ib



## China's RMB Strategy for Bi-lateral Trade

by Barry Pearton - publisher, Asia Today International

HONG KONG - The pilot scheme to allow the RMB to be used as a trade settlement currency is part of a broader context of currency/trade deals that China has agreed to with major trading partners since December 2008, says Chris Lewis, Head of Trade and Supply Chain, Greater China, at HSBC."

"By the end of the first quarter of 2009, China had agreed to currency swap deals in various formats with Malaysia, South Korea, Hong Kong, Belarus, Indonesia and Argentina, worth some US\$100 billion," he says.

"The motivation behind these agreements varies. Occasionally the aim is simply to promote trade by reducing frictional costs and risks for trade participants. In others, the objective is for the RMB to provide support for the currency of an important trading partner.

A May 2009 meeting between Brazil's and China's presidents offer another approach. The notion is simply for Brazil to pay for Chinese goods with Brazilian real and China to pay for Brazilian goods with RMB."

The People's Bank of China released final details of its pilot RMB scheme in June. This allows trade between the Chinese mainland and Hong Kong, Macau and certain countries of the Association of Southeast Asian Nations to be settled in renminbi (RMB). HSBC handled the first trade transaction under the pilot very shortly after the scheme went live.

Lewis says that, while the initial pilot is relatively modest in scope, there are expectations that it will be extended in due course to include other countries." In the short term, it seems probable that the initiative will replace the use of US dollars and euros in some existing trade transactions. However, in the medium to long term there are hopes that it will lead to significant new trade activity, as new participants are

attracted by the advantages of RMB settlement," he says.

Lewis believes that in the longer term, it is likely that domestically-focused Chinese companies will be inclined to rethink their business strategy. "They may previously have been deterred from international trade by the prospect of having to manage USD or EUR currency risk, but will be more inclined to expand into this area if they can settle and/or hedge easily in their domestic currency," he says.

Lewis says it is clear that greater levels of RMB-denominated trade could, in the mid-to-long-term, prove highly positive for global trade volumes. "While it may be premature to predict a significant decline in USD-denominated trade, it is certainly safe to assume that many trade participants will see the recent moves by the Chinese government and the PBOC as highly positive," he says.

# Follow the Leader

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## 2009-2010 Heartland International Trade Associations Elect New Leaders

A backbone of international trade in the Heartland is the network of international trade associations that for some 50 years have served to educate, network and inspire international traders. If you seek information about trade issues in your area, visit their Web sites to make contact. Newly elected ITA officers include:

### International Traders of Iowa: [www.iowatraders.com](http://www.iowatraders.com)

President – Tim Woods, Transportation Management, Intl.  
Vice President – Scott Teasdale, Quad Cities Port Services, Inc.  
Treasurer – Julie Masimore, Bankers Trust Company  
Secretary – Terri Carter, Bridgestone Americas Tire Operations, LLC

### International Trade Council Greater Kansas City: [www.itckc.org](http://www.itckc.org)

President - Dan Ward, Western Forms  
1<sup>st</sup> VP – Tina Roth, Hallmark Cards  
2<sup>nd</sup> VP – Olga Ganzen, Park University  
Treasurer – Angela Ventimiglia, Fike Corp.  
Secretary – Keith Hustings

### Minnesota Global Trade Association: [www.mgta.org](http://www.mgta.org)

President - Sandy Taylor, Hyundai Merchant Marine  
Vice President – Mari S. McClafferty  
Treasurer – Beth Pickering, SPX Corporation  
Secretary – Whitney Docken, LCB, Target Corporation

### Midwest International Trade Association Nebraska: [www.mitaonline.org](http://www.mitaonline.org)

President – Marisa Ring, Greater Omaha Chamber of Commerce  
Vice President – Todd Green, OFFWIRE  
Treasurer – Renee Campbell, Valmont Industries  
Secretary – Keith Larsen, McGrath North

## North Dakota-made GEM Cars

(continued from Pg. 1)

According to information supplied by the North Dakota Trade Office, GEM's 2008 export sales increased 105 percent from the previous year. Exports, as a percentage of total sales, jumped from 12 to 22 percent in 2008. 2009 sales have been holding steady. GEM with approximately 150 dealers, exports to Canada, Mexico, Spain, France, Italy, Germany, Portugal, the Netherlands, Greece, Monaco and throughout Asia.

According to a Chrysler spokesman, "Early on in GEM's existence, we received inquiries from international distributors expressing their interest in selling our products."

From the beginning all models attracted interest, although its 4-passenger vehicle, the GEM e4, quickly became the best international seller.

The GEM e4 sports a heavy-duty DC motor with continuous 5 HP rating and 12 HP peak during acceleration and hill climbing. All models are front wheel drive.

The company claims that they've been weathering the worldwide recession by controlling costs, yet remaining aggressive in terms of sales & marketing.

**An optional performance package features a 7-HP motor, scoops, heat synch & chrome emblems.**



For more information about GEM cars, go to [www.gemcar.com](http://www.gemcar.com)

## How to Avoid Your Shipping Problems

By Sharon May, North Dakota Trade Office & licensed customs broker

The vast majority of your shipping problems can be avoided.

Consider these measures before every shipment:

1. Assess the hazards your shipment will incur on all its transportation legs and pack based on the toughest leg.



2. Determine how many times your shipment will be handled while in transit and plan on multiple handlings.

3. Find out and meet the specific packaging requirements for your product from every carrier, in every port of import or export.

4. Know the packaging capabilities of your product, such as stackability, susceptibility to weather damage, and plan accordingly.

5. Use appropriate unitizing devices such as heat-treated pallets or heat-treated crating. Make sure your unit sizes will fit within the carrier mode you will be using.

6. If you are loading a container, plan for loading and securing of cargo. (blocking and bracing)

7. Ensure your goods are clearly marked, labeled and identified on a per unit basis - especially if your goods will be consolidated with other shipments.

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## North America Transportation Experts

(Continued from Pg 1)

A ground up approach where ideas come from a regional perspective could stimulate pilot projects to more effectively protect our borders, allowing a more seamless traffic flow of goods-carrying trucks, necessary to fuel trade between the U.S., Canada and Mexico.

“As it is now, many small to medium-sized companies (SMEs) are pulling back to alleviate daunting border problems,” said Mr. Sands.

A different viewpoint was offered by freight-forwarder Roger Scarbrough, Scrabrough International. “Let shippers move freight more efficiently, because they automatically set security levels. We know our customers and what they ship. If you don’t know the customer, then you need inspection.”

Troubling Mr. Scarbrough and other transportation experts are the amateur border-crossers – either tourists ignorant of correct procedures, or truckers who lack education.

Asked what models the U.S. should use for better border effectiveness, panelists cautioned against hard and fast EU, Asian or other models that may not apply, but to take U.S. successes and build from them.

### Transportation Funding

With a lack of a sustained highway transportation funding bill by Congress, U.S. infrastructure is decaying rapidly, panelists agreed in a session on North American Freight Transportation. They pointed out that Obama’s health care issue has taken all the attention of Congress.

One suggestion is a motor fuel tax of anywhere from 10 – 60 cents a gallon that would provide declining revenue needed for infrastructure. Another is a toll for highway use, already adopted by some highways in southern California. One panelist suggested that a container tax seems most likely.

Increased use of intermodal transportation was another point of discussion. Every \$1 spent on intermodal yields \$5 – 8 in savings. Other intermodal benefits are less truck congestion, alleviation of driver shortages, as well as fuel savings.

Winnipeg’s Centerport is an example of how public/private funding can create a state-of-the-art intermodal facility to handle east-west, north-south freight throughout North America.

## IBNews Updates

### President Approves New Trade Treaty

While in Asia for the APEC, President Obama announced USA engagement in the Trans-Pacific Partnership (TPP) multi-lateral trade treaty, which links the USA with Singapore, Brunei, Chile and New Zealand. Despite its lack of prominence, other countries are lining up to join, making the TPP a promising multi-lateral trade prospect for Heartland traders.

The president wants to move the Korean FTA forward as well, but strong Democratic opposition in Congress continues to block passage.

### USTR Has Ties To New EU Foreign Minister

Fortunately for American traders, Ambassador Ron Kirk has worked closely with newly appointed EU foreign minister, Catherine Ashton of the UK., formerly EU Trade Commissioner, since his own appointment as USTR this past March. Little is known, however, about new EU Council President, Herman van Rompuy of Belgium.

## About IBNews

Now in its 6<sup>th</sup> year of publishing, *IBNews* is an independent online magazine, published for the Heartland International Business Alliance – a 9-state region – to keep SMEs (small to medium-sized companies) and organizations aware of developments affecting international business.

Our exclusive Trade Index is the only real-time, leading economic indicator of monthly changes in exports and imports.

Send editorial and article suggestions to: [info@intermark3.com](mailto:info@intermark3.com).

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