

# CERTIFIED GLOBAL BUSINESS PROFESSIONAL

## Exam Prep Study Guide



## Global Business Management – Domain I

## **Acknowledgments & Thanks**

This CGBP Exam Prep Study Guide series was assembled over the course of one year by a volunteer team of Certified Global Business Professionals (CGBP's). Maurice Kogon, CGBP served as the primary content contributor and lead author for the series, with additional contributions also coming from Ben Kincaid, CGBP, Christine Schrage, CGBP, Martin Brill, CGBP, Mary McKinney, CGBP, Dimy Doresca, CGBP, Joyce Steffan, CGBP and Amy Coon. Leroy Lowe, CGBP also contributed content and served as lead content reviewer and Jackie Rasmussen, CGBP served as series editor.

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## Introduction

NASBITE International is a non-profit 501(c)3 corporation organized under the laws of Ohio. Established over 30 years ago as an association of North American Small Business International Trade Educators (NASBITE), NASBITE has become the leading U.S. organization supporting the training and education in the field of global business. We are a professional organization of educators, trainers, service providers and practitioners and our mission is “to advance global business practice, education and training”.

The CGBP “Practice Delineation” is the foundational reference document that articulates the trade skills certified through the attainment of the NASBITE Certified Global Business Professional (CGBP) credential. It is comprised of four top-level domains along with supporting task and knowledge statements and five threads, which represent topics that cut across all four domains.

Top Level Domains	Threads (topics that cut across all four domains)
1. Global Business Management 2. Global Marketing 3. Supply Chain Management 4. Trade Finance	a. Documentation b. Legal & Regulatory Compliance c. Intercultural Awareness d. Technology e. Resources

The CGBP is designed to meet the needs of individuals working in the profession or studying for a career related to global commerce. Candidates from both small and large companies will benefit as will students in two-year or four-year post-secondary programs. The credential is also suitable for individuals working in trade assistance organizations, trade promotion agencies, and related educational institutions.

Candidates receiving the NASBITE CGBP designation may use the credential logo and wordmark on resumes and business cards identifying them to employers and the public as individuals proficient and current in global commerce. For companies, the credential establishes a professional development goal for current and future employees. The credential also helps individuals diversify their skills in global commerce and assure they understand a broad range of topics rather than just the specific field within international trade where they have experience.

This document series consists of four individual documents which are aligned with the four domains found with the CGBP Practice Delineation. These sections are intended to serve as a CGBP Exam Preparation supplement, with content that addresses all of the knowledge statements found in the CGBP Practice Delineation document. This is the first document in the series, which is “**Global Business Management**”.

**Note that these documents are not intended to serve as standalone study guides.** Rather, they will be best used as a supplement to augment training or other resources that can more fully speak to the task statements that are found in the CGBP Practice Delineation. The documents have been designed to ensure that those who are planning to sit the CGBP exam have an appreciation for the full scope of the resources, references, and content that is described within the CGBP Practice Delineation document. If you are planning to sit the CGBP, we hope that you find the four documents to be helpful.

Any identified errors, omissions, or questions should be sent to [Ask.The.Expert@nasbite.org](mailto:Ask.The.Expert@nasbite.org) (responses will generally be sent within 24-48 hours).

## Task 1.1 - Develop and/or assist in the creation of a global mission statement for the firm

Knowledge of:

- (i) Components of a Mission Statement

In the 'Global Business Management' domain, CGBPs are expected to be able to *“develop and/or assist with the strategic and operational planning, development, implementation, and assessment of the international aspects of the business”*. One aspect of this activity is that CGBPs should be able to *“develop and/or assist in the creation of a global mission statement for the firm”* and have a knowledge of *“the components of a mission statement”*

- (i) Components of a Mission Statement**

To prepare for the CGBP exam, you should do some basic research on Mission Statements. The development of a mission statement is a topic that has been widely discussed, and as a result there are descriptions on how to develop a Mission Statement on many websites. In general, Mission Statements express, in a few concise words, what an organization wants its employees, customers and the public to know about its core purpose, values, objectives, and capabilities. A Mission Statement is important for any business and should be prominently placed in its Business Plan and on its website (e.g., in the “About Us” section). Very often, a Mission Statement is accompanied by a Vision Statement, typically shorter and more aspirational (see [Mission Statement vs. Vision Statement](#) to better understand the components of each and how they differ).

A “Global” Mission Statement is simply a mission statement for a company that intends to do business in international markets (i.e., territory that is outside of its own domestic/national market). However, when you search for “components of” a mission statement, or parts of a mission statement, you will discover that opinions vary widely as to how many components/parts there are in a mission statement. Since there is no real consensus on this issue, you should look at several websites to get a sense of the range of ideas that people have on this topic and look for common themes.

Here is a [website](#) where the mission statements from many global businesses are shown. What are the key components of these statements? Do these statements explain: Purpose? Capability? Core Value(s)? Vision?... anything else? Are these statements long or short? Are they clear or vague? Do they inspire?

A Global Mission Statement for a company will give the company’s employees a clear sense of purpose and it will serve as an important guide for decision-making. In what other ways are a Global Mission Statement Important? Share your thoughts on the CGBP Exam Prep Study group on LinkedIn [here](#).

## Task 1.2 - Recognize ethical and cultural issues that are inherent in global activities and contribute to an ethical and cross-culturally sensitive business environment

Knowledge of:

- (i) Business ethics as perceived and practiced in the U.S. and in other countries (e.g., cultural relativism, labor laws)
- (ii) Culturally appropriate techniques for international business settings (e.g., adaptive behavior, response, and verbal/written language to correspond with local business culture, group vs. individual, ethnocentric vs. polycentric, high context vs. low context)

In the 'Global Business Management' domain, CGBPs are expected to be able to *“develop and/or assist with the strategic and operational planning, development, implementation, and assessment of the international aspects of the business”*. This requires CGBPs to be able to *“recognize ethical and cultural issues that are inherent in global activities and contribute to an ethical and cross-culturally sensitive business environment”*. Specifically, CGBPs should have knowledge of *“business ethics as perceived and practiced in the U.S. and in other countries (e.g., cultural relativism, labor laws)”*. As well, CGBP’s must have knowledge of *“culturally appropriate techniques for international business settings (e.g., adaptive behavior, response, and verbal/written language to correspond with local business culture, group vs. individual, ethnocentric vs. polycentric, high context vs. low context).”*

### (i) Business Ethics

Ethics are principles that guide the way a person behaves. In business planning, ethical behavior involves making good choices and distinguishing between “right” and “wrong”. The challenge is that in international *business* there are many times where conflicting priorities may result in very difficult choices. For example, a company’s duty to its owner or shareholders to maximize profits may need to be balanced with the need for the company to spend money on activities that are socially responsible. Consider a country where the law doesn’t require factories to monitor or minimize factory emissions of toxic gases. It may be legal and more profitable for a company to do nothing about reducing toxic emissions in that country, but ethical decision-making requires a manager/planner to decide what is right.

This sort of decision-making is made more challenging by the fact that a **country’s** business ethics are largely driven by its culture and laws. A country’s culture relates to the rules and behaviors that are considered acceptable in social and business settings. Since many countries have unique cultures and traditions, people often behave differently than we might expect. It is therefore critically important for CGBP’s to be aware of the perceptions of ethical behavior from a global perspective. For example, a U.S. firm doing business in a foreign country may believe it is acting ethically but come across as naïve to that country’s ways of doing business, or worse, as unethical. This can jeopardize the success of negotiations and/or lead to a breakdown in a business relationship. So, companies may need to adapt their own customary ethics to better relate to cultural and legal differences in another country. **Cultural relativism** is the idea that there are no ethical absolutes or rights or wrongs. By following cultural relativism, those who adhere to this idea abide by the concept that individuals should react to business situations as if they themselves are part of that particular culture, allowing adaptations as needed in business practice.

Challenges arise when local culture and laws are in direct conflict with an international business manager’s sense of right and wrong. For example, consider the fact that labor laws vary by country. Poor/unsafe working conditions and/or the hiring of children may be legal and accepted in a country, but in situations like this, the decision to adapt one’s ethics to fit local norms may not be an acceptable choice. To address this issue, many companies that do business internationally try to support their managers by developing a company “Code of Ethics”.

To prepare for the CGBP exam, do a bit of research on the Internet and take a look at the Code of Ethics for a number of companies that are doing business internationally. What similarities do you see in the ethical codes that are published by US-based companies? How are these different or similar to Codes of Ethics that are published by

companies from other countries? Consider the example above of a country where the labor laws are relatively lax. How does a Code of Ethics support the decision-making process for a company that has a Code of Ethics? How would this differ from the decision making in a company that doesn't have a Code of Ethics?

## (ii) Cross-Cultural Issues

In addition to behaving ethically, international Business practice involves a vast amount of knowledge in the area of culture that relate to business practice in other countries. A company's receptivity in a foreign country will often depend on cultural perceptions of its verbal/written communications and even the body language of corporate officials. It is therefore quite important for managers to have knowledge of practical techniques that can be used in international business to address cultural differences. For example, these techniques could include **adaptive behavior**, which is when a business adapts to the cultural norms of another country. In addition, a company may choose to follow local language and communication practices (i.e. **verbal and written**) in order to fit in with local business culture and better relate to business partners. Have a look at these two short articles on business culture and adaptation (links [here](#) and [here](#)).

Generally speaking, business managers should avoid taking an **ethnocentric** perspective. **Ethnocentrism is when a person evaluates another country's** culture according to his/her own preconceptions of what is best. This is usually a perspective originating from the standards and customs which are most familiar to a person (i.e., from his/her own culture). By contrast, a **polycentric** approach is generally needed to be successful in international business. This is where the person adopts the belief that the culture in every country is unique in nature and that is not something to be judged as inferior or superior. Rather, a country's culture is to be accepted for what it is and gaining a better understanding of the culture in the country where you are working will be important if you hope to be successful.

Take a few minutes and Google "Hofstede" and "culture". Hofstede is a researcher who believed that the culture in most countries could be analyzed by considering various dimensions of cultural norms. For example, **group vs. individual thought**, also known as **individualism vs. collectivism** is an area where cultural norms can differ. For example, the U.S. tends to be an individualistic culture (i.e., Americans' tend to have primary concern for themselves as individuals). Whereas most Asian cultures tend to favor collectivism where there is a strong focus on group dynamics and the significance to the people in the group. What are the other dimensions that Hofstede considers important in the analysis of a national culture? Where are your own priorities in each of these dimensions? Hofstede's model has been used to analyze the culture in many countries and can provide you with a snapshot of what the culture is like in another part of the world. That can be helpful when planning work on another country. No profile can account for the fact that every individual is unique, but it can help you understand the ways in which a culture might generally differ from your own.

Lastly, it is also helpful to know that communications may differ between countries with **"high context" vs. "low context"** cultures. Companies in high context culture tend to rely heavily on context, meaning that they communicate with visual cues, nuanced expression and they rely on non-verbal communication as well as tradition. Whereas companies in countries with low context culture rely heavy on facts. Companies need to develop international business techniques that effectively bridge cultural divides in order to be effective internationally. Here is a quick video to help you with this distinction (link [here](#)).

Overall, a good understanding of ethical business practices and cross-cultural issues is important if you are going to be involved in the development of plans related to the international aspects of the business.

### Task 1.3 - Participate in the global business planning and long-term strategic planning processes

Knowledge of:

- (i) Environmental factors affecting international strategies (e.g., political, legal/regulatory, sociocultural, cost and competitive factors, appropriate levels of technology)
- (ii) Local, state, federal and global support initiatives that are designed to enable global business ventures and expansion
- (iii) Elements of a global business plan

In the “Global Business Management” domain, CGBPs are expected to be able to *“develop and/or assist with the strategic and operational planning, development, implementation, and assessment of the international aspects of the business.”* One aspect of global business planning is that CGBPs should have knowledge of the process of long-term strategic planning. A CGBP must be knowledgeable about “environmental factors affecting international strategies (e.g., political, legal/regulatory, sociocultural, cost and competitive factors, appropriate levels of technology).” In addition to environmental factors, CGBP’s must have knowledge of “local, state, federal and global support initiatives that are designed to enable global business ventures and expansion elements of a global business plan.”

#### (i) Environmental Factors

**Environmental factors** include political factors, legal/regulatory factors, sociocultural factors, cost and competitive factors and technology. These factors may be considered indicators suitable for global assessment as they differ across foreign markets. A company must research foreign markets, as they may differ by income levels, standards, climate, size of people and space, language, religion, cultural preferences and business practices, just to name a few.

Some researchers use a **PESTLE** analysis as a tool that captures many of these factors. Here is a [short video](#) that explains how a PESTLE analysis is used for this purpose. Competitive factors are often not included in environmental analysis, but the competition in any given country is equally important. Here is another [short video](#) that describes one method to compare competitors in a marketplace. The exact tool used (there are many) for these analyses is less important than simply recognizing that all of these factors must be reviewed.

These environmental factors often dictate whether a product could enter the market, could be afforded, could tolerate the local physical climate, and either appeal to or offend potential buyers. Without an effective market entry strategy, a company entering a market will not maximize its potential and could make costly business mistakes.

#### (ii) Local, State, Federal and Global Support Initiatives

In addition to be knowledgeable of environments factors, there are four areas of support for International Businesses. These support areas include (1) local; (2) state; (3) federal; and (4) global support initiatives. **Many** initiatives at the local, state and federal level support global business development, are available to support global businesses, especially new exporters. These initiatives cover the entire scope of global support for an international business. This support ranges from basic export-readiness assessment, to export counseling, training and marketing information, to more direct programs and services to support market entry planning (marketing, matchmaking, financing, risk-mitigation, regulatory compliance and supply chain management).

**Local support.** Local-level initiatives come mainly from county/city [economic development agencies](#), NGOs such [World Trade Centers](#) (WTCs), [chambers of commerce](#), and universities and community colleges that host international trade assistance centers. They typically focus on early-stage export development -- export counseling, training seminars, and networking events. Some of the larger chambers also issue Certificates of Origin and Certificates of Free Sale.

**State support.** Most States have [Trade Development Offices](#) with central and/or field offices staffed with experienced

export counselors. They offer start-up as well as more advanced counseling and training comparable to Federal U.S. Export Assistance Centers (see below). Some States have their own overseas offices to support home-State companies. The State offices are also the primary conduit for [State Trade Export Program](#) (STEP) grants (e.g., up to \$3,000 per company) that can be applied to offset costs of market development and trade promotion activities, including for website globalization and translations and fees for matchmaking and trade promotion programs (e.g., IPS/Gold Keys and trade shows and missions).

**Federal support.** The U.S. has two primary export assistance agencies -- the U.S. Department of Commerce's [International Trade Administration](#) (ITA) for exports of manufactures and services and the U.S. Department of Agriculture's [Foreign Agricultural Service](#) (FAS) for exports of food and agricultural products. These two agencies have worldwide staff, maintain extensive online trade databases, and provide counseling, matchmaking, trade event, and other market development support for their respective constituencies.

Several other federal agencies offer more specialized export support – [Small Business Administration](#) (SBA); U.S. [Export-Import Bank](#) (EXIM); [Energy Information Administration](#) (EIA); U.S. Census Bureau's [Foreign Trade Division](#) (FTD); [Trade and Development Agency](#) (TDA); [Agency for International Development](#) (AID); and [U.S. Trade Representative](#) (USTR). One federal agency supports U.S. foreign direct investors -- [Overseas Private Investment Corporation](#) (OPIC).

### (iii) Elements of a Global Business Plan

What level of support is best for global expansion of your product/service? Knowing this information will assist you in building your business plan, systematic planning is essential to global expansion and can be instrumental in avoiding costly mistakes. A global business plan typically starts with the basic elements of a domestic plan – the nature and scope of the business, product line, competitive analysis, growth potential and strategy, capital requirements, projected return on investment, etc. The added global dimension -- involves the needed strategy and actions to take the business international -- builds on this foundation and incorporates a long list of factors associated with market entry and market development. Here is a [short article](#) on the topic to help you appreciate these differences, as well as a longer [case study](#) that provides a bit more detail. You should read both of these resources and think about the importance of this activity for an exporting company.

Overall, being knowledgeable enough about these aspects on international business will allow you to participate in the global business planning and long-term strategic planning processes. These can be lengthy company initiatives that will involve many hours of research planning. Your readiness depends largely on making sure that you have a good understanding of these concepts.

## Task 1.4 - Contribute to the ongoing internal and external research efforts to determine viability of global ventures

Knowledge of:

- (i) Basic research concepts and techniques (e.g., primary vs. secondary data, basic research methodologies/processes, surveys) and data analysis/evaluation processes (statistical evaluation, quantitative and qualitative analyses)
- (ii) Data sources for international market data (e.g., U.S. Department of Commerce, International Monetary Fund [IMF], World Bank, United Nations agencies, Country Desks, and private firm data)

In the 'Global Business Management' domain, CGBPs are expected to be able to “develop and/or assist with the strategic and operational planning, development, implementation, and assessment of the international aspects of the business.” One aspect of this activity is that CGBPs should be able to contribute to ongoing internal and external efforts in order to determine the viability of global ventures. This requires of basic research concepts and techniques (e.g., primary vs. secondary data, basic research methodologies/processes, surveys), and data analysis/evaluation processes (statistical evaluation, quantitative and qualitative analyses). It also requires a CGBP to have knowledge of data sources for international market data (e.g., U.S. Dept. of Commerce, International Monetary Fund [IMF], World Bank, United Nations agencies, Country Desks, and private firm data).

### (i) Basic Research Concepts and Techniques

Global ventures can offer huge opportunities, but they also pose potential risks and should be thoroughly researched prior to taking action. Research requires assessment will require either **primary research** or **secondary research** in order to gather and analyze the information most relevant to the venture’s likely viability. Primary research solicits personal advice and opinions from knowledgeable individuals and is gathered firsthand for the purpose of the research. Secondary research draws on previously gathered, publicly available information. Many companies use secondary research due to its ease of use and that it is less time-consuming vs primary data collection methods. Basic research methodologies for primary data collecting include surveys (particularly online) that are easy to administer and can be accomplished with a wide audience over a short amount of time. More lengthy research may be conducted by way of interviews, focus groups or observation studies.

Once data has been collected by way of primary or secondary research, it must then be analyzed and evaluated in order to provide opportunity for decision making by business leaders. Data can be analyzed by either **qualitative** means, which focus on the data collected from observations and interviews in order to find themes. **Quantitative analysis** may occur to look at the results of surveys in a statistical way in order to further investigate the findings by way of statistical evaluation in order to determine an answer towards market entry. This [exporting bulletin](#) provides a good breakdown of these topics as they apply to export market research.

### (ii) Data Sources for International Markets

Sources for International marketing data are widely available on the Web, including particularly valuable trade, economic and demographic statistics; country-and industry-specific market research; and databases of potential suppliers, importers and distributors. From these almost entirely free sources, researchers can research and track trends in overall market size by industry, product, and country, as well as quantify target consumers (e.g., population by age, sex, ethnic makeup, etc.). They may also focus on more specific target sectors (e.g., utilities, health, communications, transportation, etc.).

Major sources of such data include U.S. Government agencies, UN and related international organizations, colleges and universities, and the private sector. Some notable examples are as follows:

- **The U.S. Dept. of Commerce** houses the International Trade Associations (ITA). The ITA <https://www.trade.gov/about.asp> provides general analysis and plan/implement international trade, investment and promotion strategies for U.S. companies in order to support and increase the global competitiveness of U.S. Industries. The purpose of the ITA is to promote trade and investment and to ensure fair trade through enforcement of trade laws and agreements. The USDOC also offers customized market analysis (CMA) reports. The **USDOC Desk Officer** is the individual assigned to one or more countries/markets and maintains a wealth of information not found in reports. The Desk officer may prove to be a valuable member to your market entry team. Here is a short [PowerPoint presentation](#) that highlights this range of capabilities.
- The **International Monetary Fund (IMF)** is an organization of 189 countries that work to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world ([imf.org](http://imf.org)).
- **The World Bank** is a source of financial and technical assistance to developing countries with # member countries. The World Bank provides low-interest loans, etc. to developing countries for investment in the areas such as education, health and infrastructure. They both provide with in depth country reports and economic and financial data.
- **The United Nations (UN)** is an international organization committed to maintaining international peace and security in addition to developing friendly relations among nations ([www.un.org](http://www.un.org)). **The UN maintains the Standard International Trade Classification Codes.** Many UN-and related agencies produce volumes of relevant data, including the [UN Regional Commissions](#).
- Private firm data is provided by prominent commercial sources including, but not limited to, the [Euromonitor](#) (industry reports); [D&B Hoovers](#) (databases of U.S. and foreign manufacturers); and [PIERS](#) (Bill of Lading databases of U.S. and foreign exporters and importers).

Overall, being knowledgeable about basic research concepts and techniques as well data sources for international market data will allow you to contribute to the ongoing internal and external research efforts to determine viability of global ventures.

## Task 1.5 - Develop and/or assist in risk assessment and the development of risk management policies to support proposed global business activities

Knowledge of:

- (i) Country risk (e.g., political risk, economic risk, expropriation)
- (ii) Commercial risk
- (iii) Risks and sources (e.g., Department of State) associated with travel and expatriate activities (e.g., family member's adaptation, reverse culture shock, Centers for Disease Control and Prevention – CDC as source for travel risks)
- (iv) Credit assessment and mitigating techniques (e.g., export credit insurance, international finance)

In the 'Global Business Management' domain, CGBPs are expected to be able to *“develop and/or assist with the strategic and operational planning, development, implementation, and assessment of the international aspects of the business.”* One aspect of this activity is that CGBPs should be able to develop and/or assist in risk assessment and the development of risk management policies to support proposed global business activities. This requires knowledge of both country risk (political, economic, legal and cultural aspects), commercial risk, risks and sources (e.g., Department of State) associated with travel and expatriate activities (e.g., family member's adaptation, reverse culture shock, CDC) and credit assessment and mitigating techniques (e.g., export credit insurance, international finance).

### (i) Country Risk (Political, Economic, Legal and Cultural Aspects)

Country risks are made up of risks of loss caused by adverse political, economic, legal, or cross-cultural situations. Country risk are unique to each industry and country and should be planned for and considered when choosing to do international business. Here is a short video introduction to country risks that you should watch (link [here](#)) and a short article about analyzing and managing country risks as well (link [here](#)).

Potential **political risks** include political violence that damages tangible assets or interrupts business (e.g., from declared or undeclared war, insurrection, rebellion, revolution, civil war, vandalism, sabotage, civil disturbance, strikes, riots and terrorism). The main challenge with any sort of political upheaval or turmoil is the fact that government actions during times of change can place investments and trade at risk. For example, government expropriation is a political risk that transforms private assets into government or state ownership, usually with no or inadequate compensation. Industries most vulnerable to confiscatory expropriation are transport, communications, energy, banking and natural resources. Another example of a politically imposed restriction would be government sanctioned exchange controls that restrict a company from converting local currency into foreign exchange. This type of restriction on currency exchange can prevent a company from being able to import needed materials/equipment and/or prevent them from being able to repatriate investment earnings. Regardless of the setting, political risk is therefore an important consideration. Take a few minutes and watch this short [video](#) on this topic.

**Economic risks** may not be as easy to define as political risks, but generally these risks result from macroeconomic developments that raise the cost of doing business beyond profitability or ability to repay debt. Economic risk relates to exchange rates, economic volatility, industry and competition. Potential economic risks include restrictive government regulations and prohibitive currency fluctuations, inflation, and hikes in interest rates, wages, taxes, and cost of materials. Here is a [brief overview](#) of the different types of economic risks and a few examples of how these risks can impact companies that are involved in international business.

Protection against both political and economic risk is available from both government and private insurance providers. For example, [U.S. Export-Import Bank \(EXIM\) export credit insurance](#) protects U.S. exporters against buyer default for any political or economic reason. [U.S. Overseas Private Investment Corporation \(OPIC\) political risk insurance](#) protects U.S. investors against politically caused losses to tangible assets, investment value, and earnings. Internationally, [Multilateral Investment Guarantee Agency \(MIGA\) political risk insurance](#) guarantees projects in developing countries against losses from currency inconvertibility, expropriation, war, terrorism, and civil

disturbance, breach of obligations by sovereign, sub-sovereign, or state-owned enterprises. As well, the [private political risk insurance market](#) includes about 60 insurers operating globally, concentrated primarily in the UK, U.S. and Bermuda. The largest private insurers are [Zurich American Insurance](#), [Lloyd's](#), [AIG](#), [Chubb](#) and [Sovereign](#). The overall political risk insurance market size is estimated to be around USD 8 billion.

**Legal risks** arise when a company fails to comply with basic statutory or regulatory obligations. These risks can vary considerably because the laws in every country are different. Here is short introductory video on [this topic](#). For most companies, the key to avoiding these risks is to do extensive homework in advance, to work closely with a local partner, and to consult local experts if help is needed. Professional legal assistance is usually available, but it can be very expensive. As a result, companies tend to avoid hiring lawyers when small amounts of money are at stake and they will quickly shift and consult with legal professionals if their financial exposure in a country is substantial.

**Cultural risks** are often not fully appreciated in international business, but these risks relate to differences between cultures that make it difficult for people from different countries to understand one another clearly. **Cultural norms** in one country can be quite different from cultural norms in another and these differences can create situations where businesses interpret things differently. Here is a [brief article](#) that captures some of the business risks that can occur when these differences exist.

## (ii) Commercial Risk

**Commercial risk** typically refers to non-payment to a company by foreign buyer. Non-payment may be due to insolvency, bankruptcy, or unwillingness to pay. The risk of default is greater under open account terms, when the buyer already has the goods and cannot or will not pay by the agreed upon date (e.g., after 30-90 days). Companies use a variety of payment tools and techniques to address this risk, but for many companies, an export credit insurance policy purchased prior to the shipment is an easy form of protection. U.S. exporters can obtain [EXIM export credit insurance](#) for this purpose at very low cost, and many private companies (e.g., [Meridian](#), [Coface](#), [Euler-Hermes](#)) also offer export credit insurance as well.

## (iii) Risks and Sources

**Travel risks** for business travellers have never been greater. Terrorism, geopolitical disputes, and increasing disparities in global wealth have created an environment where citizenship from a particular country could easily put a traveller at risk. Businesses who send employees on travel therefore need to develop risk management policies to support proposed global business activities. So here, we focus on *risks and sources associated with travel and expatriate activities*.

**Sporadic travel** to other countries, whether business trips or to work abroad (expatriates) face risks to health (diseases) and safety (crime and violence). Health risks for those requiring international travel are published via the [Travel Health Notices](#) from the [U.S. Centers for Disease Control and Prevention](#) (CDC). Safety risks for those requiring international travel are published via [U.S. State Department Travel Advisories](#). As a first step in planning any trip abroad, business traveler should check the Travel Advisories for the intended destination(s) to get a better sense of any known risks that are involved. When a businessperson is overseas and in need of emergency assistance, he/she should contact the nearest embassy or consulate for his/her country of citizenship. For example, U.S. Citizens, should contact the nearest [U.S. embassy or consulate](#).

Have a look at the first 15 PPT slides in [this presentation](#) on “Creating an Effective Travel Policy That Includes Risk Management”. What are your reactions to seeing the various issues that a business traveler needs to consider?

When a company considers sending a manager to another country to work, his/her family will often be expected to accompany the employee to the country where the long-term **foreign assignment** is taking place. During the actual posting/assignment, many companies place an emphasis on the needs of the employee (as they adapt to their new

position), however experience has shown that needs of the family are extremely important. In fact, many foreign postings of employees are terminated prematurely when family needs and/or stresses overwhelm the employee. Read this short article on [this topic](#) as it highlights some of the issues involved.

Additionally, *reverse culture shock* is also a risk that can occur when employees return home after a long stint immersed in the culture of another country. The home country (as remembered) may have changed – new construction, lifestyles, politics, regulations, etc. – requiring re-learning and adjustment, particularly for children. A good summary of this issue can be found in this [short article](#) on the topic.

#### (iv) Credit Assessment and Mitigating Techniques

Credit risks are another area of importance when conducting risk assessments and developing risk management policies to support proposed global business activities. Credit assessment and risk mitigation are a necessity for exporters and investors. There is a need for protection not only against political, economic and commercial risk, but also the **credit risk** of default by a potential partner.

In this regard, due diligence of potential business partners is critical. This process typically includes a **credit assessment** of the prospect. Credit can be assessed in many ways and typically starts with requesting background information that bears on the prospect's creditworthiness and reliability. Many companies will employ a standard credit application format to help them gain insights into the creditworthiness of their business partner.

This process can also involve banking and trade references. The bank of your business partner is unlikely to divulge any information other than the fact that they do business with the company. However, other companies that supply your prospective business partner are often more than willing to share their experience on creditworthiness. If the customer always pays their bills on time, the supplier will usually be willing to share that detail. At the same time, if the customer doesn't always pay their bills on time, the embittered supplier may also be willing to share that information as well. So, asking these references about their experiences with the prospective partner is a good first step.

If still uncertain, companies can use services that report on the credit worthiness and other credentials of foreign companies, such as private credit reporting agencies such as: [Coface](#), [D&B](#), [FCIB](#), [Experian](#) and the USDOC's [International Company Profile](#) program.

If potential credit risks are determined, steps can be taken to mitigate them. Exporters can obtain [export credit insurance](#) covering all commercial and political risks of non-payment from private insurers (e.g., [Coface](#), [Euler-Hermes](#), [Meridian](#)) and from the [U.S. EXIM](#) (U.S. applicants only).

The World Bank's Multilateral Investment Guarantee Agency (MIGA) also offers [political risk guarantees](#) for all foreign investors in developing countries, and U.S. Overseas Private Investment Corporation (OPIC) offers both [international debt financing](#) and [political risk insurance](#) for U.S. investors abroad.

## Task 1.6 - Develop and/or assist in internal and external legal and regulatory compliance efforts to support global activities

Knowledge of:

- (i) General legal liability issues (e.g., product, international contractual disputes, arbitration, United Nations Convention for the International Sale of Goods [CISG], governance issues, export license compliance)
- (ii) Intellectual property rights (e.g., patent, trademark, copyright), international agreements (e.g., Paris Convention, Madrid System) and practical enforcement levels
- (iii) Issues related to and sources of information (e.g. Bureau of Industry and Security [BIS], United Nations) for offshore regulatory/legal concerns (e.g., bribery/corruption, Foreign Corrupt Practices Act [FCPA], antitrust, customs, import/export permits, licenses, labor law, currency regulations)

In the “Global Business Management” domain, CGBPs are expected to be able to “develop and/or assist with the strategic and operational planning, development, implementation, and assessment of the international aspects of the business.” One aspect of this activity is that CGBPs should be able to develop and or assist in internal and external legal and regulatory compliance efforts to support global activities. This requires knowledge of general legal liability issues (e.g., product, international contractual disputes, arbitration, United Nations Convention for the International sale of Goods (CISG), governance issues and export license compliance).

### (i) General Liability Issues

In order to develop and/or assist with the internal and external legal and regulatory compliance efforts to support global activities, *knowledge of general legal liability issues* is needed. Awareness of legal parameters is critically important while conducting global business. Due diligence is the best protection – first, identify potential legal liabilities, then have policies and compliance systems in place to avoid or resolve them. Particular areas of concern for corporate governance are product liability, export license compliance, international contractual disputes, and dispute resolution. The United Nations Convention for the International sale of Goods (CISG) serves as an important resource in these areas.

**Product Liability:** Most countries have product-specific health and safety standards and require proof in some form, that imported and domestic products meet these country based standards (e.g., [FDA](#) in USA). Non-compliance is a huge risk for companies as products found/perceived to not meet these standards risk potential injury claims, litigation, fines and confinement.

Additionally, companies involved in exporting can be exposed to product liability claims as the result of design defects, manufacturing defects, etc. In fact, if a user/consumer is harmed by the product, a product liability lawsuit can result in a substantial award that could bankrupt a company. For most companies, this means that steps must be taken to ensure that product designs are safe. Care must be taken in manufacturing (keeping consumer safety as a paramount consideration), and the company needs to ensure they have adequate product liability insurance coverage. Please read this [short article](#) on the topic.

**Export License Compliance:** Another area of legal liability relates to export licenses. In the USA, the U.S. [Department of Commerce Bureau of Industry and Security](#) oversees the issuance of licenses for exports and re-exports of goods and technology from the United States. To ensure export license compliance, companies first need to determine whether or not products are “controlled”. For example, many products that have military uses are controlled and will require an export license. Similarly, when shipping products to certain countries, a permit may also be required. Although most products don’t require a license, if a product is controlled, it is extremely important for the company to obtain an export license. Failure to comply with the country export license is punishable by monetary fines and/or confinement. Therefore, companies with licensable products are strongly advised to acquire internal export

compliance systems and train staff on the applicable regulations. Take a few minutes and watch this [short video](#) on export control laws in the United States.

**United Nations Convention for the International Sale of Goods (CISG):** Since a contract of sale is fundamental to the transaction of international business among parties in any country, the CISG is an important resource for businesses. It is one of the most successful international uniform laws. The CISG provides a universally recognized, enforceable, uniform and fair standard for contract provisions. The CISG does not apply to every contract but the parties to the contract should know whether or not it applies to the contract when they form their agreement. Read this [short article](#) on how the CISG can be included or excluded when a contract is formed.

In general, the CISG details mutual obligations for both the seller and buyer. For the seller, these obligations include delivering goods in the quantity and quality stipulated and transferring title to the goods. For the buyer, these obligations include invoice payment and taking delivery of the goods. The CISG also provides common remedial rules for breach of contract. For example, a company may claim damage or even void the contract in case of fundamental breach. Additional rules regulate passing of risk, anticipatory breach of contract, damages, and exemption from performance of the contract.

For reference sake, the full text of the CISG is available [here](#). Although you don't need to be an expert in the CISG, it is important to keep in mind that the CISG can serve as a good reference/resource and it is important to know whether or not the CISG applies to any contracts that your company is signing. In a dispute between your company and another company in another country, this document can help both parties better understand their respective obligations.

**International Contractual Disputes:** In a contractual dispute with another company located in another country, there are many risks to be considered. Generally, the time and cost associated with litigation of disputes can be unreasonable for both parties, so most companies try to avoid litigation. Therefore, many contracts include litigation provisions, but increasingly alternate dispute resolution (ADR) options (e.g. arbitration or mediation) are being added to contracts as an alternative.

**Arbitration** is a more formal process where the parties select an arbitrator to preside over the case in which each side can present evidence, witnesses and question those of the opposing company. The arbitrator has the power to render a legally binding decision that both parties must honor. That decision is enforceable by courts in 142 countries.

**Mediation** is a less formal process where a neutral, yet third party mediator is acquired in order to help resolve the dispute. In mediation, the mediator has no power to render a decision, nor to order a decision or outcome. If the mediator cannot come to a satisfactory resolution, the parties can then pursue a lawsuit.

If **Litigation** is unavoidable, the country law of precedence may be an issue since each party would most likely prefer the case be litigated under its own country's laws. A "Proper Law" clause in the contract is used to determine which country's laws are going to apply and a "Venue and Attornment" clause is used to determine where legal proceedings will take place. Usually the company with the greatest bargaining power will dictate these terms when the contract is negotiated. Here is a [short video](#) that highlights some of the challenges related to the enforcement of an international dispute.

## (ii) Intellectual Property Rights

Intellectual property rights include patents, trademarks and copyrights. Unlike tangible personal or physical property, intellectual property (IP) is the realization of a concept or idea (e.g., an invention, formula, work of art. etc.). Intellectual property rights (IPR) are the rights granted to the IP owner (e.g., as a patent, trademark or copyright) to exclude others from using the IP without permission. IP owners do have the option to transfer or release IP rights through agreements with other parties.

Patents, trademarks, and copyright are granted by the agencies in each country charged with this responsibility. In the U.S., the [U.S. Patent and Trademark Office \(USPTO\)](#) grants patents and trademarks; the [U.S. Copyright Office](#) grants copyrights. Each of these items are further defined below.

**Patent:** A [patent](#) grants the holder the right to exclude others from using, making, or selling the patented item for a limited time. The time period varies with the type of patent granted. There are three types of U.S. patents – utility, design, and plant. [Utility patents](#) are for new, nonobvious, and useful inventions for processes, machines, manufactures, composition of matter, or if the invention makes an improvement on a previous invention. [Design patents](#) are for new and original ornamental designs of a manufactured product. [Plant patents](#) are for the invention or discovery of an asexually reproducible plant that is distinct and new.

**Trademark:** A [trademark](#) gives the owner exclusive use of words, phrases, symbols, logos, or other images and phrases, and prevents others from using a similar mark that would confuse consumers about who was producing the goods or services the consumer was buying.

**Copyright:** A [copyright](#) protects published and unpublished original works, including works in literature, music, art, architecture, software, and choreography. Like a patent holder, the copyright owner has exclusive rights, including the right to reproduce, make derivatives, distribute copies, display the work in public, or perform the work publicly.

Here is a [short video](#) on intellectual property that will serve as a good orientation to this topic.

### **International Agreements on Intellectual Property**

Although copyrights are generally honored by most countries (without the need to register in each country), it is important to note that patents and trademarks are only valid in the country where they have been granted. To protect patents and trademarks elsewhere, the IP owner must obtain comparable protection in each country where it seeks to do business.

Three international initiatives – the **Paris Convention**, the **Patent Cooperation Treaty (PCT)**, and the **Madrid Protocol** have sought to simplify the process of “seeking” multi-country IP protection, but have not eliminated the need to actually register the IP in each country to obtain enforceable IP rights.

**Paris Convention:** This agreement applies to industrial property in the widest sense, which includes patents, trademarks, industrial designs, utility models, service marks, trade names, geographical indications and the repression of unfair competition. [The Paris Convention](#) was the first major step to help creators ensure that their intellectual works were protected in other countries.

**Patent Cooperation Treaty (PCT):** This treaty has streamlined the process of filing patents in multiple countries. The PCT is an international treaty with more than 150 Contracting States. The PCT makes it possible to seek patent protection for an invention simultaneously in a large number of countries by filing a single “international” patent application instead of filing several separate national or regional patent applications. The granting of patents remains under the control of the national or regional patent offices. Read this [short article](#) on the topic and if you want additional detail, here a good reference that answers frequently asked questions ([link here](#)).

**Madrid Protocol:** This treaty facilitates the filing process for trademark registration in multiple countries. For example, in the U.S. a company can file one trademark registration application with the [United States Patent and Trademark Office \(USPTO\)](#) to concurrently seek protection in up to 84 countries.

## Practical Enforcement

In International Business, the challenges around intellectual property therefore fall into two broad categories.

First and foremost, exporting companies need to ensure that they are not infringing upon the intellectual property of another company in any given export market. Since patents and trademarks are only valid in the country where they are granted, due diligence requires the exporting company to thoroughly research the database of patents and trademarks in the target market to ensure the use of their own product and brand does not infringe on existing intellectual property rights. If someone else in the country already owns a similar trademark and/or a patent for a similar technology, those Intellectual Property rights need to be respected. Any shipments made into that market (i.e., using trademarks that infringe upon existing intellectual property rights or selling products that violate existing patents) could result in the goods being seized at the border and/or the activity could result in an infringement lawsuit against the exporter.

The second challenge is that of filing for rights and enforcing those rights in other countries. In practical terms, the administrative cost of filing for intellectual property in most countries is reasonable, but the cost of legal assistance (when needed) can be substantial. Also, if you are exporting to another country and you have existing (or newly gained) intellectual property rights in that country, you are going to be responsible for the enforcement of those rights. Since the cost of launching a lawsuit against an infringing company can be substantial, and given the time involved with such an endeavor, many believe that only the biggest companies can take advantage of this protection. This is not to say that small-medium-sized businesses shouldn't attempt to use intellectual property to their advantage, but these issues must be weighed carefully. Here is a [short article](#) that highlights some of these challenges from the perspective of smaller-medium sized companies.

### (iii) Issues Related to and Sources of Information for Offshore Regulatory/Legal Concerns

In order to develop or assist with regulatory compliance on both an internal and external level, international business professionals must be *knowledgeably of issues related to and sources of information for offshore regulatory/legal concerns*.

Knowledge of U.S. and foreign regulatory/legal systems is a necessity for global businesses. These systems generally serve three purposes. One purpose of regulatory/legal system is to protect domestic industries against foreign competition by ways of tariffs, quotas, import/export permits, and limits on foreign ownership. Secondly, they serve to protect national security through export licenses, short-supply controls). The third purpose is to protect a nation's health, safety, cultural norms, and economic and financial stability by way of standards, currency regulations, anti-bribery laws and corruption laws. Corporate managers need to know which laws and regulations specifically impact their global operations and where to go for legal advice and information. Failure to comply may result in severe criminal penalties and loss of goods or property.

Here is short [introductory video](#) on this topic.

In the sections following, we have outlined some of the main sources of information relating to the topic at hand:

**Advisory Sources for U.S. Export Compliance:** The best advisory sources for export compliance are internal legal staff or, if none, international attorneys, [customs brokers](#) (for import compliance), and [freight forwarders](#) (for export compliance). Other advisory sources include trade specialists at [U.S. Export Assistance Centers](#), enforcement staff at the regulatory agencies, and commercial staff at U.S. embassies and consulates in markets of interest.

**Information Sources for U.S. Export Compliance:** U.S. companies must be well informed about export compliance, as violations are severely penalized (e.g., loss of export privileges, heavy fines, and possible jail time).

**U.S. national security export controls:** Three U.S. agencies enforce different aspects of these controls and provide extensive information on their websites. The Commerce Department's [Bureau of Industry and Security \(BIS\)](#) regulates exports of "dual use" (capable of both civilian and military use), as well as short-supply items, under the [Export Administration Regulations \(EAR\)](#). Although all U.S. exports are subject to the EAR, only those listed on the [Commerce Control List \(CCL\)](#) with an assigned, 5-character [Export Classification Control Number \(ECCN\)](#) require an export license (with some exceptions). A product's ECCN determines whether and what type of license, if any, is required for a specified product, end-use, end-user, and/or destination.

The State Department's [Directorate of Defense Trade Controls \(DDTC\)](#) regulates exports of military-only items under the [International Traffic in Arms Regulations \(ITAR\)](#). Military items requiring export licenses appear on the [ITAR Munitions List](#).

The Treasury Department's [Office of Foreign Assets Control \(OFAC\)](#) administers sanctions, including asset freezes and trade restrictions, against countries, entities and individuals considered threats to U.S. national security. OFAC publishes a [Consolidated Sanctions List](#) of all sanctioned countries, entities, and individuals. It is important for U.S. businesses to be aware of this list as U.S. persons may not engage in any trade or financial transactions with those listed unless authorized by OFAC (e.g., granted a license).

**U.S. product-specific export controls.** Several U.S. agencies regulate exports of products that pose safety or health risks unrelated to national security, including hazardous materials, animal, food and agricultural products, medical devices, drugs and pharmaceuticals, and cosmetics. Much of the needed compliance information is freely available on the websites of the responsible enforcement agencies.

**U.S. anti-competitiveness trade controls:** The U.S. has two legal safeguards against anti-competitiveness practices: the [Foreign Corrupt Practices Act \(FCPA\)](#); and U.S. [Anti-Boycott Regulations](#). The FCPA, enforced by the Justice Department **Fraud Section**, prohibits U.S. firms from bribing foreign government officials "to assist in obtaining or retaining business," such as a bribe to win very large export deals. Anti-Boycott regulations were developed for the purpose of providing guidelines against the participation of U.S. citizens in other nation's economic boycotts or embargoes.

**Information Sources for U.S. Regulatory Import Compliance.** Most U.S. import requirements are for national security or health and safety purposes. The websites of the enforcing agencies, primarily the Department of Homeland Security's [Customs and Border Protection \(CBP\)](#), provide detailed explanations and compliance requirements and procedures. CBP import requirements apply to anyone bringing foreign items into the U.S. While importers do not need a license or permit to import goods, every item that crosses the U.S. border is subject to customs clearance and duties unless specifically exempted.

**Information Sources for Foreign Regulatory Compliance.** Every foreign country has its own policies, laws, regulations, and business practices that may or may not impede or bar imports. Most industrialized countries have relatively open markets. Less developed countries still tend to have higher import duties and more restrictive non-tariff barriers.

**Foreign import duties and taxes.** Countries impose import duties and taxes to generate revenue and/or to protect local industries. The levies are mostly "ad valorem," assessed as a percentage of the invoice value. They range from zero to prohibitive, depending on the product (identified by its HS code). Duty and tax rates are generally published by the Customs agency in each country, but can also be searched online by product in each country at [WTO Tariff Analysis Online](#).

**Foreign non-tariff barriers (NTBs).** Countries use a variety of techniques other than import duties to control imports -- some to limit them quantitatively (e.g. quotas); to preserve scarce foreign exchange (exchange controls); to control who can import (permitting); or to comply with health, safety or technical standards. Country-specific NTBs are extensively covered in [National Trade Estimate Reports on Foreign Trade Barriers](#), updated annually by the [Office of the United States Trade Representative \(USTR\)](#).

## Task 1.7 - Develop and/or assist in the development, implementation, and evaluation of the global budget

Knowledge of:

- (i) General budgeting concepts (e.g., basic elements of financial statements, sales forecasts, expense forecasts)
- (ii) Revenues and expense uncertainties
- (iii) Transfer pricing

In the “Global Business Management” domain, CGBPs are expected to be able to develop and/or assist in the development, implementation, and evaluation of the global budget. This requires having a knowledge of general budgeting concepts (e.g., basic elements of financial statements, sales forecasts, expense forecasts).

### (i) General Budgeting Concepts

A financial budget is an essential tool for any business. A budget can be used to project sales and identify the resources needed to start and operate a new business, or it can be used as an operational tool in an existing business. A budget generally consists of an annual forecast that details projected revenues/sales, corresponding expenses, and projected profits for one year.

- **Sales forecasts** are estimates of future sales that enable companies to make informed business decisions, predict achievable sales revenue; efficiently allocate resources; and plan for future growth. Forecasts can be based on past sales, industry-wide comparisons, and economic trends. Established companies have more years of business data to draw on for forecasts. Newer companies must rely on less-empirical data, such as market research and competitive intelligence to forecast future sales.
- **Expense forecasts** are estimates of future costs for ongoing operations, such as wages, rent, insurance, vehicles, advertising, travel, and accounting and legal fees. Older businesses can draw on records from previous years. New businesses will need to rely more on market research and industry benchmarks. Expenses are often grouped into two broad categories:

***The Cost of Goods Sold (COGS)*** are the costs directly related to making a product, so these expenses can be tied to the sales forecast. If higher sales are projected, the costs to produce the goods (possibly more equipment, labor, materials) will also increase. COGS forecasts typically include the wholesale cost to buy completed goods, raw materials or parts; packaging, freight and freight insurance costs; commissions paid on sales; and direct labor costs used to manufacture the product. Here is a short explanatory video that explains COGS (link [here](#)).

***Selling, General and Administrative (SG&A)*** expenses are all direct and indirect sales-related expenses plus all general and administrative expenses. In other words, these are all the costs of running the business that are not tied directly to the making of the product.

- **Forecast Profit/Loss** - The annual revenue/sales forecast is therefore compared against the total projected expenses for the year to predict the profit that will be earned.

A **global budget** takes additional factors into account, such as increased revenue/sales potential from global markets, and increased expenses that are needed to support the global effort (e.g., incremental training, international marketing, legal and regulatory compliance, travel etc.).

Accounting techniques are then used to track and report what actually does happen at the company. These financial results are captured and summarized in three key financial statements: (1) the income statement (2) the balance sheet and (3) the cash flow statement.

**The Income Statement** is the easiest to understand if you know what a budget is because the income statement is simply the tracking and reporting of the actual revenues/sales, the actual expenses, and the actual profits (or losses) for a given time period. In other words, the *budget* is a forecast of what the company thinks is going to happen. Whereas the income statement is a financial statement that lets the company know what actually happened. The literal “bottom line” of the statement usually shows the company’s net income (i.e., profits or losses).

**The Balance Sheet** is a slightly different report that shows what a company owns and what it owes at a fixed point in time. It provides the details of the company’s assets, the company’s liabilities and the resulting shareholder equity.

Assets are things of value that a company owns, including physical property (e.g., plants, trucks, equipment and inventory); intellectual property (e.g., patents, trademarks, copyrights), cash; and investments a company makes.

Liabilities are amounts of money that a company owes to others, such as bank loans to launch a new product, rent for use of a building, money owed to suppliers for materials, payroll a company owes to its employees, environmental cleanup costs, or taxes owed to the government. Liabilities also include obligations to provide goods or services to customers in the future.

Shareholders’ equity, also known as capital or net worth, is the money that would be left if a company sold all of its assets and paid off all of its liabilities. This leftover money belongs to the shareholders, or the owners, of the company.

**The Cash Flow Statement** is another financial statement that reports on a company’s inflows of cash, outflows of cash, and net cashflow for a given timeframe.

This is critically important because a company needs to have enough cash on hand to pay its expenses. If a company cannot pay its bills, an unpaid supplier or creditor can file a lawsuit against the company to secure payment. If that happens, the court has the authority to force a company into bankruptcy, so most companies try to have a clear understanding of their projected cash position at all times.

Note that the Income Statement captures revenues/sales, but when a sale has been made, the payment is not always made immediately (i.e., a customer may prepay for a good/service or the customer may not pay until months after being invoiced). Similarly, the Income statement captures actual expenses but the payments for those expenses may have been prepaid or they may not need to be paid right away. So, although the Income Statement is a way to keep track of sales, expenses, and profits, it doesn’t keep track of when the actual money comes into or goes out of the company. For this reason, a separate Cash Flow Statement is needed.

In most companies, a **cash flow forecast** is therefore usually maintained on an ongoing basis. It helps the company to estimate the amount of money expected to flow in (receipts) and out (payments) for a given time period. This is critical if the company is going to know whether or not they will have enough cash (or credit) to pay their bills.

For example, if the company experiences negative cashflow for a given time period (e.g., one month), it would tend to reduce the corporate bank account balance (or increase the amount borrowed on the company’s line of credit if they are already borrowing to finance day to day operations). Similarly, if the company experienced positive cashflow for a given time period (e.g., one month), it would tend to increase the corporate bank account balance (or reduce the amount borrowed on the company’s line of credit if they are borrowing to finance day to day operations).

**Here is a short video that summarizes the three financial statements to help make sure you understand them ([link here](#)).**

## (ii) Revenues and Expense Uncertainties

In domestic business, most established companies develop their annual budget using revenue and expense estimates that typically assume that market conditions will not drastically change during the forecast period. This is a reasonably safe bet for a mature domestic market, but not always true. For example, if an industry is new and growing it may be

difficult to forecast the rate of growth or if an industry is being disrupted (or generally in decline), it may be difficult to forecast the rate of decline. In these sorts of circumstances, forecasting sales accurately can be very challenging. As such, most companies have developed a number of techniques to try to account for the many variables (so they can be as accurate as possible when making sales projections). Here is here is a short [article](#) that will help you understand why sales forecasting is so challenging and her is another short [article](#) and an embedded [video](#) to help you understand some of the techniques that companies use to improve their sales forecasting. You don't need to memorize these techniques, but this video will give you a sense of how this challenge is approached in most businesses.

With these challenges in mind, it must be emphasized that the global marketplace is far less predictable than the domestic market for most companies. Part of this is due to the fact that many companies lack high quality, real-time information about changing market conditions in the foreign markets where they operate. At the same time, any number of market conditions can change, with resulting uncertainties:

- Market preferences – local tastes or trends change resulting in shifts in demand
- Political –government policies can become more or less hostile to trade and investment
- Regulatory – tariff and non-tariff barriers can be imposed/removed
- Business Cycles – booms and/or recessions can impact demand
- Fiscal/monetary – higher taxes, inflation, currency fluctuations can impact costs

Companies are therefore generally very conservative when forecasting export sales (unless they have a lot of experience in a given market and/or very good information about the market dynamics in countries where they are operating).

### **Expenses**

By contrast, forecasting operating expenses is an activity that generally has much higher degree of certainty for most companies. Here is a [short video](#) that will help you understand how companies approach this activity.

The challenges that come with forecasting expenses when exporting mostly relate to the unforeseen expenses that can occur when a company is unfamiliar with the exporting process. For example, many companies that haven't exported previously are unfamiliar with all the logistical costs associated with exporting. For this reason, many companies are advised to rely on export costing worksheets to help them capture the wide range of logistical costs that may be encountered. This is not a perfect process and there are still unforeseen expenses that can be encountered in an unfamiliar market, but it is a starting point when a company is trying to better understand all of the expenses involved. Here is a [short article](#) that helps to explain this process.

### **(iii) Transfer Pricing**

Transfer pricing occurs when two companies that belong to the same corporate parent company have sales transactions with each other across national boundaries. For example, when a U.S. parent company sells equipment or materials to its own subsidiary or division in another country, the price that is used for the sale is referred to as "transfer pricing". Transfer pricing is very common – indeed, more than 60% of all international trade is "intra-company trade" (within the same corporate group). Here is a [short video](#) and a [brief article](#) that explain how transfer pricing occurs.

There are three basic approaches to transfer pricing. The best approach depends on the tax rates in the countries of the headquarters and subsidiaries

- **Transfer at cost.** The transfer price is set at the level of the production cost, and the international division is credited with the entire profit that the firm makes.

- **Transfer at arm's length.** The foreign entity is charged the same as any buyer outside the firm. This is the most widely accepted and preferred method among countries, though not yet not required.
- **Transfer at cost plus.** This is the usual compromise, where profits are split between the headquarters and the subsidiaries.

Transfer pricing can occur for very legitimate reasons (e.g., to accommodate purchasing needs of the various divisions in a company) but tax avoidance is another reason why many companies rely on offshore subsidiaries. In general, companies will use corporate subsidiaries and transfer pricing to shift profits to subsidiaries in countries that have lower corporate tax rates. Watch this [short video](#) to better understand how transfer pricing can be used to avoid corporate taxes.

In essence, home and host governments will impose corporate income taxes on the parent and subsidiary's respective profits. However, when companies set up corporate subsidiaries to shift profits to countries with lower corporate tax rates, it can result in a substantial loss of tax revenue for the government of one of the countries. For this reason, governments are beginning to coalesce around the need for better transfer pricing rules. For example, the Organization for Economic Co-operation and Development (OECD) is leading an effort to counter the use of transfer pricing for tax avoidance purposes.

You don't need to be an expert in transfer pricing, but you should know that this is an area that is under careful scrutiny by the regulators in many countries and the rules around transfer pricing are changing. So, companies that are engaged in transfer pricing need to ensure that they are getting up-to-date legal and accounting advice on this issue.

## Task 1.8 - Establish and maintain relationships with appropriate external organizations to support global activities

Knowledge of:

- (i) Industry, trade, and investment associations
- (ii) Government support agencies (e.g., U.S. government agencies, International Monetary Fund [IMF], World Bank)

In the “Global Business Management” domain, CGBPs are expected to be able to *establish and maintain relationships with appropriate external organizations to support global activities*. This requires having a knowledge of Industry, Trade and Investment associations as well as government support agencies (e.g., U.S. government agencies, International Monetary Fund, World Bank).

### (i) Industry, Trade and Investment Associations

Support for global activities is widely available worldwide from governments as well as many non-government organizations (NGOs). In the NGO sector, **industry, trade** and **investment associations** are particularly helpful.

**Industry Associations** - Virtually every industry has at least one [Industry Association](#) to represent interests of mostly manufacturer members. Some associations mainly lobby the government on behalf of member companies, but many also have services to support global activity, such as industry journals, company directories, statistical databases, industry-organized trade missions and shows, networking events, and referral services.

**Trade Associations** – There are also many [Trade Associations](#), such as chambers of commerce, and the [World Trade Centers Association](#) (WTCA), which exist in most communities. Many do not have a global focus, but the larger ones in big cities often host trade-related conferences, workshops, networking events, as well organizing inbound and outbound trade missions. In some instances, these associations can also issue [Certificates of Origin](#) and [Certificates of Free Sale](#).

**Investment Associations** are more narrowly focused on the financial needs of businesses, including start-ups. Their members include banks, [angel investors](#), [venture capitalists](#), and other business financiers. Here is a [link](#) to a national association of these types of companies.

### (ii) Government Support Agencies

Government organizations support global activity in many key ways. Establishing and maintaining relationships with these organizations can even mean the difference between global success and failure. However, many companies have a lack of awareness that these organizations even exist (“best-kept-secret”), what they do that could help, and how to approach them.

Government support organizations fall into two main categories – assistance and compliance. The assistance organizations help build global capacity and achieve results; the compliance organizations administer and enforce trade laws that protect national security and public health and safety. The summary we are providing below is going to be a bit overwhelming at first glance. One way to approach these agencies is to focus on the overall approach of the organization and then try to consider each agency in some detail by following the links that are provided.

## U.S. Government Assistance Organizations

- **U.S. Department of Commerce (USDOC):** Among its many other functions, USDOC is the lead export promotion agency for U.S. manufactured products and services, mainly implemented by the [International Trade Administration](#) (ITA). USDOC also collects and maintains statistics on U.S. manufacturing, exports and imports through its [Census Bureau](#). ITA carries out USDOC’s trade assistance mission through the [U.S. Foreign](#)

& Commercial Service (USFCS) and its two arms, the US Commercial Service (USCS) and the Foreign Commercial Service (FCS).

- USCS has central management responsibility for ITA's export programs and services, including [trade missions](#) and [trade shows](#), two rep-find services ([International Partner Search](#) and [Gold Key Matching Service](#)), and a rep-vetting service ([International Company Profile](#)). USCS also maintains online trade information delivered through [Export.gov](#); and oversees a domestic staff of trade specialists at [U.S. Export Assistance Centers \(USEACs\)](#) in over 100 U.S. cities. USEAC staff are ready to counsel and assist U.S. firms in all aspects of exporting, including with market research and participation in USCS matchmaking and promotion programs.
  - FCS manages a nearly worldwide staff of rotating (3-5 years) Senior Commercial Officers (SCOs) and Commercial Attaches, along with more permanently stationed Foreign Service Nationals (FSNs), at U.S. embassies and consulates in more than 75 countries. They counsel visiting U.S. companies, conduct country-specific market research, carry out the USCS trade assistance programs in their countries, advocate for U.S. companies competing against foreign bidders for major contracts, and help resolve commercial disputes. All USFCS trade specialists are listed for direct contact in the [Directory of Domestic and Overseas Offices and Staff](#).
  - USDOC District Export Councils (DECs): The 58 nationwide DECs and nearly 1,500 DEC members are a source of professional advice for local firms in their respective area. DEC members, all appointed by the Secretary of Commerce, volunteer their time to sponsor and participate in numerous trade promotion activities. They can also offer specialized expertise to small and medium sized businesses interested in exporting.
  - [USDOC/Bureau of Census/Foreign Trade Division \(FTD\)](#): FTD is the official source for U.S. export and import statistics and is responsible for regulating the reporting of all export shipments from the U.S. It provides online access to import or export statistics, information on export regulations, commodity classifications, and a host of other trade related topics.
- [U. S Department of Agriculture \(USDA\)](#): USDA is the lead export promotion agency for U.S food and agricultural products. The [Foreign Agricultural Service \(FAS\)](#), USDA's trade assistance arm, has three main program areas -- market development, trade agreements and negotiations, and the collection and analysis of statistics and market information. It also administers the agency's export credit guarantee and food aid programs. FAS has its headquarters in Washington, DC and a network of agricultural counselors, attachés and trade officers in many countries. Its roughly 1000 worldwide employees include agricultural economists, marketing experts, trade negotiators, and other specialists. The FAS portal has extensive country-and-product-specific [market research](#). Its [Foreign Market Development \(FMD\) Program](#) works through regional agricultural trade associations to offset exporter costs for a wide range of export marketing activities. For example, the [Western U.S. Trade Association \(WUSATA\)](#) and the [Southern U.S. Trade Association \(SUSTA\)](#) both provide 50% cost reimbursement for up to \$300,000 of eligible international marketing expenses under their respective [FundMatch](#) and [50% CostShare](#) programs.
  - [U.S. Small Business Administration \(SBA\)](#): SBA has an [Office of International Trade \(OIT\)](#) in Washington, DC and a nationwide network of [Small Business Development Centers \(SBDCs\)](#) and [Service Corps of Retired Executives \(SCORE\)](#) chapters, some with skilled export staff. SBA offers [small business loan programs](#), including specifically for exporters. SBA is also the funding source for [STEP](#) grants channeled through the individual States. SBA administers its export finance programs through a network of Senior International Credit Officers co-located at US EACs, including the [Export Working Capital Guaranty Program \(EWCGP\)](#) for companies needing pre-export working capital to fill orders and [Export Express](#) for funding of up to \$500,000 (term loan or revolving line of credit) for a range of global marketing (and other) activities, including translations of export marketing literature and participation in foreign trade shows and missions.

- [SBA/Small Business Development Centers \(SBDCs\)](#): SBDCs are hosted by leading universities, colleges, state economic development agencies and private partners. The nearly 1,000 local SBDCs provide no-cost business consulting and low-cost training to new and existing businesses. Some SBDCs are designated as International SBDCs (ISBDCs), staffed with trade specialists able to counsel exporters and conduct export workshops.
- [SBA/Service Corps of Retired Executives \(SCORE\)](#): SCORE is a resource partner of SBA with more than 10,000 volunteers trained to serve as counselors, advisors and mentors to aspiring entrepreneurs and business owners. SCORE has helped more than 10 million entrepreneurs through mentoring, workshops and educational resources since 1964. Many SCORE Chapters offer export-related workshops and webinars. Check the online Monthly Calendars of the nearest SCORE Chapter for dates.
- [SBA/Export Legal Assistance Network \(ELAN\)](#): ELAN is a nationwide group of attorneys in private law firms that volunteer to provide a free initial legal consultation to start-up exporters. The free consultation is not intended to have the lawyer draft contracts or enter into deep analyses of specific pending issues. It is intended to provide an overview and a reasonably detailed discussion of the legal problems involved in entering the export market. Among issues typically addressed in ELAN consultations are basic contractual requirements, export licensing, domestic and foreign taxation, tariffs, and intellectual property rights. Exporters should have done some basic export preparation, such as have a business plan, before seeking an ELAN consultation.
- [U.S. Export-Import Bank \(EXIM\)](#): EXIM is the U.S. Government's official export credit agency. It has four major financing programs for U.S. exporters -- [Export Working Capital Guaranty Program \(EWCGP\)](#), similar to SBA's EWCGP; [Export Credit Insurance Program](#) to protect exporters against risk of foreign buyer default; and [Medium Term—and Long-Term](#) financing programs (insurance and guarantees) for foreign buyers.
- [U.S. Trade and Development Agency \(TDA\)](#): TDA has two global initiatives. One supports U.S. firms bidding on foreign projects by encouraging project managers to incorporate U.S.-oriented procurement specs in their RFQs, and by financing feasibility studies by U.S. firms competing for these projects. The second, TDA's [Reverse Trade Mission](#) program, pays for trips to the U.S. by foreign buyer delegations to observe the design, manufacture and operation of U.S. products and services.
- [U.S. Agency for International Development \(USAID\)](#): USAID provides foreign aid to developing countries to help them lift lives, build communities, and establish self-sufficiency. USAID funding is often tied to purchase of U.S. materials and equipment for the projects supported. The [Where We Work](#) section of the USAID Website has country-specific information and project-related details.
- [U.S. Department of Energy/Energy Information Administration \(EIA\)](#): EIA is a principal agency of the [U.S. Federal Statistical System](#) responsible for collecting, analyzing, and disseminating energy information. EIA programs are sources of trade data on coal, petroleum, natural gas, electric, renewable and nuclear energy.
- [US Trade Representative \(USTR\)](#): USTR negotiates directly with foreign governments to create trade agreements, resolve disputes, and participate in global trade policy organizations. USTR also meets with governments, business groups, legislators and public interest groups to gather input on trade issues and to discuss the President's trade policy positions.
- [Overseas Private Investment Corporation \(OPIC\)](#): OPIC is the sole U.S. agency that supports U.S. foreign direct investment abroad, OPIC's [Debt Financing](#) program provides medium-to long-term loans and guarantees for eligible investments in developing countries. This financing is mostly used to cover investment-related capital

costs -- such as design/engineering services, facility construction or leasehold improvements, and equipment. Under its [Political Risk Insurance](#) program, OPIC covers losses from expropriation, nationalization and other political risks.

Although this may seem like a daunting list of organizations, each one of these agencies is providing valuable assistance, so it is important for companies to understand the scope of this assistance network and know where to turn for help when needed. Additionally, there are some International Government Assistance Organizations that can be relevant as well (depending on the type of work the company is involved in) – as follows:

- **World Bank Group:** The World Bank Group is the largest development bank in the world and one of the world's largest sources of funding and knowledge for developing countries. Projects financed by the World Bank create major procurement opportunities for U.S. and other foreign bidders. The World Bank Group has five constituent members. [International Bank for Reconstruction and Development \(IBRD\)](#) provides [financial development and policy financing](#); [International Finance Corporation \(IFC\)](#) mobilizes [private sector investment](#); [International Development Association \(IDA\)](#) provides [zero-to low-interest loans and grants](#); [Multilateral Investment Guarantee Agency \(MIGA\)](#) provides [political risk insurance](#); and [International Centre for Settlement of Investment Disputes \(ICSID\)](#) settles [investment disputes](#).
- **International Monetary Fund (IMF):** IMF is an organization of 189 countries, working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world. The IMF Website has [Country Information](#) and annual [Regional Economic Outlook Reports](#) among other useful resources.
- **International Finance Corporation (IFC):** IFC, part of the World Bank Group, raises capital through bond issuances in international capital markets to fund loans to clients and maintain its financial strength. Under its funding program, IFC issues bonds in a variety of markets and formats, including U.S. dollar benchmarks bonds, themed bonds that support a specific program such as green bonds; uridashi notes; private placements; and discount notes. In addition, IFC issues local-currency bonds to develop domestic capital markets and facilitate local-currency lending.
- **Regional Development Banks:** The regional development banks have functions similar to the World Bank, but with focus on a specific region. Unlike the World Bank, the majority of the capital is held by the regional member states. The best-known regional development banks are the [Inter-American Development Bank](#); [Asian Development Bank](#); [African Development Bank](#); [Central American Bank for Economic Integration](#); and the [European Bank for Reconstruction and Development](#). The regional banks are a key source of financing for major infrastructure projects still in the planning stage. These future projects have government backing and assured financing from the banks themselves and offer bidding opportunities for feasibility studies and sales of equipment, supplies and services of all kinds. On their Websites, look for details under “Projects” or “Procurement Opportunities.”
- **UN International Trade Centre (ITC):** ITC is a UN development agency under UNCTAD that supports the internationalization of small and medium-sized enterprises in developing and transition economies. ITC's online Market Analysis Tools, open to all users, include the UN COMTRADE database of export and import statistics on more than 220 countries and territories and about 5,300 internationally traded products.
- **UN Regional Commissions:** The UN has five regional commissions that foster economic development and integration at the sub-regional and regional levels; [Economic Commission for Latin America \(ECLAC\)](#); UN Economic Commission for Europe (ECE); UN Economic and Social Commission for Asia and the Pacific (ESCAP); UN Economic Commission for Africa (ECA); and UN Economic and Social Commission for Western Asia (ESCWA). The Commissions are useful sources of country profile information and economic and demographic statistics on each country in their regions.

- [Organization for Economic Cooperation and Development \(OECD\)](#): OECD is an intergovernmental economic organization with 35 member countries, founded in 1961 to stimulate economic progress and world trade. Most OECD members are high-income, developed economies. [OECD STAT](#) is an extensive multi-country database of a wide range of statistical indicators on agriculture, development, economy, education, energy, environment, finance, government, health, innovation and technology, jobs and society.
- [Asia Pacific Economic Cooperation \(APEC\)](#): APEC promotes economic growth, cooperation, and integration among its 21 member nations, including the U.S. APEC also works to reduce tariffs and other trade barriers across the Asia-Pacific region.

Similarly, compliance organizations are found within the USA and internationally as well – as follows:

### **U.S. Government Compliance Organizations**

- [USDOC/ITA Bureau of Industry & Security \(BIS\)](#): BIS administers and enforces U.S. export controls on "dual-use" items (civilian products that could also be used for military purposes), under the [Export Administration Regulations \(EAR\)](#). BIS develops export control policies, issues export licenses, prosecutes violators, and implements U.S. anti-boycott regulations. Dual-use items requiring export licenses are assigned [Export Control Classification Numbers \(ECCN\)](#) and appear on the [Commerce Control List \(CCL\)](#).
- [USDOC/ITA/BIS/Office of Anti-Boycott Compliance \(OAC\)](#): BIS/OAC administers and enforces U.S. [Anti-Boycott Laws](#) that discourage and in specified cases prohibit U.S. firms from participating in foreign boycotts of Israel and certain other countries. U.S. firms must provide requested information to verify non-compliance with boycotts.
- [USDOC/ITA Enforcement & Compliance \(E&C\)](#): E&C enforces U.S. antidumping duty and countervailing duty trade laws and ensures compliance with trade agreements negotiated on behalf of U.S. industries. E&C also administers the [Foreign Trade Zones Program](#), and certain sector-specific agreements and programs, such as the Steel Import Monitoring and Analysis Licensing Program and the Enhanced Global Steel Trade Monitor.
- [U.S. State Dept. Directorate of Defense Trade Controls \(DDTC\)](#): DDTC controls U.S. exports of military items under the [International Traffic in Arms Regulations \(ITAR\)](#). Generally, any manufacturer, exporter, temporary importer, or broker of defense articles (including technical data) must obtain prior DDTC approval, comply with [registration](#) requirements, maintain records, and obtain licenses or other approvals for their exports. All items requiring export licenses under ITAR appear on the [Munitions List](#).
- [US Treasury/Office of Foreign Assets Control \(OFAC\)](#): OFAC administers and enforces economic and trade sanctions against targeted foreign countries, terrorism sponsoring organizations, and international narcotics. OFAC blocks assets of foreign countries subject to economic sanctions (e.g., Cuba, North Korea), controls participation by U.S. persons, including foreign subsidiaries, in transactions with specific countries or nationals of such countries, and administers embargoes on certain countries or areas of countries.
- [USDA Animal and Plant Health Inspection Service \(APHIS\)](#): APHIS works to ensure the free flow of agricultural trade by keeping U.S. agricultural industries free from pests and diseases, certifying that U.S. exports of agricultural and food products meet the importing countries' pest-and-disease free entry requirements ([Phytosanitary Certificates](#)), and assuring that all U.S. import of agricultural products meet entry requirements to exclude pests and diseases of agriculture. APHIS also keeps export markets open for American agricultural products by working to eliminate unjustified sanitary or phytosanitary (SPS) barriers.
- [U.S. HHS/Food & Drug Administration \(FDA\)](#): FDA is an agency within the U.S. Department of Health and Human Services that oversees and regulates domestic and international trade in medical devices, cosmetics, drugs and pharmaceuticals, and food products (except for meat from livestock, poultry and some egg

products regulated by the U.S. Department of Agriculture). The purpose is to assure that the products are safe, effective, and properly labeled. Exporters of these products may need to obtain Certificates of Free Sale or equivalent certificates from FDA or a designated source, such as a State or Chamber of Commerce.

- [U.S. Department of Justice/Fraud Section \(FRD\)](#): DOJ/FRD enforces the [Foreign Corrupt Practices Act \(FCPA\)](#), which prohibits certain classes of persons and entities to make payments (bribes) to foreign government officials to assist in obtaining or retaining business. Specifically, FCPA's anti-bribery provisions prohibit the willful use of the mails or any means of instrumentality of interstate commerce corruptly in furtherance of any offer, payment, promise to pay, or authorization of the payment of money or anything of value to any person, while knowing that all or a portion of such money or thing of value will be offered, given or promised, directly or indirectly, to a foreign official to influence the foreign official in his or her official capacity, induce the foreign official to do or omit to do an act in violation of his or her lawful duty, or to secure any improper advantage in order to assist in obtaining or retaining business for or with, or directing business to, any person.
- [U.S. Department of Justice/Bureau of Alcohol, Tobacco, Firearms and Explosives \(ATF\)](#): ATF enforces Federal criminal laws and regulations on the firearms and explosives industries. It works directly and through partnerships to investigate and reduce crime involving firearms and explosives, acts of arson, and illegal trafficking of alcohol and tobacco products.
- [U.S. Department of Homeland Security \(DHS\)/U.S. Customs & Border Protection \(CBP\)](#): CBP is one of DHS' largest and most complex components, with a priority mission to keep terrorists and their weapons out of the U.S. It also assures that goods arriving in the U.S. are legitimate and that appropriate duties and fees are paid. The CBP Website has sections on CBP's role in [Basic Import and Export](#), [Automated Commercial Environment \(ACE\)](#) and [Automated Systems](#), [Priority Trade Issues](#), and [Rulings and Legal Decisions](#).
- [DHS/Transportation Security Administration \(TSA\)](#). TSA is the DHS agency charged with protecting U.S. transportation systems and the traveling public. TSA assesses intelligence and threats related to transportation security.
- [DHS/U.S. Immigration and Customs Enforcement \(ICE\)](#): ICE combats the illegal movement of immigrants and of guns, money, drugs, and counterfeit merchandise coming into the country. ICE's responsibilities also include the repatriation of cultural treasures to original owners abroad and combatting trade in child pornography.
- [U.S. Federal Trade Commission \(FTC\)](#): FTC is the only federal agency with both consumer protection and competition jurisdiction in broad sectors of the economy. The FTC advances consumers' interests by sharing its expertise with federal and state legislatures and U.S. and international government agencies; develops policy and research tools through hearings, workshops, and conferences; and creates practical and plain-language educational programs for consumers and businesses in a global marketplace with constantly changing technologies. FTC's work is performed by the Bureaus of [Consumer Protection](#), [Competition](#) and [Economics](#).
- [U.S. Patent & Trademark Office \(USPTO\)](#): USPTO is the federal agency that grants U.S. patents and registers trademarks (but not copyrights, which come under the Library of Congress). USPTO also works with other agencies to secure strong Intellectual Property (IP) provisions in free trade and other international agreements.
- [U.S. Copyright Office](#): The Copyright Office is a separate federal department within the Library of Congress, responsible for registration, the recordation of title and licenses, a number of statutory licensing provisions, and other aspects of the [1976 Copyright Act](#) and the [1998 Digital Millennium Copyright Act](#). By statute, the Register of Copyrights is the principal advisor to Congress on national and international copyright matters.

- [U.S. International Trade Commission \(USITC\)](#): USITC is an independent, quasi-judicial Federal agency with broad investigative responsibilities on matters of trade. The agency investigates the effects of dumped and subsidized imports on domestic industries and conducts global safeguard investigations. The Commission also adjudicates cases involving alleged infringement by imports of intellectual property rights. The Commission also maintains [US Trade Dataweb](#), a free online database of U.S. export and import statistics, searchable by product and country.
- [USDOT/Pipeline & Hazardous Materials Safety Administration \(PHMSA\)](#): PHMSA is an agency within the U.S. Department of Transportation that works to ensure the safe and secure movement of hazardous materials to industry and consumers by all transportation modes, including the nation's pipelines. PHMSA helps develop and enforces DOT regulations for the safe, reliable, and environmentally sound operation of the nation's 2.3-million-mile pipeline transportation system and the nearly 1 million daily shipments of hazardous materials by land, sea, and air.
- [U.S. Maritime Administration \(MARAD\)](#): MARAD is the agency within the U.S. Department of Transportation dealing with waterborne transportation. Its programs promote the use of waterborne transportation and its seamless integration with other segments of the transportation system, and the viability of the U.S. merchant marine. MARAD works in many areas involving ships and shipping, shipbuilding, port operations, vessel operations, national security, environment, and safety.
- [U.S. Federal Maritime Commission \(FMC\)](#): FMC is an independent regulatory agency responsible for the regulation of ocean borne transportation in the foreign commerce of the U.S. FMC administers the statutory provisions of the [Shipping Act of 1984](#); the [Foreign Shipping Practices Act of 1988](#), the [Ocean Shipping Reform Act of 1998](#), and the [Merchant Marine Act of 1920 \(Section 19\)](#).
- [Federal Communications Commission \(FCC\)](#): FCC is an independent U.S. agency charged with regulating interstate and international communications by radio, television, wire, satellite and cable. The FCC's jurisdiction covers the 50 states, the District of Columbia, and U.S. possessions.

### International Government Compliance Organizations

- [World Trade Organization \(WTO\)](#): WTO is the only global international organization dealing with the rules of trade between nations. WTO's primary purpose is to open trade for the benefit of all. To this end, it operates a global system of trade rules, acts as a forum for negotiating trade agreements, settles trade disputes between its members, and supports the needs of developing countries. All major decisions are made by the WTO's member governments: either by ministers (who usually meet at least every two years) or by their ambassadors or delegates (who meet regularly in Geneva).
- [World Customs Organization \(WCO\)](#): WCO is the only intergovernmental organization exclusively focused on Customs matters. With its worldwide membership, WCO works to develop global standards, simplify and harmonize Customs procedures, improve trade supply chain security, and enforce global Customs compliance. The WCO also maintains the international [Harmonized System nomenclature](#) and administers the technical aspects of the WTO Agreements on [Customs Valuation](#) and [Rules of Origin](#).
- [World Intellectual Property Organization \(WIPO\)](#): WIPO is a self-funded, specialized UN agency with 191 member states, dedicated to protecting [intellectual property](#) (IP) worldwide through services, policy, information and cooperation. WIPO's mission is to lead the development of a balanced and effective international intellectual property (IP) system that enables innovation and creativity for the benefit of all. WIPO's mandate, governing bodies and procedures are set out in the [WIPO Convention](#), which established WIPO in 1967.

- **European Union (EU):** The EU is an economic and political partnership of 27 European countries that provides frontier-free travel and trade, the euro (the single European currency), and a **regulatory regime** – standards, labeling, marking, documentation and other compliance requirements – affecting most imported products. The European Commission (EC) is the executive of the European Union and promotes its general interests

A CGBP doesn't need to know the details for all these agencies, but the list above should be reviewed carefully. At a minimum, recognizing these agencies by name and even having a high-level understanding of the role that each agency serves is a good starting point. For most companies, having someone on staff who is familiar with these resources will give them an incredible advantage.

## Task 1.9 - Participate in the effective use of technology to support global performance

Knowledge of:

- (i) Commonly used business and communication technologies, advantages of the internet
- (ii) Software tools to support global activities

In the “Global Business Management” domain, CGBPs are expected to be able to *Participate in the effective use of technology to support global performance*. This requires having a knowledge of *commonly used business and communication technologies, advantages of the internet, as well as software tools to support global activities*.

### (i) Commonly Used Business and Communication Technologies, Advantages of the Internet

Global trade has come far from the days of storing information in file cabinets, getting information from libraries, communicating by mail, phone or Fax, or submitting hard copy forms for regulatory and documentary compliance. Significant advances in information and communications technology have led to an entire subset of automated **trade management technologies**, that are largely Internet driven.

These technologies have revolutionized and streamlined virtually all business and communications processes in international trade, including

- Mass data storage capabilities on hard drives and the Cloud;
- High speed communication worldwide (via email and cellphone)
- Instant Internet access to information and data for market research
- Automated search for:
  - Schedule B and Harmonized Codes (watch this short [video](#), and see Schedule B search [here](#))
  - North American Industry Classification System numbers ([NAICS](#))
  - Export Control Classification Number (ECCN) numbers (example [here](#))
- Automated systems, such as [AES](#), to file required trade documents
- Social media platforms such as LinkedIn and Facebook for messaging and marketing
- B2B and B2C platforms and e-commerce shopping carts for direct sales worldwide
- Websites for sourcing products (e.g., [Alibaba](#)) and services (e.g., [Upwork](#))

### (ii) Software Tools to Support Global Activities

The rapid globalization of world trade has also intensified the pressure to automate as many trade management processes as possible. The software industry has responded with a wide range of **global trade management** (GTM) tools to streamline paperwork and processes, particularly in trade-related documents, supply chain management, compliance, finance, and communication between all the involved parties – buyers, sellers, and trade support services, such as distributors, freight forwarders, custom brokers, and banks. Many more of these trade practitioners and service providers are now using GTM software to lower costs, ensure regulatory compliance, improve customer service, and automate the various facets of their business operations.

**GTM software vendors** are easily found on the Internet (for a list of top vendors, click [here](#)). Typical issues addressed by available GTM tools include:

- **Global Sourcing** -- Sourcing optimization, supplier management, product management, and sample & costing management to streamline real-time visibility with brands, retailers and suppliers and improve the planning, forecasting, and raw material reservation processes.

- **Risk and Quality Management** -- Facility compliance, product testing, and quality control inspection to accurately determine that all trading partners are in compliance with regulatory requirements and standards defined for product safety and quality.
- **Production Management** -- Order collaboration, material order visibility, production tracking, and shipment preparation to achieve greater visibility, become more agile and competitive, and reduce sourcing costs across the board.
- **Transportation Management** -- Contract and rate management, carrier selection and booking, freight audit, and lane analysis reporting to identify and remove inefficiencies, reduce cycle times, variability, and transportation costs.
- **Supply Chain Visibility** -- Integrated service provider network, data quality management, alerts and exception management, and performance management reporting to connect importers and exporters with their overseas suppliers, logistics providers, brokers, and carriers.
- **Export Management** -- Product classification, restricted party screening, license determination and management, end-use management, freight forwarder collaboration, and export compliance to automate the end-to-end export process, reduce export compliance risks, and improve export efficiencies.
- **Import Management** -- Product classification and admissibility review, landed cost calculation, document management, entry management, post-entry actions, and security filing to automate import activities.
- **Duty Management** -- Free trade agreements and foreign-trade zones to simplify and automate the qualification and administration process of preferential trade programs and better manage Foreign-Trade Zones.
- **Document Management** -- Automates preparation and completion of export-related forms. Helps companies know which paperwork is needed, what information is needed, and verifies compliance with export and import regulations

A CGBP doesn't need to know all the software vendors in all of these areas, but the list of topics above should be reviewed carefully. At a minimum, recognizing that these aspects of trade-related activity where software tools are available is a good starting point. For most companies, having someone on staff who is familiar with these resources will give them an advantage.

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