

Atlanta Business Chronicle - March 13, 2006

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Business Pulse Survey: [The price of luring industry](#)

Roundtable: **Going Global**

The overseas urge

Experts get candid about expanding overseas and bringing international business to Atlanta.

Atlanta Business Chronicle - March 10, 2006

A roundtable with Dan Kolber, Partner at Gambrell & Stolz LLP; Tom Glaser, President, American-Israel Chamber of Commerce, Southeast region; Dion DeLoof, President, Anteo Group LLC; Kathe Falls, Director of international trade for global commerce, Georgia Department of Economic Development; and Mario Oves, President, Instru-Med Inc.

Kolber: Imports into the United States last year were over \$2 trillion. And the exports just reached a trillion. And, of that, there was about \$20.6 billion coming out of Georgia. So the pie is very huge.

What is the first step for an individual who is considering getting a piece of that pie?

Falls: The first thing that I would mention to them or try to gauge from them is: How committed are they to international?

A lot of times we get phone calls from a company that is just kicking the tires. They've heard that there's a good market for, for example, used cars in Saudi Arabia and they heard they could make a lot of money out of it; but when it comes to doing time, effort, research and putting money into it, they back away.

So initially, for us, we want to assess the commitment, making sure that they will put money into it.

Exporting, in particular, is not a solution for a dying company. But occasionally I've gotten phone calls from somebody saying, "I'm going out of business next week unless you can help me find somebody overseas to buy my product."

DeLoof: An expression that I use, and this is for small companies and what I experienced in a large multibillion-dollar company, is: International can't be an exotic lunch conversation. It can't be where you say, "I have an office in London or in Saudi or Australia or what have you."

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Roundtable: **Going Global**

Which countries are ripe for business?

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Kolber: Should you focus on one geographic area or should it be a lot of countries?

Oves: You should be familiar with your market. If you're familiar with your market, you know that you have been receiving some requests from overseas. That is where you should start focusing your efforts.

Kolber: Dion, when you decided to go overseas, the U.K. was your first base of operation, wasn't it?

DeLoof: It was. I lived there for about seven years, so I was very, very familiar with it. But that's common. When we move U.S. nationals over to Europe, the cultural adjustment is easier.

There is a big difference, I believe, between trying to expand overseas for a services company like mine versus a product company. When you have a product company, the product speaks for itself.

We do a fair amount of work in the Netherlands, and we do a lot of consulting work. They want to know: "OK, well, what you do in the U.K. and what you do in the U.S. -- can you deliver that in the Netherlands? Do you, from a consultant perspective, do what we need done here?"

And so we can't count on the product to sell itself. We have to have nationals on the ground that live there.

But certainly, the U.K. and London are thriving.

Falls: Did you start with Canada or did you start first with the U.K.?

DeLoof: We actually started in Atlanta. I lived in the U.K. for seven years, moved back to the

States, started the company as a startup in Atlanta and then two years later decided to open up our first expansion office in London.

Our client base tends to be Fortune 100 down to midsized companies. We do software development. We had several of our clients say, "We love what you do here in Atlanta. Can you do the same thing for us over in the U.K.?" And then it grew from there.

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Roundtable: Going Global

The Georgia factor

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Kolber: How important to bringing international business to Atlanta is the fact that Hartsfield-Jackson Atlanta International Airport is here?

Falls: That's exactly what I was going to say --

Glaser: No. 1.

Falls: Yes, when you touch on the benefits of Georgia, you start to touch on location. Location and infrastructure -- Hartsfield, the ports, the rail network that we have, the interstates. We have an infrastructure that gets our products where they need to be.

I was with a group of other states who were having a conversation about whether or not coastal cities have an advantage over land-locked states. I'm thinking yes; I think it's definite.

Oves: Absolutely. I mean years ago people were asking us, "Why aren't you in Miami?" I said, "Well, because Atlanta has direct, nonstop destinations all over Latin America."

We feel that we are here in the perfect location to do business in Latin America. The time zone is fantastic. The airport facilities are incredible. Everybody has to go through Atlanta to go anywhere in the country.

DeLoof: When we started Anteo, we could decide any city in the U.S. that we wanted to be in. And for market reasons, we decided Atlanta, but also, as Tom said, the eastern time zone. We knew we would have a West Coast office, so we've got a three-hour time difference to L.A. We knew that we were going to have European offices.

And then what we see often, when clients or companies are moving to the U.S. or to Atlanta, is

quality of life. In the software business, we have a lot of people that are coming that are Indian nationals, Chinese nationals, what have you. You fly that executive who's thinking about setting up a company here and they land in Chicago, a beautiful city but two feet of snow. They come down to Atlanta and they realize they can quickly get to the airport and the market is terrific.

Oves: And one other thing I want to add, it's becoming more ethnic. Atlanta used to be the South. Now it is a cosmopolitan city that has grown in the last 30 years tremendously, and the cultural issues are becoming less of an obstacle.

Falls: Georgia hosts over 2,200 international companies; 66 consulates, trade offices and honorary consulates representing 51 countries. We welcome over 500,000 international visitors a year. That's not the ones changing planes at Hartsfield and moving on. That ranks us about 13th in the nation in terms of international visitors.

So all this makes up the international growth. It's the most aggressive international commitment that I've seen on behalf of the state since I've been in this job 21 years.

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Roundtable: Going Global

Staying out of trouble

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Kolber: Let me bring up a topic that is not the most pleasant to discuss -- the Foreign Corrupt Practices Act that was adopted in 1977.

Oves: Actually, it is overstated. There's corruption all over the world. There's corruption in the United States. We see headlines all the time about corruption.

Now on the operational level, there are countries where officials in many normal jobs do not receive the kind of salary to support themselves. And they see opportunities to say, "Well, I can add to my income by getting something else." But usually that doesn't translate to the normal way of doing business.

I've been doing business in Latin America, and actually all over the world, for 30 years. I would say that I've encountered that type of corruption about maybe three to four times.

So there are things that happen. But you have the opportunity to say no, always.

DeLoof: Most of our business overseas is in Europe, so we don't see as much of what Mario was talking about, the corporate-to-corporate corruption.

Falls: In some countries, I think it still is a problem, foreign corrupt practices. And I think for some of the small companies that are just getting their feet wet into international, it's an awareness issue. Making sure they understand what the U.S. law is.

And also, not only foreign corrupt practices, but with export controls as well, especially since with the regulations now, penalties have increased dramatically as of January.

But I think it comes back to making folks aware [of] the importance of getting them matched up

with a very good attorney who is versed in international law, one who has partners or has relationships with law firms in other countries that can review the information.

Kolber: So as you assemble a team to implement your international business plan, who are the people that need to be on that team? You need local attorneys. What else?

Falls: Banker.

DeLoof: I think the main people to get in place is certainly your banker and your credit terms. You need your attorney. You need your CPA equivalent. You need to be aware of in-country tax implications.

Kolber: You have an employee on the ground in Europe, you terminate that employee, you've got payments to make. It's not like in this country.

DeLoof: I would strongly suggest any company, small or large, get very familiar with labor law. And do that right away.

If you're doing business in Germany, employee rights are very, very different. It's much harder to downscale in most European countries. It's going to be much, much more expensive.

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Roundtable: Going Global

Getting in the zone

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Kolber: We're in the operational phase now, so I've got to talk a little bit about a fascinating tool that can be used, and that's the Georgia foreign trade zones.

Falls: There are three foreign trade zones in Georgia: Atlanta, Savannah and Brunswick. These are operated independently. But my understanding is that they have a very close working relationship.

A foreign trade zone is a physical area, geographic area, that is considered outside of the United States for customs purposes. So a good can come in from overseas, go into the zone. The good can either be held in the zone or modified in the zone. And then once it leaves the zone, that's when the taxes are applied to it.

So if something comes in with a particular duty rate that's higher, they change the commodity into a product that comes out as the product with the lower rate.

Foreign trade zones used to be a particular single location or just pockets of locations. Now there's a lot of subzone statuses -- some of the companies that are out there have parts of their facilities that are considered subzones. So it's expanded beyond just physically Atlanta, physically Savannah, and physically Brunswick, into those designations.

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Wooing investors

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Kolber: One of the most interesting issues is how to attract venture capital.

Tom, you were telling me [about] the process you set up. You were describing it like speed dating, where you put the potential investor and targets together.

Glaser: Yes. This week we had about 30 Israeli companies in broadband communications come to Atlanta to an event where we featured 22 of them that are emerging companies that were looking for strategic partners, investors and customers.

We also featured eight emerging Southeast companies, mostly all Georgia companies in that field. And we brought together for them the cable operators -- Cox Communications was our host, but other cable operators from around the United States, and, by the way, Mexico, came to meet them, as well as the equipment vendors to that industry; the content providers, such as Turner; the equipment vendors, people like Scientific-Atlanta, Eros, Motorola, Sprint and others; and then a strong VC contingent.

The beauty of a process like this is in, you know, the course of an afternoon, you can get a snapshot of 30 different technologies, kind of see the whole landscape of what is out there now and in the future.

From the point of view of the venture capitalists, being able to sit and see the market reaction from the end customer -- in this case the cable operators, or the vendors that serve the cable industry -- can have a profound impact on an investment decision on an emerging company.

We advise the emerging companies that the goal of this event was not to make a deal today but it was to have an opportunity to present themselves, develop some relationships and get the next meeting.

Kolber: So once again we see this need for patience, that this is not an overnight process.

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Roundtable: [Going Global](#)

Solving personnel issues

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Kolber: Our hypothetical business person has now made the decision that they're going to at least investigate getting into international business. Let's take this now to the next phase, and that is some of the issues that are going to impact the U.S. companies doing business abroad. I've heard from all of you the No. 1 issue is personnel issues.

DeLoof: [For a services company,] your way to go into the market is [to have] your own operation, which is expensive, or you have to make an acquisition of a company that's there already, which can entail quite a few complications over cultural fit and just the same issues you'd face with an acquisition in the U.S.

The biggest issue really goes back to your customers' perceived commitment in their location. Have you actually hired people on the ground there that understand the business environment in the Netherlands?

And then you get into people issues, which is probably the most important thing. Whether we're recruiting for a client or hiring people internally, we have to make the decision: Do we send someone from the U.S. over to run and manage and lead that operation? Do we hire someone locally? How do we find them?

And then particularly if you're sending ex-pats overseas somewhere for two years, that's a very different assignment than having someone that's potentially going to be there for four or six years.

For two years, I call that the business tourist: You know you're not going to [stay] there; if you have children, you can put them in an American school. Culturally, it's all very new. If you have time on the weekend, you can see the sights, and your spouse can do the same.

If you're going to be in whichever country for longer than two years, it becomes what I call real life and you get into: Does the spouse have a visa? Do they need one to work, if they're a working

person? They miss their family. What about children; what's going to happen there?

Speaking to tax rates, what motivates employees is very different depending on which country you're doing business in. And where the tax rates come in is one small piece of that.

In the Netherlands, there's very, very high tax brackets compared to the U.S. or even the U.K.

So when you look at what motivates an employee in the U.S. and you have quality of life, challenge at work, compensation, there is certainly, in some instances, a carrot of compensation to say, "Here's a role and you may increase your income by X, Y, Z in the next 12 months."

In the Netherlands, it typically is not. Even internally, we say, "OK, well, what motivates our employee in California, it could be very different than what motivates our employee in, say, the Netherlands."

Kolber: Could we, just briefly, talk about these H1B visas and how important that is to labor issues. If my wife and I go to the U.K., we can both work. But if a U.K. resident comes here and only the man has the visa, the wife --

Oves: The woman has to apply.

DeLoof: That's correct.

Falls: I serve on the district export council, which goes by the acronym DEC. Not talking about the work-related visas but visas for individuals to come into the country for any period of time, one of the meetings we had six months, a year ago, [involved] two companies that were expressing extreme concern over the visa issues because they had distributors in different countries and they were not able to bring them into the U.S. for training.

So the way these companies have solved the problem, one of them has set up a training facility in Canada; another one has set up a training facility in Europe. And so they no longer bring folks into the U.S. for training. They are putting their investment overseas because they can't get the distributors into the U.S. for them to come in for training.

Oves: Do you see any change in the laws, Kathe?

Falls: No.

Oves: It is something that is affecting our business because we would like to get more people that are more qualified. But some people are discouraged, especially from Latin American countries and others for which we require the language skills and the technical skills.

Glaser: One whole aspect we haven't even gotten into is the cultural and time zone issues. When you have a buyer and a seller or technology that is needed either here or there, that's all great. But there are extreme complications that present themselves when you're dealing with another country.

We are fortunate here in Georgia, being in the eastern time zone. That's a huge advantage that we have over, let's say, Chicago or certainly California, when you're trying to do business with Europe or the Middle East, for example. Seven hours is enough of a challenge. When you start going into 10 hours, it's pretty hard to sync your day. I mean, you're having conference calls at 11 p.m. in some of these countries.

And the cultural issue, I think, is very subtle. You take a country, some of the European countries or Israel, for example -- where it's not so much a language issue, because English is the business language and they're accustomed to it -- the issue is just more of how they think.

In the case of the Israelis, for example, they are always in fast-forward. They're very quick to want to make the deal. For someone from Atlanta, in the South, we're used to taking our time.

So these cultural issues very much come into play. I've heard lots of stories of Atlanta business people being in a room with a group of Israelis and at some point the Israelis will break into a heated, animated discussion in Hebrew, with lots of gesturing going on. It looks like they're in the middle of a divorce, and they're not, they're just having a discussion. It's nothing personal.

Kolber: I learned that the hard way in dealing with the Japanese, where it's impolite to say no. And we were trying to raise capital for a deal, and nobody ever said no. So without a no, we assumed it was possible to get the yes.

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Roundtable: Going Global

Resources for going international

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Kolber: What are the benefits of learning about companies in other countries that want to come into the U.S.?

Glaser: Well, for business people here who want to make international connections, export isn't the only opportunity. For service providers, for professionals, we see a lot of what we call reverse investment, strategic alliances, joint venture, research and development projects, particularly from Israel.

And there's an opportunity not just to look at someone from here looking at the country as an export or a market opportunity, but it could be a technology acquisition opportunity, a way to build out a product line, a way to expand your offerings to customers here in the United States or other parts of the world.

I agree with what others have said, though, that being in it for the long haul is terribly important. It's not a quick process. You do need to become familiar.

Organizations like ours can be helpful because we have been in the trenches for a long time, we understand, we can help find partners in the other country.

Kolber: And the consulates. Kathe, can you talk about that as a resource, where a person would want to know if there is a demand in one country versus another country for his goods and services?

Falls: The consulates are wonderful for providing information, especially services for people from their country. So if folks are looking for opportunities here, they go to there, not only for visa information, but for commercial information as well.

Some statistics come from the U.S. Census Department. There is information broken down if you want to know where this pen has gone, for example, what countries have been buying the pen; what are increases over the years, or decreases; those kinds of statistics are available and can be pulled out.

There is also a product by a company called PIERS that tells you [about] ocean-bound shipments. It can tell you the name of the company that's selling the products in a particular country.

And it will sort by the volume of goods for import or for export and provide you with information about what port is being used.

The Internet has changed information tremendously from the time I first started doing this. I was telling folks this morning that it used to be a challenge just to get U.S. government information. Now that is all on the Web and there's so much private-sector information out there that it's phenomenal.

Kolber: It would be helpful if somebody could sort of describe the landscape and the resources. You have the bilateral chambers. You have the consulates. You have the Department of Economic Development in the state of Georgia. Who does what and which countries have trade representatives in Atlanta?

Glaser: Some of the consulates do not have commercial operations. For example, in the case of Israel, since we are a strong organization, they make all the referrals through us.

Now also the state has representative offices in a number of countries. So those people can be very useful because they're on the ground and the state has a contract with people on the ground in a variety of countries around the world that they have targeted as, I think, the best opportunities for certain regions.

Kolber: So, will the state of Georgia assist you in setting up interviews in a particular country, for example, with potential customers?

Falls: A large part of what the international offices do -- and let me say that in April our department had a reorganization -- the offices are now trained to do everything. So that resulted in some offices being consolidated or moved; a new office opened in Chile. We're evaluating the possibility of opening an office in China as well.

On the export promotion side of responsibilities, if there is a company that is interested in selling a product overseas, we work with them to narrow down their countries of focus.

The "hail Mary" approach of "anybody who's out there, let me just send a brochure" does not work. So we work with them on narrowing down the countries to about three. There's nothing magic to the number three. It's just a manageable number they can realistically follow up.

These folks in the countries will do an in-country product assessment: Will the product have potential? What is the competition like? Let's take a look at the pricing information. Will the product be competitive?

After that is done, the next step is to identify the type of opportunity that they're looking for. Typically, it's some type of representation, but not always. In those situations, it's determining what is the profile of the ideal person?

They will do research on the ground and come back with a list of names. That list of names may be three, it may be 10. It depends on the product, depends on the country.

So that information is then passed back to the Georgia company for them to do the follow-up, and, hopefully, will result in a trip overseas to do the final interviews for people.

We don't do the interviews ourselves. That's better for companies to do on their own.

Now, all that being said, the state has offices in 10 different places, which means there's a lot of companies that we don't hit. So we have a very strong partnership with the U.S. Department of Commerce, U.S. Foreign Commercial Service, which has offices in 220-plus countries. So through these partnerships that we have, the other countries are covered as well.

Kolber: And once you make the decision to do international trade, you can take advantage of catalog shows, Mario?

Oves: That is correct. In the past, the Georgia Department of Industry and Trade has been very, very helpful whenever we started doing business overseas, and we didn't want to spend a lot of money going directly to shows. Shows usually could cost up to \$20,000.

Now, I've known of Kathe and her department for 27 years, and they've helped a lot. At least, they opened the doors. And the same thing with Tom. I belong to the American-Israel Chamber too. And one thing I wanted to say about the consulates and about the Department of Commerce is that every country is trying -- their importance in the business is to try to make their country export their products.

So whenever you go to a consulate, their main focus is to benefit their own economies. Whenever you're talking about the Department of Commerce, then you're talking about American companies trying to expand to other countries.

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