



World TradeWinds

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One Dollar

Please interact with your comments, articles or suggestions in the MBITA eZine blog.

Thanks to Sean Gilligan of vBlog Central to help setting up the blog.

Visit the MBITA newsletter online at www.mbita.org/news/n_135/index.html

MBITA UPDATE

In this Issue as we go through the warm days of Summer, MBITA is heating up with the development and evolution of the first statewide 'intranet' for global trade promotion services, the TradePort Collaborator, and with the further development of the 'GlobalCalifornia.com' website in partnership with the Economic Alliance of the San Fernando Valley...and as the world is 'flattening', read about what the experts are saying about our global marketplace at the annual Red Herring conference in Monterey.



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MBITA New Member: Guaranty Bank of California



FINANCING THROUGH EXPORT GUARANTY PROGRAMS

MBITA welcomes its new member, Guaranty Bank which has branches throughout California and is an U.S. Export-Import Delegated Lender which enables them to act fast to approve lines of credit that support U.S. exports. Ex-Im Bank is a government agency that assists exporters with US made products through their loan guarantee and finance programs.

Guaranty Bank of California has been granted authority to approve its loans up to \$5 million per transaction per borrower and was awarded the 2004 Western Regional Bank of the Year by Ex-Im Bank. Guaranty Bank's loan guarantee program helps small to medium-sized enterprises (SMEs) export to various countries while creating U.S. jobs in the process.

Guaranty Bank of California also finances foreign medium-sized buyers from 2-5 year terms. Some of the exports supported by Guaranty Bank range from consumable products to agricultural commodities, equipment and raw materials.

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'Red Herring' The Business of Technology Monterey, May 24, 2006

By MBITA Member Sheridan Tatsuno,
Dreamscape Global

Recently, Sheridan Tatsuno of Dreamscape Global and long-time MBITA member, participated in the annual Red Herring Conference in Monterey, Ca. on May 24, 2006. The following is his birds-eye view of this high-level trade and investors' conference.

**The Pursuit of Business Disruption**

During the 1990s, Clayton Christiansen's bestselling book, "The Innovator's Dilemma," introduced the concept of disruptive technologies. Leveraging that theme, Red Herring magazine's recent conference in Monterey, California explored new technologies and markets disrupting current business models and provided tips for U.S. companies facing tough foreign competition.

Bob Suh, Global Managing Director & Chief Technology Strategist at Accenture, challenged U.S. business leaders by observing that the U.S. is falling behind Europe and China, which will leapfrog us in mobile and corporate services. In Accenture surveys, U.S. CEOs are consistently more conservative than their Chinese and European peers. For example, only 42% of U.S. companies are investing in Web services and service-oriented architectures

(SOA), compared to 50% for European companies and 100% of Chinese companies. Why? Many U.S. companies experienced 60% IT (information technology) failure rates during the 1990s and are now focused on fortifying older systems while being burdened with strict Sarbanes-Oxley compliance rules. By contrast, China is spending more time building IT systems and less on fixing them. Thus, Americans are

not working as smart as its competitors, which will hurt our long-term competitiveness.

The conference consisted of a variety of panels addressing major industry issues.

Are online communities disrupting the global media marketplace? Panelists observed that commercial and user content are colliding; M&A (mergers & acquisition) activity by IAC, NewsCorp and Disney is accelerating at a feverish pace. Increasingly, the Wall Street Journal and other mainstream media serve as filters and community builders. Building community is important because trust among anonymous online users is a major barrier to successful commerce. Media companies are faced with the challenge of leveraging social networking, peer-to-peer (P2P), and location-based services to enhance consumer engagement.

The Outsourcing Innovation panel discussed the implica-

tions of outsourcing moving beyond the familiar areas of software coding, business process outsourcing (BPO), and call centers. How far up the value chain will it go? Navin Chaddha of Gabriel Venture said capital efficiency

requires off shoring, which can work, despite a 50% failure rate. For example, Netscaler developed its Version 2.0 in India after the 2000 market crash and was later sold to Citrix for \$325 million. However, Steve Lewis, president of Teneros, believes Indian outsourcing will slow down since many companies experience 100% employee turnover and 50% annual salary increases due to extensive job-hopping.

"There are no senior system guys; 5-year veterans want to be managers. There are no QA and product development guys available." stated Jim Miller of Cadence Systems, which has 600 Indian programmers and enjoys low turnover and agrees that Indian salaries and competition for talent are intensifying. "India is not cheap; access to talent, customers and partners are key." To reduce risk, Cadence distributes R&D in India among different organizational levels for products with different risk levels. Panelists recommend that U.S. companies focus on product/service differentiation and long-term competitiveness, and be selective in outsourcing to avoid "outsourcing addiction." Companies need at least 30 to 50 offshore positions to make it worthwhile and pursue a balanced U.S./offshore approach.

For early-stage companies, the "Keeping the Golden Geese Alive" panelists agreed that, despite a market swollen with cash, startups are working harder to achieve capital efficiency by going global from the start to reduce their cash burn. Many technology sectors are crowded with Web 2.0, ultra wideband (UWB), cell phones media processors, social networks and online video. Furthermore, IT is being commoditized – software in India and hardware in China – so U.S. companies must move upstream in the value chain. The panelists emphasized the importance of a good business model upfront, a strong management team and a focused strategy. One positive development was determined on this panel, that the European Advanced Information Management (AIM) market is booming so many U.S. startups are leveraging it as part of their global strategy.

"Web 2.0 in the Enterprise" is becoming a hot topic now that the online consumer space is becoming crowded and major corporations are running Web 2.0 enterprise trials. IBM's QED (Quick & Easily Done) Project is working closely with enterprise customers to provide weather feeds for home improvement stores and surveillance cameras for



monitoring professional thieves. Business intelligence (BI) vendors are providing Web-enabled services using "mashups" – a combination of existing Web 2.0 services such as Google maps, voice-over-Internet (VoIP), and tagging.

Some companies are developing the new AJAX technology, which is hard to use, but enables rich desktop applications. In general, corporations are leveraging Web 2.0 users to accelerate their businesses.

Although Sarbanes-Oxley has essentially shut down the IPO market, speakers on "Alternatives in an IPO-Less World" panel were bullish, saying that there is plenty of capital and financing options for venture businesses. In particular, there is a flood debt financing, which is good for cash-starved companies without IPO options. Deals in the \$40 million to \$100 million range are much busier than those in the \$5 million range. Exits in 7 to 10 years are common. In this IPO-less world, companies "must be able to walk, stand earlier, and prepare for due diligence."

Overall, the conference was upbeat and showcased several dozen new startups (see <http://www.herringevents.com/rhspring06/index.jsp>). Speakers made it clear that China, India and other technology entrants will change the rules of the game, so U.S. companies must leverage new markets, technologies and partners to survive and thrive in the intensifying global competition.

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Experts split on NAFTA's effect on region

May 26, 2006

By Becky Bergman, **Silicon Valley / San Jose Business Journal**



A dozen years after the North American Free Trade Agreement took effect, the Monterey Peninsula can't make up its mind on whether NAFTA is a good thing or a bad.

For Tony Livoti, president of the Monterey Bay International Trade Association, NAFTA has produced good results in the agriculture and tech sectors.

Although the number of jobs created in Mexico has not met expectations, Mr. Livoti said more jobs in agriculture and tech have opened up because of NAFTA. MBITA did not have statistics available to show the exact number of jobs created in California or nationwide since NAFTA went into effect.

But Ken Gilliland, director of international trade for the Western Growers Association, said the trade agreement has worked out in Mexico's favor. In 1996, Mexico exported \$1.2 billion worth of fresh vegetables and fruit to the U.S. Last year, it exported \$2.3 billion.

Oversupply was one of the major areas of concern facing growers in the state during the early years of NAFTA, said Mr. Gilliland.

"An oversupply of product reduces the market demand and directly impacts our growers because they have to lower their prices at certain times," said Mr. Gilliland. "It usually happens at the start of a season for us as Mexico is finishing up their inventory and U.S. growers have a new crop and can get a higher price for their selection."

The whole topic will get an airing May 31 when a panel of experts will discuss the pros and cons of NAFTA at a luncheon hosted by the Monterey Bay International Trade Association. Presenters include policy expert William Arrocha from the Monterey Institute of International Studies, Canadian consulate Barbara Giacomini and NAFTA official Miguel Hernandez.

The 1994 agreement has allowed for freer exchange of goods and capital between Canada, Mexico and the United States, boosting exports to both NAFTA partners and improving competition.

"We need to ask ourselves how well NAFTA has worked out so far and how businesses have benefited from the agreement," said Mr. Livoti, MBITA president and event coordinator. "We want to talk about the pros and cons and find out what industries have been affected the most."

Robert Scott, a researcher associated with the Economic Policy Institute, a Washington think tank, says California's agriculture industry was one of the hardest-hit sectors for job loss after NAFTA went into effect.

The TradePort Collaborator Funded for Another Year

One year ago the Garvin School of International Management at Thunderbird in Phoenix, Arizona (<http://www.thunderbird.edu/>) provided a small grant to MBITA through their CIBER-TAS program to develop an 'intranet' for global trade in California which is now called the TradePort Collaborator. (<http://grovesite.com/page.asp?o=tradeport&s=collaborator&p=welcome>)

The mission of the CIBER-TAS program is to generate new U.S. exports to foreign countries, and they have decided to provide another year of grant funding to pay for the 'intranet' services of the TradePort Collaborator which is provided by Grovesite, also in Arizona.

During the past year the TradePort Collaborator has been embraced by the California Trade Partners (CTP) network, a group of 40 different public and private sector global trade and investment organizations located throughout California.

(http://tradeport.org/assistance_centers/index.html)

The CTP is now using the TradePort Collaborator's 'intranet' to follow-up on a signed Memorandum of Understanding (MOU) with the California U.S. Commercial Service to create and implement methodologies to provide a more coordinated trade promotion service program on a statewide basis to California's global trade community.



"The TradePort Collaborator makes all of our jobs easier and more cost-effective and efficient", states Tony Livoti, President of MBITA. "For example, we can now leave important documents pertaining to a

trade mission or statewide trade event for all of the CTP partners in California to access at their convenience", says Livoti. "The TradePort Collaborator is this country's first statewide trade promotion 'intranet' and can be used as a model for other States to promote exports", says John Mathis, director of the CIBER-TAS program at Thunderbird.

The TradePort Collaborator is housed under the banner of TradePort.org which is owned by the Los Angeles Chamber of Commerce (LACC) and the Bay Area Economic Forum (BAEF) and managed by MBITA.

TradePort Now Offering Trade Lead System

TradePort.org, owned by the L.A. Chamber of Commerce (LACC) and the Bay Area Economic Forum (BAEF) and managed by MBITA is now offering a complete import and export trade lead system provided by the online technologies of WorldBid. Please take a look at find offers to buy or sell from qualified companies throughout the world. (<http://mbita.worldbid.com/>).

ADVERTISE on TradePort

http://www.tradeport.org/about_tradeport/advertising.html



Institute of International Education (IIE) (<http://www.iie.org/>) to Hold Special Luncheon

IIE, the world leader in exchange of peoples and ideas, was founded in 1919 on the principal that educational exchange fosters an understanding of other peoples and cultures and helps to make the world a better place. Whether it is by rescuing threatened scholars, fighting for health, fostering mutual understanding, helping to rebuild countries, opening the American mind, IIE programs have a meaningful impact on the problems facing our world. IIE manages about 200 educational programs including the Fulbright Program, the West Coast Center for Women's Empowerment in the Middle East, the Osher Program among many others.

On July 11 there will be a lunch meeting in the IIE SF offices to talk about a new young professionals group that would work on events and assist the organization in its hospitality mission.

If interested in being a part of this group, please contact Franca Gargiulo at 415-564-2600 and franca.gargiulo@att.net

World TradeWinds Sponsorship Information

World TradeWinds is a monthly eZine distributed to over 3,500 subscribers located statewide, nationwide and overseas.

MBITA's World TradeWinds eZine is also posted in the TradePort Collaborator, the online 'intranet' for California's global trade promotion service providers, who collectively represent over 60,000 small to mid-sized enterprises throughout California.

Call the MBITA office at 831-335-4780 for sponsorship rates and benefits.

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Contact the MBITA office now to make your reservation for sponsorship at the 4th Annual Global California Conference in February 2007
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