

# Global trade forum: Colorado still strong player

Story by Aldo Svaldi | Photos by John Prieto *The Denver Post*



Manuel G. Serapio, PhD, Faculty Director Center for International Business Education and Research Institute for International Business University of Colorado Denver.  
(John Prieto | The Denver Post)

Colorado exports dived last year with the downturn, but selling more goods and services overseas is key to any sustained recovery.

The Denver Post assembled local experts on international trade to discuss Colorado's role in an increasingly competitive global economy. The panelists were, above from left, Pam Reichert, the state's international trade director; Jim Reis, president and chief executive of the World Trade Center Denver; Manuel Serapio, faculty director, the business school and Institute for International Business, University of Colorado Denver; Michael Cafilisch, director of business development, strategy and planning for commercial and military aviation at Jeppesen; and Jeffrey Popiel and Bashir Bataille, executives with Geotech Environmental Equipment.



Pam Reichert,  
State International Trade Director.  
(John Prieto | The Denver Post)

**Denver Post:** Pam, I've been amazed at how quickly some niche companies have penetrated foreign markets. What do they share in common?

**Reichert:** The Internet.

**Denver Post:** The Internet?

**Reichert:** We get so many calls a week from someone saying, "I just got this order in over the Internet. What do I do with this? I've never exported before." So, I think the Internet makes everybody global. It's easier to find that specific product, and Colorado companies are looking to overseas markets. We've had more and more people call since last year, again saying: "My domestic business is down, can you help me look at overseas markets to see where I might be able to place my product or service."

If a company comes to us and they've never exported, we generally see if there is a good fit with Canada or Mexico first. We maintain a representative office down in Mexico City because of that, because it is important to have somebody on the ground who can help our companies find good partners.

**Serapio:** We're actually doing a study on this. If you agree that today's world is more volatile, more uncertain, more complex, more ambiguous, then smaller, nimble, creative players that we have here are able to compete more effectively in the global marketplace. So, the Internet is very important to facilitate, but it's the mindset that I think is extremely important here. You have to be able to respond very quickly and that's part of entrepreneurship.



Jeffrey L. Popiel,  
President and CEO of  
Geotech Environmental Equipment, Inc.  
(John Prieto | The Denver Post)

**Popiel:** Part of it too is to not just take the product or service that works here and export that exact version. You've got to adapt it to the culture and to the market needs. Once you make your product fit in a local market and you know that local market, then it takes off.

**Denver Post:** China seems to have come out of this crisis stronger. Manuel, is that a plus or minus for Colorado exporters, in your view?

**Serapio:** I think both. Their economic package has stimulated consumption at the business, government and consumer levels. That has created new and expanded opportunities for Colorado companies, not just exporters, but companies that go to China and invest in China. Environmental management, water resource management, architecture, design development are sectors they have targeted and are pouring big money into developing.

On the other hand, the financial crisis has made a lot of Chinese companies even stronger. I visited with the president of a consumer-electronics company in China and asked him, "What do you think about the crisis? And he said, 'I love it because of the crisis we took away market share from our Asian competitors, they are no longer around.

And so what we are hoping now in terms of our next step is to go after markets of our U.S., European and Japanese competitors.' " They are talking about global leadership.

**Popiel:** When I was in China, we were there working with a group of engineers, and we scheduled 40 hours to go through this project. In our factory, it would have taken us 40 hours and over there we did the job in two days with the same size team. Everybody knows the pay is cheaper. But I didn't realize they have the higher skills because everybody has two degrees, and it's like, wow, its going to be a big deal to compete in exports with their products.

**Denver Post:** Pam, can you talk about inbound investments. Some European firms have come here and set up shop, especially in the clean-energy area.

**Reichert:** Foreign majority-owned companies in Colorado represent about 4 percent of our private-sector employment. In the last year, and this is just our group, we assisted bringing in five foreign companies that brought in 180 jobs to Colorado. We probably have a list of 20 to 30 foreign companies right now that we are working with that are looking at potentially locating in Colorado.

**Denver Post:** Colorado saw a 25 percent drop last year in product exports, and a long-term decline in technology exports. Jim, what strategies are needed to compensate?



James F. Reis,  
President and CEO of the Denver World Trade Center.  
(John Prieto | The Denver Post)

**Reis:** We were so strong in the info-tech area for a long time and managed to hold our own. Unfortunately, the shifting of manufacturing facilities more and more to Asia has forced a number of suppliers in the semi-conductor and data-storage device business to move their operations overseas.

That doesn't mean that things stop. One of the few growth areas in manufactured products has been medical devices. We make a lot of specialized products that other people could make, but we're very good at it, and we continue to innovate and come up with the latest and greatest generation.

We will continue to look at areas that are specialized and maybe even not big volume areas. Jeff's business is a perfect example. You come up with a specialized product where the volume is not big so that some big Chinese, German, British, Japanese company wants to duplicate what you are doing, they leave you with your niche marketplace. That's an area that Colorado, because of entrepreneurship and driven to some extent by the universities, is and will continue to be strong in.

**Denver Post:** The World Trade Organization estimates global trade fell 12 percent last year — the worst showing since 1945. How has the credit crisis and global recession altered the climate for international trade, and can Colorado companies still compete?

**Reichert:** It's altered the climate because of the lack of demand for goods and services worldwide. In terms of the ability to compete, I don't see it as much as that, just a lack of demand. Colorado goods and services can be competitive because of the value of the dollar right now.

**Reis:** One month does not make a recovery, but in Colorado, we saw a slight increase, about 2 percent in exports in December 2009 over 2008. It kind of signals that we've hit the bottom.



Michael J. Caflich,  
director of business development, strategy and planning  
for commercial and military aviation at Jeppesen.  
(John Prieto | The Denver Post)

**Caflich:** Most businesses had to hunker down, and that ripples through the entire economy and creates problems for those companies that aren't strong. But it still creates opportunities for those companies that understand what their value proposition is and how to do business differently in challenging economies.

**Serapio:** Competition has become more intense because more and more countries are looking to international markets, with their domestic markets quite slow and flat. Specifically, China and India are target markets for a lot of countries.

**Popiel:** Our international sales went up by about 25 percent, so we benefited from a weaker dollar to export. But because of the credit crisis, we are having to ask for payment up front, making it a little more difficult to negotiate a sale. It's just not a risk we are willing to take. We could have grown by more if the credit markets were more open.

**Denver Post:** President Barack Obama has set a target of doubling U.S. exports by 2015. Do you think that is achievable and what needs to happen to reach it?

**Serapio:** We're talking about \$1 trillion additional exports by 2015 or 14 percent growth every year. This is ambitious, but exports increased 80 percent between 2003 to 2008, granted growth was much stronger then. Our ability to attain this depends on the strength of the global economic recovery.

Small and medium enterprises are about 90 percent of identified U.S. exporters but maybe just a third of the volume of exports. And so there is hope to grow if we were just to expand their footprint.



Bashir Bataille,  
International Sales Manager of  
Geotech Environmental Equipment, Inc.  
(John Prieto | The Denver Post)

**Bataille:** It's very ambitious to double exports by 2015. We are in the environmental business. So the more legislation, the more regulation, there's going to be more commitment from industries based in those countries to work on the environment. It's hard to say if we are going to double, but I think we are on the right track.

**Reichert:** Starting with 2009 exports, I think that's achievable from a numbers standpoint. There are a number of public-private partnerships going on through our office. The financial market also has to come back, and obviously, credit needs to open up again so that people have the working capital.

**Reis:** We are all working on it with the tools that we have available — the incentive programs, the coaching and mentoring, the training we do at the World Trade Center. All of these things are going to help, but it's going to take a very strong commitment on the part of the U.S. government transferred down to smaller and medium-sized businesses.

I think right now, businesses are sitting there saying: "Wait a minute, the president is saying that he wants to double exports and Congress is saying we aren't going to negotiate any more free trade agreements." So, we have a mixed message going out to the business community.

**Cafilisch:** The fact that there is a target and a goal set out there . . . if it's not there it won't happen. We have to go back to what we've been good at and that is entrepreneurship and providing services in a lot of different areas. In a very much changed and continually changing global economy, we have to learn how to re-compete, because we can't compete along the same lines that we are accustomed to. We have to change the game we are playing while the game is being changed. That's our challenge — how quickly can we adapt to the new rules, the new economic dynamics that we are seeing and that will continue to happen.

**Reichert:** When we give the (export) statistics at the end of the year, it doesn't include services. They don't provide that data at the state level. Keep in mind that the services sector in Colorado is easily twice the size of the manufacturing sector. We're missing a huge piece of the puzzle. Last year, CU did a study for us, and our services-sector exports are probably, at least in 2007, between \$7.9 billion and \$10.1 billion, which easily doubles what Colorado was already exporting in goods.

**Serapio:** You also have the definition problem. So, if Western Union expands its business in China, is that an investment or is that export?

**Denver Post:** Historically tough economic times have resulted in protectionism. How concerned are you that the gains made toward free trade will be reversed? Or is there no going back?

**Reis:** It does lead to at least a general feeling in the public that maybe we ought to look at protectionism. As people begin to understand, and it's tough to get them to understand things, but in a truly global company, jobs created in one part of the world may very well create jobs in another part of the world.

**Cafilisch:** In my mind, protectionism is exactly what we don't want. It's going to stifle innovation, kill competition and make us noncompetitive. You absolutely have to go with open free trade because that's what stimulates the economy. Protectionism is just going to put walls around it and shut you out. And that's the last thing that you want in these tough times.

**Bataille:** I weep for my friends in Venezuela right now. Their economy is suffering, and it's simply because they've chosen the wrong route to go. It's unfortunately about the sixth or seventh time they've made that choice.

*Comments were edited by The Denver Post for length and clarity.*