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CHINA OPEN FOR SMALL BUSINESS

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Alexis Nogueras' American Dream is being built in a Chinese factory. When the 35-year-old Cutler Ridge resident quit his job last year to launch Ergo-Tools, a line of lightweight, ergonomically-designed garden tools aimed at seniors with a green thumb, he hoped to have them made in the United States.

Then came the estimates: It would cost more than \$10,000 just to create the prototype for his "G-Rake" -- a tool forged from a plastic-nylon composite he hoped to sell for \$24.99.

"I couldn't afford it," said Nogueras, who works from home and is financing Ergo-Tools out of his own pocket. "It's unfortunate, but I was forced to look elsewhere." Where he eventually looked was to a Chinese manufacturer. Three weeks after e-mailing his design to the company, Nogueras received a FedEx package containing the finished "G-Rake" prototype and a bill for about \$850.

There's nothing new about outsourcing to China, but the growing ease of communication, the expanding legion of English-speaking professionals and a thriving business environment are making it easier than ever for small ventures to tread in an arena once reserved for large corporations.

"Twenty years ago it was only the biggest companies that were going to China, 10 years ago it was middle-sized companies, and now everyone is going to China," said Howard Ullman, chairman of China Direct Trading, a Cooper City company that imports Asian goods and helps local companies navigate the Chinese economy.

It's hard to quantify the number of local small businesses that have a China strategy, but the Jay Malina International Trade Consortium, Miami-Dade County's international trade agency, says it has 1,336 Miami-area companies on file that either import or export to China.

What is far more clear is China's overall economic impact here. Over the last four years China has surpassed Brazil and Germany to become the state's second-largest source of imports. At the Port of Miami, where China was the 30th largest client five years ago, it is now No. 1, sending 832,886 tons worth of products in 2006. At Port Everglades, China is the second-largest client, sending 342,642

tons of products. Not all these Chinese goods stay in Florida, however. Many are trans-shipped to Latin America, the Caribbean and other U.S. destinations.

While apparel, machinery and industrial equipment top China's list of exports to the state, the range of goods arriving at South Florida ports offers a snapshot of local consumer habits. China Direct, for example, started off importing refrigerator magnets, key chains and other souvenirs. Now it is bringing in hardware, automotive parts and -- in preparation for hurricane season -- electrical generators and ceramic roofing tiles.

Hart Baur is co-owner of Nicamaka -- a Miami firm that got its start in the early 1990s importing hand-woven hammocks and other Central American handicrafts. Late last year he bought a ticket to China to find factories where Nicamaka might make branded goods, such as mosquito nets, umbrellas and corporate tents. What he found were manufacturers willing to churn out prototypes and designs at cut-rate prices in hopes of winning his business.

"They have a much longer-term vision there," Baur said. "The attitude is if I do this right and make the client happy, we'll be in business for the next 20 years." Shortly after the trip he sent one of his new contacts a sketch of a four-point bed canopy made with blackout material. Nineteen days later he had the finished product in his hands, complete with the Nicamaka logo. Because he had an established relationship with the factory, the prototype was free. Before China, coming up with new products had been prohibitively expensive for Nicamaka, said Baur. "I can be almost unlimitedly creative in my head now," he said. "And I'm curious and excited about all the things we might come up with over the next 10 years."

Chinese-made goods represented only about 20 percent of Nicamaka's sales two years ago, he said. Now they account for about 80 percent.

It's not just the prices that have smaller firms looking toward China; it's also the flexibility, said Christina Bracken, the head of business development and creative services at CFT True Source, a Miami company that helps U.S. ventures identify Chinese manufacturers.

Some of her smallest clients have approached her only after finding U.S. factories had minimum production requirements that were beyond their reach. In China "if someone is interested enough in your business, they will make it happen," she said. "It's very pioneerish that way . . . It's the Wild West of business."

But like the Wild West, China's manufacturing industry has its share of stray bullets and unsavory characters.

The nation is the world's leading producer of counterfeit goods, and human rights groups have warned of abysmal labor conditions in some Chinese factories.

"It is easy to start business with China because there is an atmosphere of free flowing entrepreneurship," said Joe Chi, executive director of Miami's China-Latin America Trade Center, which opened six months ago. "At the same time you have the underside -- where unfettered capitalism engenders some bad characters that come out and take advantage of the situation."

Tales abound of unscrupulous factory owners that run off with money, sell patented products to competitors, or simply promise one quality and deliver another, he said.

"Because of the competitive situation and rising material costs, a lot of manufacturers are trying to cut corners," said Chi. "And the next corner they cut might be yours."

Those problems have been exacerbated by the Internet, which has made it far easier to find a factory but also easier for scammers to prey on the unsuspecting.

"There is no lack of information [on the Internet] about who might be able to make a product for you, but there is a lack of information about who you can trust," said Bracken.

Organizations such as China Direct, the China-Latin America Trade Center and CFT rely on a network of personal relationships and referrals to help their clients steer clear of fraudsters.

But small businesses have other routes too. The Broward Alliance has led two trade delegations to China and Miami-Dade's Beacon Council plans to take business representatives there later this year. There are also trade fairs aimed at small businesses, said Chi.

Opportunities to meet factory owners first-hand are critical in China, where relationships are paramount, said John Diep, director of the Asia Pacific Region for Enterprise Florida, the state development agency, which has a trade office in Beijing.

"You cannot do business with China one time," he said. "They need to hear from you and see you every so often and measure your level of commitment. . . . The Internet might facilitate the first contact but it is always recommended to meet face-to-face to know more about your potential partner before you start business."

The emphasis on personal relationships is just one of the cultural quirks that takes getting used to.

Margarita Gonzales first traveled to China from Miami in 1989 to find a manufacturer of machines to count bills and detect counterfeit money. At first her Chinese counterparts were reluctant to talk to her and kept asking to speak to her business partner and husband.

Finally she had to explain that she was the president and CFO of AccuBANKER. "I'm the one who authorizes the payments so if you want to do business with me, you will have to do business with me," she recalls saying.

While working in China can still be quite challenging for women, attitudes are changing almost as fast as the Beijing skyline. "I go to China twice a year and every time it's a new China," she said.

Ergo-Tools' Nogueras said he hopes to see China and meet his business partners for the first time soon. But for now he is focusing his time and money on getting Ergo-Tools off the ground. Next month he hopes to place his first order for about 4,000 tools -- an order that will essentially wipe out his life savings. But starting a business is a lot like working with China, he said; it requires a sense of adventure and a high tolerance for risk. "It has been a leap of faith," said Nogueras, "but so far, it has been smooth sailing."
MIAMIHERALD.COM Click on Today's Extras for a list of resources and an interview about doing business with China.

EXPORTING

Small firms break into China's elusive markets
BY JIM WYSS jwyss@MiamiHerald.com

For the past 25 years Howard Ullman has seen business head almost exclusively in one direction: from Chinese factories to U.S. consumers. But recently, his Cooper City trading firm, which imports Chinese goods and helps U.S. companies find Chinese manufacturers, has been trying to flip that equation. For the first time, China Direct Trading is working with four U.S. firms that are trying to sell their wares to China, he said. "For years you couldn't get into the Chinese market," said Ullman, who is working with a medical device manufacturer, a construction supply company and a maker of educational tools. "But the pendulum is starting to swing in the other direction."

For decades, breaking into the Chinese market was reserved for Fortune 500 companies and firms with deep pockets. But since China joined the World Trade Organization in 2001, more opportunities for smaller firms are starting to appear. Small and medium enterprises "aren't just going to source in China; they are going to sell in China," said J.P. Faber, publisher of Miami-based China Trade magazine, which targets the "next wave" of firms trying to break into the world's largest consumer market.

From a California firm that makes high-tech briefcases to the manufacturer of prefabricated structures in the Midwest, there are U.S. companies finding a foothold for their products, he said.

Although double-digit economic growth is giving bloom to a thriving Chinese middle-class of consumers, Florida's exports to China are a trickle compared to the torrent of Chinese imports. While China sent \$5.1 billion in goods to Florida's ports last year, the Sunshine State sent just \$230.5 million back, according to Enterprise Florida.

Wolfe Metals, a Hollywood company that buys scrap metal in the United States and Latin America and sells it to Europe and Asia, is one local firm that has made inroads in China.

José Gómez, the company's vice president, traveled there for the first time in 2004 with a delegation from the Broward Alliance, but it took about a year to broker a deal.

"They don't just jump into business and grab it like we are used to in the U.S.," he explained. "You have to be reassuring and really build a relationship." But patience pays off. Now China -- the world's largest consumer of scrap metal -- represents about half of Wolfe's \$30 million in annual gross sales, Gómez said. While China is a natural destination for raw materials and high-tech wares, there is also room for retailers who know how to tap into China's brand-conscious consumers, said Joe Chi, executive director of the China-Latin America Trade Center. His Miami-based organization is working with a cigar maker and a distributor of olive oil to crack the China market.

Eric Diaz-Arguelles, manager of international economic development at the Beacon Council, Miami-Dade County's economic development agency, traveled to China recently to prepare for the council's first trade mission there later this year.

While China is a massive market, it is by no means an easy one. "It's dog eat dog -- you have to compete with international companies and Chinese companies that know their own market better than anybody," he said. "But there is certainly a place for those savvy enough to compete."

The cover illustration is by Miami Herald artist Philip Brooker. CARL JUSTE/MIAMI HERALD STAFF SOWING SEEDS OF TRADE Founder and CEO of Ergo-Tools Alexis Nogueras will be manufacturing ergonomic garden tools in a factory in China. Nogueras joins the ranks of small ventures treading in an arena once reserved solely for large corporations.

AL DIAZ/ MIAMI HERALD STAFF TRADE GROUP: Joe Chi executive, director of the China-Latin America Trade Center, and Denis Rod of the International Trade Consortium.

LAUREN POND/FOR THE MIAMI HERALD BARGAIN HUNTER: Hart Baur, co-owner of Nicamaka, finds that Chinese factories are willing to churn out prototypes and designs for his firm at cut-rate prices.

JEROME T. NAKAGAWA/MIAMI HERALD STAFF BIG BUSINESS: Howard Ullman, above, is chairman of China Direct Trading, a Cooper City company that imports Asian goods and helps local companies navigate the Chinese economy.

China sent 832,886 tons worth of products, like those at left, to the Port of Miami in 2006.

