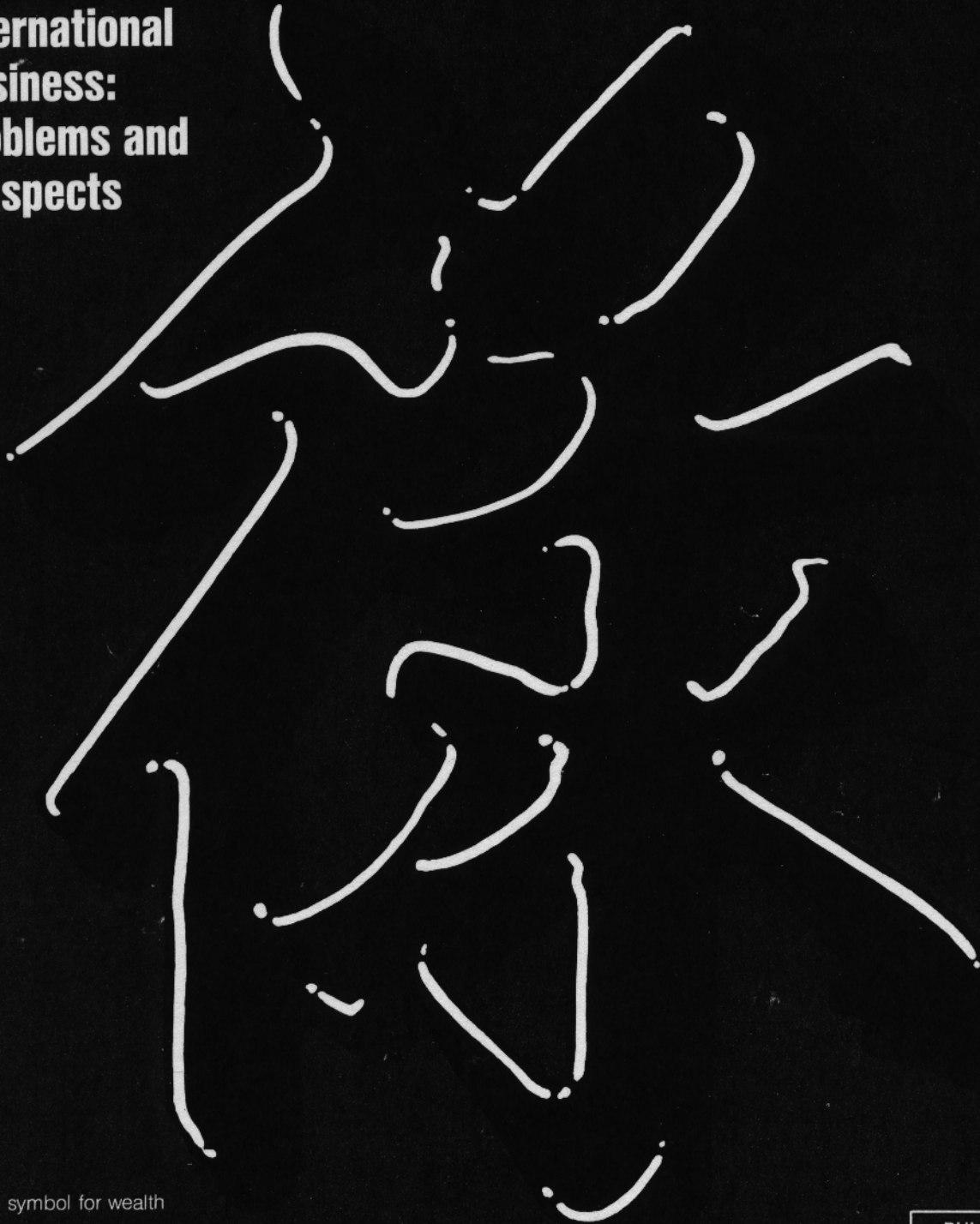


I N S I G H T S

**International
Business:
Problems and
Prospects**



China's symbol for wealth

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INTERNATIONAL BUSINESS:

PROBLEMS AND PROSPECTS

Interview with Mr. Les Doak, president and founder of International Business Centers, Inc.

By Z. S. Demirdjian and Earl Beecher

Les Doak is President and founder of International Business Centers, Inc., an international trade services firm. Les also originated International City Bank, National Association, and is a director of ICB during its organization. Prior to forming these two companies, Les was an officer in the Foreign Service of the United States, where he served as Third Secretary of the United States Embassy in Brasilia, and as staff officer to the Assistant Secretary of State for Economic and Business Affairs. Doak resigned his commission in the Foreign Service and transferred into the U.S. Department of Commerce International Trade Administration in order to bring his family back to California.

Doak currently is a director of the Long Beach Area Chamber of Commerce, and served two terms as President of the International Business Association. He is currently serving his second term as chairman of the Long Beach Airport Advisory Commission. He has served on the Board of St. Luke's Episcopal Church - twice as senior lay officer, was a founding Director of Capitol Classroom Inc., and a founding member of the Committee of 300.



Shifts in the Center of World Trade

Q: What's happening to the center of trade in the world?

A: We are seeing a geographic shift in the focus and activities, the financing and control of trade. The dominant international trade pattern to this point has been the North Atlantic. Although North Atlantic trade will never become unimportant or insignificant, it has now been surpassed in volume and almost every other aspect by Trans-Pacific trade.

Q: Was it March 1983 when the balance changed?

A: Yes, in volume of goods shipped. The financial center still tends to be dominated by the North Atlantic. That is gradually shifting to the West.

I believe it was U.S. Secretary of State John M. Hay who said in the early 1900's, "the Mediterranean is the ocean of the past, the Atlantic is the ocean of the present, and the Pacific is the ocean of the future."

Q: What are some of the reasons for the shift in the world trade center?

A: Undeveloped nations with very large bases of population are now in the process of developing rapidly in this region. Their percentage of growth is going to be larger because of the lower base from which they are starting. They have enormous untapped potential in terms of the consumer market and the infrastructure development. The sheer weight of developing all of the coal fired power plants in Taiwan is fantastic. That has already been built in the United States and in the European nations. We are dealing with new technologies and simply upgrading the existing infrastructure at an exponentially increasing growth rate.

Q: There is a great market in China, Japan, Taiwan, etc. Do you think India will become one?

A: It is already an excellent market. The problem there is political or cultural, not economic.

The new gang of four: Singapore, Hong Kong, Taiwan and Korea are the ones to watch. Their growth rate is phenomenal in spite of the fact that they have relatively low population bases. They are getting involved in much larger segments of world trade. For example, the Koreans control a great deal of the development of infrastructure in the Middle East in terms of construction. They're also developing enormous ship-building capabilities and offshore drilling rigs in Asia.

Q: Hong Kong and Singapore are cities. Are you equating them to other nations?

A: In terms of their trading capabilities, yes. In the case of Hong Kong the outlet is quite significant. So is Macao - the old Portuguese colony. They have considerable linkage and trade there. It is controlled out of Hong Kong and Macao by the Portuguese or the British. Much of it is unseen, or people are unaware of it. The construction of new high rise buildings in both Macao and

Hong Kong is mind boggling. Because Canton was where the emperors permitted white folk and others to become involved in trade with China through the last few centuries, the first people there, the Portuguese set up their trade center at Macao. Then the British set up theirs on Hong Kong.

Q: Are we seeing a lot of trade between Japan and Red China?

A: A significant amount. The Chinese recognize that the bulk of technology they're getting through the Japanese had originated in the United States, whether it's petroleum or any other kind of technology. Although the Japanese are doing their best to control that, the Chinese recognize it comes from here so they just as soon do business with the United States. I believe that the basic intuitive approach of the Chinese people tends to be entrepreneurial. They have an excellent sense of humor. They want to learn. They want to grow. They were essentially thrown a curve by the Maoists. The world is going to witness them change to a much more entrepreneurial approach. The only thing that prevented the Chinese from being more capitalist in the past was their feudal structure with massive controls from the top. When Dr. Sun Yat Sen changed that, there began to be a massive awakening in China. That was sideswiped by the Japanese military attack. Then Mao stuck his foot in a little tighter. I think, now, if they go very slowly and carefully, like the current administration is moving, it will become an open, accessible society and economy. You will see a lot of people putting plants on Taiwan and Macao and mainland Hong Kong's new territories because they are assuming it will either remain as it is, or it will become a part of the People's Republic of China. Either way, they've got a plant in the People's Republic, so they don't lose.

The Future of Hong Kong

Q: In 1997, when the British lose their lease in Hong Kong, do you think that the People's Republic of China will risk the fact of losing something like \$7-9 billion in revenues by trying to curb the free enterprise system in Hong Kong?

A: You have two things. They're both basically going to follow the same path. You have the new territories which is the lease, and you have Hong Kong Island and Victoria which were actually ceded to the British by a grant from the existing—at that time—legitimate government of China. The land was simply given away. If the People's

Republic of China takes control of one, they will take control of it all. The People's Republic of China fully recognizes that it's the goose that lays the golden egg every day.

They also have this Puritanical idea of wanting to get rid of the evil traders who are exploiting everybody in the world. There will be some clashes. They will either, between now and 1997, begin to recognize how they must not stick their hand or their foot in the middle of it, or else shortly thereafter they are going to recognize that they must begin to pull away again. The Chinese people that I have met have been in Hong Kong for many generations. They are very active in trade between Shanghai and Hong Kong, and Canton and Hong Kong. I believe they are going to remain active in Hong Kong no matter what the government is. They are putting their investments there.

Q: Does Hong Kong have a modern port?

A: Hong Kong has a very modern port. They are expanding their containerization facilities. South of Victoria they are putting in a massive new bulk terminal that will handle petroleum and coal as well as containers.

Q: How does it compare in size to the Long Beach Port?

A: If you were to see it as you are flying in, the overall geographic size of the Hong Kong port facilities is much more massive. It doesn't sit all together; it is scattered around; therefore, you do not see that it is so massive.

Q: Does the capability in the Far East match or exceed what we have here on the United States' side at the present time?

A: Collectively, yes. When you add Singapore, Hong Kong, Taiwan, Korea and Japan, it exceeds Seattle, Portland, the Bay area and here.

Prospects: Expansion of Trade on the U.S. Pacific Coast

Q: Are you predicting there will be equal growth over here on the American side to match the growth in the Far East?

A: The percentage of growth could not possibly be as high, but tonnages will continue to grow dramatically.

Q: So you are saying there is going to be expansion along our coast?

A: Enormous expansion! The competition is fierce between the Bay area and Seattle and here. The one advantage

that Southern California has over the other ports is that we have year-round rail facilities that are never, never blocked by snow. The Donner Pass can get blocked. The Burlington northern routes get blocked.

Q: Do we have room for expansion?

A: The expansion projected is to be by dredging and filling outward into the ocean. It gives you absolute control over what you do.

I foresee an increase in the capacity of the existing ports because you have the rail heads here for three railroads. Basically, the San Pedro Bay, San Francisco Bay and Puget Sound are going to control the ingress and egress.

I think the United States is trying to put together a strategy, in kind, but because there is no central control of our economy, there is no such strategy. It would have to take the form of negotiation on the part of our special trade representative in dealing with closed economies like the Japanese economy, where trade is less than fair. You have a problem also of the competition in the United States between states, between cities within the states, between counties within the states. For example, look at the battle between the electronics industry and the federal government policy makers about how to protect our electronics industry. Fortunately we've seen legislation that permitted the development of an R&D high-tech center in Texas where all the companies can work together and pool their resources for R&D, similar to what the Japanese have done.

The Impact of the Middle East Turmoil

Q: You have an excellent grasp of the world situation. You are fluent and current on what's going on in the Pacific and Central America. Could we look at the Middle East?

A: The whole situation in the Middle East boils down to politics, which at this time is a religious issue. If the kingdoms in the Arab countries are able to retain control and permit controlled growth, then we will see a relatively stable situation in the Middle East, with continued production of petroleum, and continued opportunities for selling products and services from the United States and from other nations. The entire Arabian Peninsula consists of kingdoms.

Q: What about Iraq and Iran?

A: Iran is in a revolutionary mess, and Iraq is a dictatorship. I guess that's the way you would define Iran at this time, too. It's a strongly controlled central government that wasn't elected and doesn't have a traditional hereditary sequential evolution like the kingdoms did, where they always had a king or a sheik or a ruler.

Q: Is the Middle East still a large market as far as the United States is concerned?

A: It remains an excellent market. The fact that their production of petroleum has been reduced and, therefore, their income has been reduced does not mean that they are small markets. It just means that they are further restricted from what they were.

The need in Saudi Arabia, Kuwait and the rest of these countries for the development of infrastructure alone almost appears to be an endless market. Forget about the potential growth in consumer goods or in telecommunications for consumer purposes. Consider just the sub-infrastructure development: water systems, communications systems, transportation systems; all of those things still have a long way to go.

Q: Can they be developed with a war going on?

A: That's the whole instability there. The religious thing of the puritanical Moslem group, the Shiites, versus the rest of them. If they take charge, it's going to result in blinded governments that don't care about practical realities. They care only about their puritanical outlook on life. That's why the kingdoms are moving slowly in their development in certain areas, because they don't want to either *appear* to be, or in reality to be, totally absorbed by the West or bowing to Western ways.

Q: Wasn't the Shah trying to force progress and that became the main point of conflict between him and the present government of Iran?

A: That's what toppled him. His efforts to press progress forward unsettled the population. Then the "puritans" were able to capture their attention by saying, "Look at all the naughty things that are happening...alcohol and things like that. This is not good for us." They were able to grab hold of whatever discontent there was. There was corruption then, but there is corruption today. It wasn't a

matter of the corruption. He was trying to push progress faster than the population would accept.

Q: Going back to the Middle East as a large market, is the U.S. market-share declining, or are we losing to Japan, Hong Kong, Singapore, other Pacific nations?

A: In terms of consumer types of goods and in terms of some of the engineering projects, we have already lost an enormous amount of it. We could have had much more, but in many cases our people did not bother to be aggressive about it. I don't mean brash-pushy. I mean aggressive enough to learn the ways.

Our government actually reached the point that the Saudis said point-blank, "If we see any more of these *flakes*, we are not going to talk to any American companies." People showed up who just had their hands out. The legitimate companies who could have been doing business were passed by in favor of very sophisticated German marketers who understood Saudi Arabia, who understood what they were dealing with — how you do business there.

The companies that were sophisticated were broadsided by the Carter administration's effort with its sense of puritanism by the Foreign Corrupt Practices Act. It says, "if you do business in foreign countries the way they are accustomed to doing business, and it conflicts with American ways of doing business, you will be held accountable in American courts and under American law."

The French cheered us on. They said "Good for you. It is marvelous to be moral like that, because then we get all the business." The Germans cheered us on, the Japanese, Koreans, . . . everybody. Not that they were doing it for morality or immorality, they were just saying "In what way have the people in Oman traditionally done business? Or in Bahrain? How have they always done business? Then that's the way we will approach them. We will try to sound as though we understand and appreciate who they are, and what they are, and how they make things happen. They have their networking just like we have our networking. It may look different and sound different and smell different, but it's their networking, and we'd better plug into that or we won't get the business."

In most other countries you do not find the antitrust and other laws which

are very restrictive. For example, in Brazil, all the hydroelectric producers from Japan were able to get together (there were three), and submit one combined bid. Westinghouse and General Electric were forced to submit separate bids because of monopoly and antitrust laws.

The Japanese even won the bid for the Grand Coulee Dam. They outbid three large American companies.

Q: Could you comment on the menace in the Middle East—

A: Kadafi is such a radical that nobody can predict what he'll do. He is absolutely unpredictable. Although Khoumeni is unpredictable, he is more predictable than Kadafi because he is more puritanical, a fundamental Moslem, he wants all the remainder of the Moslems to be the same and their governments to be the same. He's going to be a spoiler in that sense. The Kremlin, if nothing else, is simply going to exploit it. I doubt very much if they're sitting on the sidelines watching and waiting to exploit. So they are all three spoilers and the net effect is quite a lack of predictability.

Q: These three "K's" are located on three separate continents. Since they seem to be against United States policies and business, will the U.S. trade decline in those areas?

A: Yes, it will. They are also against the status quo in their own various fields of interest: the Soviet Union on a global basis, Khoumeni in the Middle East and Kadafi in North Africa. They do not want the status quo to remain. They want change. And until their dying breath they are going to promote that change.

Q: Doesn't this constitute another reason why we should concentrate on the Pacific Basin countries?

A: True, because of much more stability in the area and also because of population growth. Populations are going to double, in the near future. For the Chinese population growth, they are taking all those Draconian measures: they are promoting one child per family. If you have more than one child you suffer penalties. You don't get choice apartments, or anything. They have the opposite of incentives to having children. Even if you have that, you add one child, one person for every two, you are talking about a 50% increment on a one billion population base. That's only going to eventually work itself out to their advantage.

Q: The population of the United States is not expanding, is it?

A: I believe it is, but at a very modest level.

Q: A large proportion of the population of the Pacific Rim nations belong to the Moslem faith. The tendency is not to restrict the number of children they have. Their birthrate seems to be higher than among the Western sections.

A: Yes. Indonesia and Malaysia, it's their dominant religion. China has a pretty good size of Moslem population. India has quite a few Moslems, if you consider India part of the Pacific Rim countries. In terms of population, they are definitely the dominant population in the area. This means that the population of the area will experience a huge growth.

Lack of Coordinated U.S Strategy

Q: A while ago you said that the world trading center would be in the Pacific Basin because it's the largest market. Does the U.S. have a strategy to become the leader?

A: On the Irvine Ranch they are trying to put together a High Tech Center. This is the kind of coordinated policy we've got to develop.

This University—California State University Long Beach, and the City College and the high schools...everybody has got to be feeding people into those future industries.

In terms of a national policy, unless we protect our computer and telecommunications industries against what are clearly unfair policies on the part of the Japanese government, we are going to see them swamped by the Japanese. They will become exactly what Lee lococa says we are now in terms of the automotive industry and many of our other industries, basically "a colony providing the raw materials and buying back the finished goods."

Unfortunately, our computer companies have not been as free as a truly open market would have permitted them to sell into the Japanese market. The Japanese have protected certain aspects of the computer and electronics and telecommunications market, and have enabled their industries to grow. That's okay to the point of actual growth, but they are continuing to protect them to allow them to leap ahead one or two generations in the technology then come back on the U.S with subsidized

rates and wipe out our totally, totally independent companies—Fairchild, T.I., Semi-conductors, etc.. We've got a horrible problem and we don't have a coordinated policy to compete. Yet we see that there is a move toward that end; we have the new Export Trading Company Act which permits companies to pool their resources if they want to. We still have the problem of competing labor costs, but U.S. companies are beating out the competition because of higher productivity. Would you believe it?

In terms of the role of the U.S government overseas, what you really have is the traditional intelligence gathering role. The State Department is the above-board intelligence gathering unit. They gather intelligence on the political scene, the economic scene, and how it relates to the U.S policy. In terms of direct assistance to business, the State Department has tended not to accept a direct role.

Lack of Good Business Information

Q: If they gather intelligence, of what benefit is it if they don't use it to help business?

A: For helping business it should be channeled to a group that can take that information, analyze it, synthesize it, and turn it out in some form that is useful. There has been an effort undertaken recently through the Special Trade Representative, the Commerce Department and the State Department. It isn't all that good. The best way to deal with it, in my personal opinion, is through the new Ministry of International Trade and Industry or whatever it's titled.

Q: Does that come under the Commerce Department?

A: No. It is a totally separate government agency. It would take away part of State, part of Commerce, part of Treasury and part of Agriculture and pool those people into one unit to assist business.

Q: How can CSULB assist in this development?

A: It would pay off *not* to hire bureaucrats to do the analysis. Rather, I think we should utilize universities and any other people that already have the educational background and the intellectual discipline to analyze what's there.

Being blind-sided by the social side of things is what happened to Arco with their pipeline. Remember the Vice Chairman of Arco's speech? It was spectacular. He hit it right on the head.

They had the technology all lined up. They had the financing all lined up. The Alaska pipeline was delayed an incredibly long time because of the environmental issues. Could the Caribou get where they needed to go on their annual migrations? Would the pipeline destroy the tundra? Would the pipeline destroy the flow of the water? All those issues...

Q: That's within the United States itself!

A: Right. That happened to a U.S. company that knows the U.S.A., inside the U.S.A.. What would happen if they tried to put something like that inside a foreign country, such as Brazil? Are they going to understand the nuances there? This is where you have to train people to understand international trade and international marketing and be sensitive to those nuances.

Q: How can small businessmen know how to get in touch with people overseas? A small company cannot afford to have a salesman in a foreign country. The costs would be too great.

A: Mechanisms have been created by private industry, as well as government, that enable and facilitate these contacts. They are not as good as they ought to be.

Part of the American problem is that American businessmen have not looked at the overseas markets. They do not think of them as an integral part of their marketing.

I'll never forget the San Diego manufacturer who had a nice consumer electronic product. He was advised to go back to the drawing board and produce the item so that all he had to put on it was a series of switches. He could make it 50 cycle 220, 50 cycle 110, alternating or direct, by just maneuvering these little switches. That would cost 50¢ per unit if he re-engineered it and did them all the same. That way they could be used in the United States, or the United Kingdom, or anywhere just by switching those buttons and closing the lid. Or they could all be left open so someone could travel with it. No. When it got all the way produced and off the end of the assembly line and then modified, it cost \$10 per unit to produce. It was priced out of the realm of reality. He would not go back and think through the process and re-engineer it. That's a sample of where the bulk of the American companies make their big mistakes.

Another problem is they don't think about how to handle their financing. For example, if an American company is using 80% of its production capacity and operating 10 months to sell to the U.S. market, and it is selling a product at "X" price in order to cover 12 months of having to hire the employees, and run the production facilities and pay off the capital investments, if it could develop overseas markets equal to two months' production on a steady basis, it could probably gain a bigger market share, (even in the U.S.), by being able to reduce the overall price of every single product. This would make it more competitive, even in the U.S.A.. They don't think of those things; all they think of is, "Yeah, I got this thing, and yeah, we can sell it in Japan, but we got to add something to it." They just don't think on a global scale. But they're beginning to...

Another problem we are facing in the U.S. is illustrated by the automotive industry. It obviously hasn't learned a damn thing. The minute they are profitable again they begin talking about higher salaries, higher bonuses and all the rest. They don't give a damn about the consumer... passing the lower costs on to consumers. The Japanese automotive industry and government are paying no attention whatsoever to the issues of fair or free trade, they don't care if there's a \$30 billion imbalance of trade with the United States, it doesn't bother them a bit. I think that instead of Bill Brock's suggested solution to hit the American automobile industry over the head by eliminating the Japanese quotas, we should instead retain the Japanese quotas, but hit the American automotive industry over the head or keep them nervous and alert, and price competitive, by allowing Brazilian automobiles to come in, and that in turn enables Brazil to pay back its debt. So you have the Japanese paying much more attention, appropriately, to the fair and free trade issues; you have the American automotive industry which is kept competitive for its own long-haul benefit; and you have the Brazilian automotive industry which could easily produce the machines for the United States which could enable them to repay their debt.

Q: A couple of years ago Roger B. Smith, chairman of the board of General Motors, said they were going to build a car with the motor built in

Spain, the body in Brazil, the frame in the Philippines or wherever. They were going to bring the parts here to the United States, assemble them here and create an "American" car. It came out fairly clearly that the American unions are in competition with labor overseas. There is no way they can get out from under it.

A: What you would have would be an American-assembled car, with decreasing dependence on American subcontractors. They would move even the assembly outside the United States if that gets out of hand. He mentioned the possibility of Mexico.

Problems: Financing in World Trade

Q: That gets us back to the question of financial, political, social, economic stability in developed nations and the north/south conflict. In order for people to be able to buy in an undeveloped nation they have to have money. To get that money they take loans from our banks. That brings us to what is going on at the present time.

A: The problem with our banks in foreign countries has been borrowing for the purpose of importing consumable goods. If they were borrowing for the purpose of creating an industrial base or infrastructure, that would be sound borrowing because they are borrowing to create an asset which in turn would enable them to create products that they can sell.

Q: Capital equipment, etc.?

A: Right. Hydroelectric, etc. But an awful lot of them are borrowing for the purpose of buying food, or consumer goods. Their needs are more immediate in that area. How are they going to repay \$10 billion they borrowed to buy wheat? With what? What have they created with that—that they can sell to repay? What's the mechanism they will be able to use to repay that \$10 billion because they have already borrowed to the hilt for the purpose of creating their capital base? That's why they are very dangerous loans and creating nervousness in the world financial community.

I believe the real culprit is the increase in petroleum prices.

Brazil is really the economy to watch in terms of the developing world.

If Brazil collapses, stand back. If their government is able to continue to maintain economic growth and reasonable stability without becoming a haven for Marxism, and Leninism, and other

forms of less-than-free economies, then there's a chance for the system as we see it today.

Mexico has never bothered to distribute its wealth. I don't see any effort on the part of the wealthy. I think it's an outrage that their last two presidents came here and lectured us on redistribution of the wealth from the developed countries to developing countries when at home they don't bother to redistribute the land or the money or anything else. They mouthed shibboleths about that, but even with all their massive influx of petroleum dollars, they didn't do a thing to redistribute the wealth, because of corruption and the lack of government positive action. They will be a neighborhood basket-case for a long time.

The Brazilians on the other hand were getting a grip on what they were doing until the petroleum price increase. In spite of that, they have been able to maintain a relatively even keel. They are beginning the process of turning the government back over to a much more democratic system. They have a much larger base of educated people and their health care services have been expanded dramatically. Where else in the developing world do you have a relatively stable political situation, the capability in terms of the natural resources and geographical location to produce manufactured goods and to produce agricultural goods in surplus?

In the whole south area you have a lot of areas that could be producing... but there are not that many places that can produce a surplus of agricultural goods, especially a surplus of food.

Argentina has suffered through a lot of problems, they basically are producing a surplus. Angola could and Mozambique could, but they don't have their political act together. India could produce a bigger surplus than it is. Indo-China and Southeast Asia could, but because of the Vietnamese they are not.

So when you add all those things together, I think Brazil is the one to watch in the North/South thing. If they are able to pull it off, there's a reasonable chance that the whole world is going to make it under the current system. Otherwise, there will be a massive change in the system.

On the financial side we keep stumbling over the cost of financing trade for small and medium size businesses. As we see it now, in the U.S.A., the bulk of the new jobs created are in the small to medium size businesses. Potentially, it's the same thing in international trade. The people that are the entrepreneurs

are creating trade in situations that the larger companies have either overlooked or don't find profitable. A lot of small manufacturers could sell their products overseas if only they were informed and encouraged. Their big stumbling block is the financing of their exports. The financing remains the real stumbling block.

Soloman Brothers created something which I think should be replicated on a smaller level. It may be that this could be studied by your Finance Department. They created a fund to be loaned to companies at \$500 million and up. It's strictly for the Fortune 500. They created an investment fund and then marketed it to individual consumers. They pooled all of the money for financing sales. They were actually loaning it to U.S. companies so that they could produce equipment and sell it overseas.

Q: What you are saying is, the fund is used to finance Accounts Receivable?

A: In essence, right. Now we need to provide that same sort of financial mechanism for smaller companies. So why not create something that a small bank could utilize, something that would enable them to put together a fund of say, \$5 or \$10 million.

Q: How would they be able to check the credit of someone overseas?

Basically the credit is extended to the U.S. company. The fund is secured by them rather than the overseas customer.

Money - Exchange Problems

Q: What about the variances between the value of the dollar and the various currencies throughout the world? Our small companies could get caught in devaluations and similar problems.

A: They could probably quote prices in U.S. dollars and get paid in U.S. dollars, so they would not be impacted in currency fluctuations. The problem would probably lie in the ability of the foreign buyer to obtain U.S. dollars with which to pay.

Q: Eurodollars are the key to foreign customers' being able to obtain dollars with which to pay. I understand the government is planning some new currency to force retirement of those Eurodollars. Won't that make the problem worse?

A: They are going through a lot of machinations on how to handle all of that money. Frankly, right this minute,

the smart banks are pulling those dollars in while they cost less. That's why you see some banks offering 12.9% on 100 percent financing for the acquisition of a piece of new capital equipment by a company. Other banks have to offer 16.9 percent plus fees, plus fees, plus fees...

The banks that are really bright are going overseas, getting U.S. dollars, paying 10% for them and turning around and charging their customers here 12.9% for them. That's what Walter Riston said would happen when interest rates become too high. He said, "Those dollars that are held in Europe, the off-shore dollars, would come flooding back in because they are going to make money here. That in turn is going to put a damper on the inflation and the cost of money here. That is what is beginning to happen."

Q: It's making it harder for a foreign buyer to obtain American dollars in order to buy American products.

A: That is correct. I believe that until 100 yen equals 100 pennies, etc., you are going to see a serious imbalance of trade.

Q: That is what I wanted to bring out when I asked the question about the Middle East. It's a rich market. It has an oil-based economy. It seems that we are losing the market to Japan and Germany. Is that because of a lack of expertise on the part of the American businessman or executive, or is there an additional factor that is important in business, such as price?

A: There are several factors. One is a genuine inexperience in dealing anywhere overseas. The second is the difference in the cost of labor. Another very critical one is the relative value of the dollar. Yet another is the efforts of various governments to support their export efforts. For example, when the company in Sweden saturated the Swedish market for telephones, they expanded into other countries. Our phone company has not exhausted its home market, so it has not worried about becoming competitive in the foreign markets. We have had such a huge home market we haven't worried about other people coming here and selling aggressively. Many of the foreign governments have carefully protected their home markets. What you see is a whole infrastructure of experience and mechanisms that enables foreign producers to sell under much more favorable circumstances than an American producer.

The Role of CSULB in Regard to World Trade

Q: What do you think the role of CSULB, specifically the School of Business, should be?

A: The School of Business Administration has to provide people who know how to market. That's one of the skills that the Yankees lack more than any other. We're going into a world where marketing means everything. I think businesses are beginning to recognize that the '70's were high tech and engineering; the 80's is the decade of the ability to market, to determine the products that people want, to create those products, to position them in the market and then sell them. That has to happen. That's one of the most important things that the School of Business Administration can do.

Finance is another area. We have not been creative in terms of financing for our exports, for example. Importing things will take care of itself. Those who want to sell here are going to figure out a way to do it. This is *the* market. There is no other market in the world in terms of a really comprehensive, integrated massive market for consumer goods, industrial goods or anything else. What we have to do is to enable our companies to export finished products back out of the United States to keep the balance.

The role of this University should be to provide a channel of information to the business community and to provide continuing education opportunities to people to see what changes are occurring, and to try to be a "think-tank" to suggest creative solutions to problems. One of the solutions that I am suggesting in a column that I am writing is what I call "the Brazilian Solution" to a couple of problems they are facing. One of their problems is how to repay their debt.

Q: You suggested the University should become a "think-tank" and get information and feed it out to the business community. What contacts must the University establish? Where are the "nerve endings" that we connect with so that we get information and disseminate it appropriately? The Business School would be more than delighted to cooperate.

A: We have the Dean's Advisory Council. Its Task Forces are doing an excellent job. We are soon to create an effective Bureau of Business Services and Research with a data base on the stock market. One member of the

Dean's Advisory Board said he would send a book that contains a listing of every statistical series that has been published and where to obtain it.

Where should we establish contact? How often should we call those offices and update the information so we can maintain a watch on all the useful data to keep it available for the business community?

How often should we put on seminars to feed back the information we have obtained? Who would attend? How do you recommend this information be disseminated?

A: I would suggest through your own publication, the *Business Insights* and *Outlook*. In it list the reports that are generated. I know Dr. McCulloch is writing a new book on international trade. You should let people know when things like this become available.

I feel the University should find the resources to initiate a weekly TV program, entitled "International Business Week." We should have it nationally syndicated through Times-Mirror or some such organization. Very high-powered, capable people come to Long Beach every week. We could arrange a 15 minute interview with those people and have a reporter report on another story of interest for the other 15 minutes.

If there is a major issue that has evolved, we could pull together experts on that subject from the campus and the community. Let's say if someone like a Saudi Prince is traveling through, we could interview him. Or, we could pull together experts from the campus as a panel to discuss any problem or new development—you've got a resource here that could shed light on almost anything that is current.

You don't have a coordinated approach, but once you begin to work on it, you should be able to develop it rapidly. If Southern California, if Long Beach does not use this "window of opportunity" that we now have, the "biggies" from the East Coast and Europe are going to come right in and land on top of us, and say, "We already have a *Wall Street Journal*, we already have a *Harvard Business Review*, we already have a CBS network, we already have a *Wall Street Week* in *Review*, who needs anything new?" We have a chance to create something and put it on the map.

Q: The Long Beach cable company has been trying to put together a one-hour monthly show entitled possibly,

"The University and The Community." It would cost \$1,000 per program. They haven't been able to find the \$12,000 necessary to finance it. They've been working on it since November.

A: The one thing that Long Beach has, because of its geography, because of its constructed infrastructure assets, and because of its University, is its international focus. That's the unique thing that will differentiate it from Los Angeles. It can differentiate it from any of the other major cities in the United States.

Every university has a university/community thing. But not every university is able to generate a weekly analysis program that could be nationally syndicated regarding what's going on in world business. The thing that makes me feel it is feasible is they now have a weekly program that is nationally syndicated discussing global events, but it consists of journalists talking about global events and their political ramifications, their social ramifications, and God knows what. Well, that's being nationally syndicated. They're making money out of it. Somebody likes it. This thing could be directed to businesses. It could even go by cable. It needn't be broadcast. Local businessmen should be standing in line to fund something that has that kind of potential exposure.

Q: How long would it take to get it organized?

A: It would take about six months to put it together and make it good. We are in a perfect position. We can pull in very heavy weight people. It could wind up on PBS if we do it well. We have people from the Middle East who are residents here. If somebody else gets it first, we are dead.

Q: How can the university work with the business community to take advantage of this opportunity?

A: I think we could take advantage of the Dialogue network and begin gathering data. The information is so voluminous...you could digest it and offer it to business in a meaningful way. Just using that one multi-data base you could capture 99% of the information they need for a marketing study, an analysis of a foreign market, the risks, or anything else.

Q: Due to a plethora of business publications already in existence, do you think the Long Beach and South Bay area needs another publication such as the *Business Insights*?

A: Absolutely. What you have done is an extremely significant contribution.

You've given the business person an enormous amount of data, an enormous amount of analysis, and a way to conceptually approach certain business problems. If the business persons are enlightened enough to pick it up and read it, they will find an extremely valuable amount of information. If they are encouraged to look to it for analysis, whatever their focus will be, then they will gain a great deal. Part of the problem will be in the nature of the Long Beach Business Community. Certainly the current L.B. business community is very enlightened, but still may not be aware of this publication.

The incoming L.B. business community will probably be much more upwardly mobile and much more aggressive than the current base. If I were you, that is the audience I would be targeting. We have a rightful claim, you as the largest university in the state, and we in the business community located here on the Pacific, have a more rightful claim to be able to provide this service than the usual "think tanks" on the East Coast.

The University and the Chamber of Commerce should continue cooperating with each other so that the members understand this university is its "think-tank." You have McCulloch, Moustafa, Palubinskas—when you have, for example, an international business conference coming up, see they participate and you report it in *Business Insights*. ■