

# International Trade and the Port

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Europe. In addition there has been a change in the nation's products, from a few high volume manufacturers to many producers of lower volume highly differentiated goods.

San Diego has a few large defense oriented companies, and some agriculture, but it is dominated by many small- and medium-size, high tech manufacturers. The marketing focus of these companies remains the U.S., Canada, and Europe, but the Pacific Rim, from Santiago to Costa Rica, from Yokohama to Hong Kong, and from Singapore to Sidney has become increasingly important. In addition, along the border from San Diego to Brownsville, Texas, the Maquiladora is a growing source of internationally competitive products.

Some argue that San Diego should be a tourist and recreation town. They spout L.A.'isms and argue international trade is dirty and will bring people. Others argue that the people are coming, like it or not, and international trade, dirty or not, means jobs and income. These people say that cities (and nations) that relegate themselves to tourism and recreation are destined to become havens for the second class, the lazy, and the street people. Civilizations that have already arrived at their historic zenith remember that trade was the first to go. To remain number one, America needs trade and every city must do its part.

Some say tourism and trade don't mix, that tourism is synonymous with pretty, and trade means stevedores and cargo. However, modern cargo handling need not be dirty, and San Diego can have it both ways. Visualize the harbor in three parts: The northern part is dominated by recreation and tourism; the southern part is also planning for tourism; but the middle sector which is already commercial is compact and not L.A.-ugly.

San Diego needs a global strategy to move its goods and take maximum advantage of its port. To stimulate international trade and compete as a west coast Load Center, San Diego needs a public-private partnership. This is not without precedent in the United States. The national leader is the Newport News Export Trading System (NNETS) which recently celebrated its first anniversary. The system includes the City of Newport News, and as private partners, United Virginia Bank of Richmond, The Republic Group (an export management firm in Arlington), and John S. Connor, a freight forwarding company based in Baltimore. The system provides for a stronger port marketing group, and a major international trading company.

A San Diego regional partnership would be innovative and different from NNETS in the sense that it would bring together a joint venture of the Port Authority, one or more city governments, one or more banks, and one or more colleges. The result could be a second harbor entrance

for commercial use, an east-west railroad, the use of an off shore island as a load center, a regional international trading company, the ability to consolidate container loads, and the training of future international transportation and trade specialists all focusing on the optimum use of San Diego's greatest natural asset.

The port of San Diego can become a major element of a land-bridge to and from the east, and can be competitive with Los Angeles-Long Beach. Using micro-bridge concepts manufacturers could source raw

materials in Africa or South America and send them to plants in the Sunbelt. There American capital and technical advantages could be combined with the labor intensive advantages of Mexico for competitive re-export through the port of San Diego.

To give up the competition for container cargo without a fight means the loss of jobs and income.

— Carl A. Nelson  
Ammex Consulting, Inc.

## Transfers of Foreign Personnel into the U.S.

The intracompany transfer visa status known as "L-1," is exactly what it sounds like. It transfers key personnel of foreign enterprises to the United States to perform work. The advantages of this status are numerous, though there are other types of visas which overlap the use of the intracompany transfer visa.

An alien may be a citizen of any country in the world to qualify for this nonimmigrant status. So long as s/he is a manager, executive or employee with specialized knowledge and has worked for an enterprise outside the United States for at least one year, s/he may be transferred to and be employed by a United States parent, subsidiary or affiliate of a foreign concern whether or not the United States entity existed prior to contemplation of the transfer or not.

The visa petition may be valid for a period up to three years with extensions permissible in one year increments thereafter. Proposed regulations expected to be implemented sometime in the late

summer of 1986 could alter this period of validity by allowing a three year initial approval, with a two year extension available and a one year emergency extension beyond that for a maximum of six years. New companies would have a maximum, though extendable, initial approval period of only one year, however.

One advantage of the L-1 status that an application for permanent residence for transferred managers and executives may be approved without having to file a Labor Certification with the U.S. Department of Labor, which certifies that there are no available American workers in the area and that wages and working conditions would not be adversely affected by employment of the alien. Instead, this process allows direct application to the Immigration and Naturalization Service without this interim step. This avenue is not available to transferees who have specialized knowledge but who are not managers or executives.

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## Distribution Analysis — San Diego

It must be remembered that there is nothing more difficult to plan, more uncertain of success, nor more dangerous to manage than the creation of a new order of things. For the initiator has the enmity of all who profit by the preservation of the old institutions, and merely lukewarm defenders in those who would gain by the new ones."

— Niccolo Machiavelli (1469-1527)

An analysis of distribution services available in San Diego quickly leads one to first provide a complete picture of the corporate strategy such an analysis will serve. Simply stated, a corporation strategy is the basic long range plan for operating a company. Within it are the definitions of the businesses within which the company chooses to compete (participate). It details the objectives (i.e., sales volumes, profits, investments and returns on assets) that management has established for each business. The strategy should cover the natures of the processes (e.g., marketing, production, and logistics) that will be conducted in obtaining the objectives. It will also cover the nature and magnitude of the resources (e.g., labor, materials, technology, capital and energy) that must be applied to the processes of each business. And, lastly, it should state the policies (e.g., freight policies, pricing, service, quality) to be followed in implementing the strategy established for each business.

Strategic plans are long term in nature, perhaps 1-10 years. Tactics are the programs, methods and procedures for operating each business monthly, weekly,

daily within the framework of the overall strategy. Strategy points the corporation in a particular direction; tactics make it move.

Distribution may be defined in numerous ways. From a value added perspective, distribution provides the utility of time and place. A sale is completed when the product reaches the customer and payment is received by the seller of the merchandise. An inability to deliver the goods ordered consistently within the promised time frame will result in lost sales and/or increased operating costs as expensive expediting becomes the rule rather than the exception. The distribution process provides the physical link between the assets of finished goods inventory and accounts receivable. Today, in San Diego and elsewhere, distribution and sales organizations are working more closely together to speed this conversion process thereby improving cash flow.

Structurally, distribution comprises the system or network of inventory stock points (production facilities, regional or local warehouses) and it flows through these points to customers.

In a managerial context, distribution, within the framework of marketing, production, and financial plans, as well as external environmental forces, identifies the means to satisfy customer service through cost effective inventory deployment and control, capacity management, warehousing and transportation. While distribution is important to all industries, it will affect various San Diego companies' operating statements and balance sheets in different ways.

Made to order products, shipped F.O.B. ex-works with a three month customer leadtime, are at the opposite end of the distribution spectrum from goods made to inventory shipped from local (market oriented) warehouses, freight prepaid with a seven day leadtime. High quality custom designed turbomachinery and packaged food products are representative of this spread in value-added by distribution.

The concerns and attentions of management toward distribution should be different for different industries. Similarly, the placement of the distribution organization in the company's hierarchy reflects its importance in attaining corporate objectives. Such importance can manifest itself through the elevation of the top distribution position to that of senior management involved with corporate planning.

To successfully integrate distribution strategy with marketing strategy it is necessary to review marketing/sales strategies to determine specific points of interface (e.g., customer service, inventory deployment, customer profit-

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## The L-1 Visa

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There are two major issues regarding L-1 status: whether the alien is a manager or executive, and ownership and control between the United States and foreign entity.

Proposed regulations may limit the definition of manager or executive by requiring that "virtually all of his/her time" be spent directing the entity, a subdivision or a department, or the management of a major component of the organization.

The relationship between the foreign and domestic organizations is critical to qualification of the alien. The scenarios of approvable situations are limitless. There must be a strong link between the two businesses, for example, by common stock ownership, overlapping directorates, and the same practices and philosophies. The required proportion of ownership between the affiliates will vary depending upon the situation. One major consolation of the generally more restrictive regulations is that they allow for 50-50 joint ventures, which at present do not in general provide sufficient ownership and control of one company over another.

The L-1 visa applies to large and small businesses, well-established United States affiliates or new businesses alike. It is extremely useful for the employment of aliens in the United States without making a large capital investment.

(The above discussion is general in nature and is not meant to apply to specific facts. If you need professional advice, consult an attorney.)

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