URBACH HACKER YOUNG UHY INTERNATIONAL

International Business

Center of attention

The UHY network has grown with the merger of seven owner-managed firms in the USA

Seven US professional services firms have merged to form Centerprise Advisors Inc, the 13th largest professional services firm in the North America – and one of the largest full-service firms focusing on the middle market.

The deal, valued in excess of US$250 million, means more than 1,000 service professionals now serve more than 15,000 middle market businesses across the US. Centerprise Advisors' clientele includes privately held companies, governmental and not-for-profit entities, affluent individuals and families.

"Middle market firms deserve the same depth and breadth of services that Fortune 500 companies get from the Big Five firms," said Centerprise Advisors chairman & CEO Robert Basten.

"There are very few professional services firms with the diversification of services, expert advisors and geographic reach to meet the growing demands of middle market clients. We fill this important gap.

Right resources

"Companies are demanding higher levels of service, but there aren't many professional services firms with the diversification and expertise to meet the demand. Centerprise puts the right array of resources within a client's reach.

"Our job is to provide clients with the services they need in a manner that they prefer. We provide regional and local companies with the same valued services that they've come to depend on over the years and the deep industry and service expertise they need to continue to be successful. We deliver national expertise through local trusted relationships – and international capability through UHY. The combination is precisely what our clients seek in achieving and maintaining financial success."

The seven firms jointly give clients access to a far greater range of expertise than any entity could offer by itself. In addition to accounting ▶

Global expertise

The range of Centerprise's global expertise to help raise finance for new or expanding businesses covers commercial entities, taxation, auditing, accounting, technology consulting and corporate recovery.

The founding professional services companies are Follmer Rudzewicz Advisors, Inc., Michigan; Grace & Company Advisors, Inc., Missouri; Mann Frankfort Stein & Lipp Advisors, Inc., Texas; Simione Scillia Larrow & Dowling Advisors, Inc., Connecticut; and Urbach Kahn & Werlin Advisors, Inc., New York, Washington DC and California. The other two founding firms add rapidly growing business services capabilities: Centerprise Information Solutions with principal offices in Ohio and Texas provides information technology consulting, software-based solutions, training and support; and Insurance Design Administrators, New Jersey provides health care benefit design and administration services.

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UHY International is a world-wide network of independent accounting firms.

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and consulting services, various founding firms have special expertise in M&A transaction services, strategic planning, litigation services, construction industry services, international consulting, government and educational strategies health care claims management and ISO 9000 consulting.

"Centerprise is structured to build equity for its member firms, with stock ownership and other incentives to motivate the sharing of client relationships and expertise throughout the company," said Scott Lang, managing director of Brown, Gibbons, Lang & Company, the investment banking firm that arranged the merger and financing.

"Any local firm looking to cash out could have got more money from other large firms in this consolidating market. These people are builders, not sellers."

The creation of Centerprise greatly increases UHY International's presence in the USA.

One of the seven firms that have merged together to form the organisation is Urbach Kahn & Werlin Advisors Advisors, Inc, which was already part of the UHY network.

UHY clients will now be able to use the expertise of professional service firms in 16 locations across the USA.

As before the merger, Centerprise's member firms will continue to be owner-managed. The concept is similar to the case of Danish hardware chain Imerco, featured in the last issue of *International Business*.

Imerco claims its success – it has more than a 40 per cent share of the Danish hardware market – is due to the balance of independence and central direction, which allows the owner-managers to adapt to local circumstances and conditions.

For more information, please contact Centerprise on +1 312 578 9600.

All systems go for Japan

Firms operating in Japan are working with UHY member firm Nakamoto & Company to gain strategic information without any time lag.

The Tokyo and Osaka-based company has worked with businesses such as Toyota, NEC, and British Telecom since it developed the systems for clients to improve the way they handle their accounting, purchase/order, inventory control and supply chain functions in Japan.

Although software suppliers have the necessary IT knowledge to deliver the financial systems, Nakamoto & Company claims that experts in corporate operations must also be involved in the development process for a system to be a success.

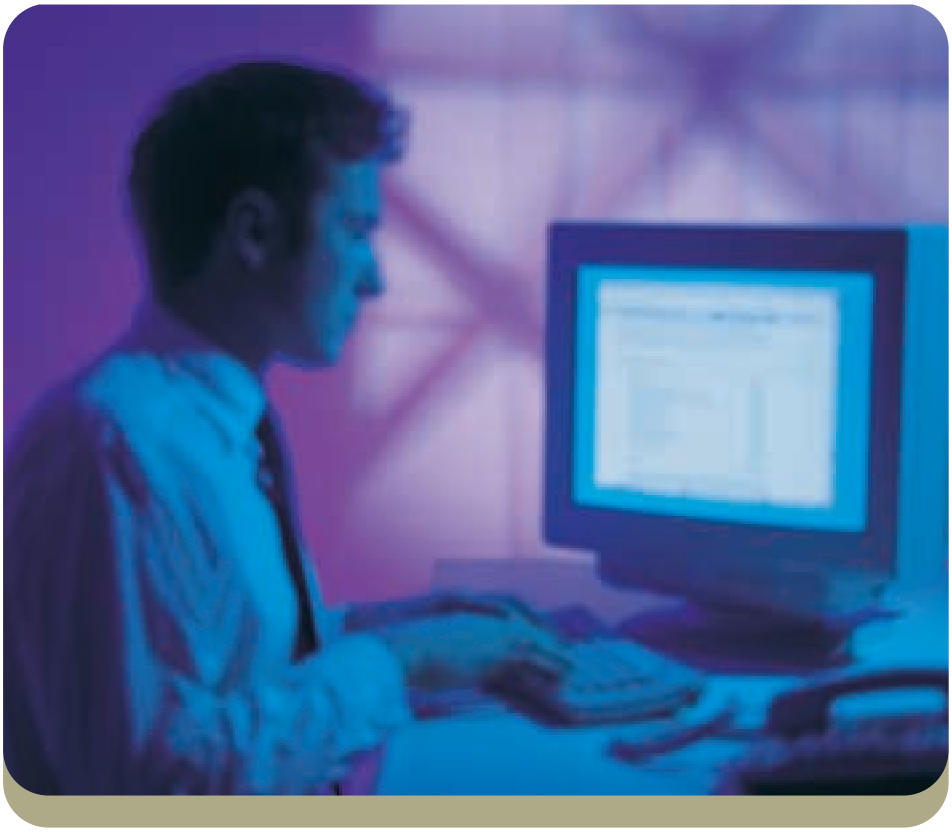
Said Katsumi Matsuyama: "Corporate operation is certainly getting more complex, and professionals like us have a vital role to play. Also, handling IT issues isn't just restricted to engineers anymore, because the subject is getting easier to understand.

"The systems extend the number of markets we can act in, increase the specialities we provide to our customers and have raised the status of our organisation through business with established companies.

"Our clients face increasingly heavy competition. The government is opening domestic markets and promoting deregulation for foreign investors. Group management, which is enhancing efficiency and maximising the business potential of the corporate group, is becoming a major management theme in Japan. However, our clients didn't have any system which could provide managers with strategic information as to 'where we are going' and 'what we are doing' without any time lag."

For more information, please contact the UHY firm in Japan: Nakamoto & Company +81 3 3234 0396

E-commerce: laying down the law



Despite the worldwide growth of e-commerce legislation, there remains no definitive set of Internet laws.

There is a global recognition that certain laws relating to the Internet need to be compatible – dialogue continues between the EU and US on privacy rules and data protection, for example – but it remains increasingly difficult for businesses to keep up to date with developments.

This summer, the US introduced the Electronic Signatures in Global and National Commerce Act.

It clarifies the legal validity of electronic contracts, signatures, notices, and other records, and allows contracting parties to choose the technology for carrying out transactions.

The Act provides the legal basis for entrepreneurs to invest in e-commerce. Contracts and transactions will no longer be unenforceable solely because they are electronic. They can satisfy notice and record-keeping requirements with their electronic notices and records.

And the same rules now apply to on-line business disputes as to those in the paper world.

On-line consumers will also have similar legal protection to those who trade "off-line". The new law does not reduce the protection offered by any Federal or State law relating to the rights of consumers, other than to eliminate requirements that contracts and other records be written and signed on paper. Consumers retain the choice to do business and receive records on paper or on-line. Before notices and disclosures may be sent electronically, consumers must give their consent and the firm must verify that the consumer will be able to access electronically the information that will be provided.

Landmark legislation

This landmark legislation removes some previous legal restrictions to e-commerce and, in effect, companies will now be able to contract on-line to buy and sell products. Businesses can keep transaction records on servers and consumers will not have to wait for paperwork to be mailed.

The impact of the Act cannot be under-estimated. The Department of Commerce reports that IT industries are responsible for about 30 per cent of US economic growth since 1995. Economists have found that IT accounts for at least half of the recent acceleration in US productivity growth and for two-thirds of the growth in overall business investment in recent years. And IT industries are already a major source of research and development investment.

Pitfalls ahead

However, pitfalls may lay ahead. Most importantly, firms conducting electronic business will need to be aware of any signatures' authenticity. And, in this rapidly growing field, it remains to be seen whether the legislation keeps up with the pace of developing technology.

The Electronic Signatures in Global and National Commerce Act, similar to other legislation introduced throughout the world, is also compatible with the United Nations Commission on International Trade's (UNCITRAL) Model Law of Electronic Commerce. Whether the UNCITRAL model forms the basis for compatible legislation and common e-commerce business practices around the world remains to be seen.

John Wolfgang from Urbach Kahn & Werlin Advisors in New York said: "Clients that are considering operating in this environment should seek advice from counsel on the relevant law and application to their business.

"It is really too early to see all the applications of this law but one benefit clients are seeing is the transmission of documents to the regulatory authorities.

"It saves time for clients that have to round up signatures from board members whose geographical locations make it difficult to obtain their hard signatures."

For more information, please contact:
Urbach Kahn & Werlin Advisors, Inc.
+1 212 529 5130

Mexico looks for closer links

Following its first change of rule for more than 70 years, Mexico is heading in a new direction as it enters the 21st century

The election of Vicente Fox as Mexican president this summer signalled the end of 71 years of rule by the Institutional Revolutionary Party and a new era in the country's political and economic ties.

Even before his victory, Fox had visited New York to call for North American Free Trade Agreement (NAFTA) to become a borderless free-trade zone with the USA and Canada – and even hinted at a common currency.

These ideas by the former Coca-Cola regional president may not come to fruition, but emphasise how radical Mexico's approach to trade is set to become.

On his election, Fox's National Action party inherited a country well integrated with the world economy, and with the private sector a key player in economic activity.

The previous government's role in the economy was largely limited to the provision of public services and an adequate legal framework, guaranteeing competition and undertaking social development programmes.

Driven by investment and exports, Mexico's economic performance has been good, with growing production and employment, and Fox should have the luxury of a crisis-free transition to his administration.

One of the last significant acts by Fox's predecessor, president Ernesto Zedillo, was the signing of Free Trade Agreements with the European Union and Israel.

> *NAFTA's rules and procedures have allowed the settlement of several bilateral trade matters*

The scope of the agreement with Europe and the work it implies are enormous.

Between 2001 and 2005, Mexican exports to Europe are forecast to grow at an average annual rate of 26.9 per cent.

And an estimated 82 per cent of Mexico's industrial products will now enter the European market free of tariffs.

The impact of the FTA with the European Union – Mexico's second most important trade partner – is arguably the biggest trade initiative Mexico has entered into since it joined NAFTA and emphasises how strategically important trade negotiations are.

Mexico signed up to NAFTA in January 1994 and, since then, trade with Canada and the US has, on average, increased by 12 per cent annually. Today, Mexico is the US's third most important trade partner.

The level of Mexican exports to the US has constantly been higher than the level of exports by any other country. One out of every ten dollars spent by the US abroad is used to buy Mexican goods.

Trade boost

NAFTA has boosted the San Diego-Tijuana-Mexicali region, strategically located to promote trade relations between both countries and with the Pacific Rim. It is the most important television set producing centre in the world, manufacturing 90 per cent of all television sets sold in North America.

Mexico is now also Canada's third most important supplier of goods and its main trade partner in Latin America.

In 1998, Mexican sales to Canada rose to US$ 5 billion – almost double that of 1993, the year before NAFTA took effect.

NAFTA's rules and procedures have also

allowed the settlement of several bilateral trade matters.

For instance, since NAFTA came into force six years ago, problems settled include the exporting of Mexican avocado to the US and a tuna embargo.

Moreover, progress has been made in such areas as speeding up tariff reductions; mutual recognition of telecommunications equipment security test approvals; and bilateral co-operation to promote and support the competitiveness of SME firms in both countries.

Market reforms

In recent years, Mexico has promoted reforms to its foreign investment law and signed bilateral investment treaties with Spain, Switzerland, Argentina, Germany, Netherlands, Austria, France, the Belgian-Luxembourg Economic Union and Finland.

From 1994 to March 1999, Mexico received more than US$ 60 billion in foreign direct investment, ranking second as the most important investment recipient among developing countries, after China. From 1994 to date, more than half of all foreign capital flows entering the country was invested in manufacturing industry. More than 60 per cent of foreign direct investment came from the US and Canada.

International trade negotiations have become extremely important

Today, Mexico is ranked among the top 10 of the world's trading countries and first in Latin America, with approximately a 43 per cent share of the region's total exports and 38 per cent of total imports.

In just ten years, between 1988 and 1998, exports quadrupled from US$ 31 billion to US$ 118 billion and imports increased by 346 per cent from US$ 28.1 billion to US$ 125.2 billion.

A permanent and secure access to export markets and a friendly regulatory framework to foreign investors are a necessity for Mexico to ensure sustained economic growth.

For that reason, international trade negotiations such as NAFTA have become extremely important.

For more information, please contact the UHY firm in Mexico:
GE ® Glassman Esquivel y Cía
+ 52 5 566 1888

Mexican firm joins UHY network

GE ® Glassman Esquivel y Cía joined the UHY network in September.

It offers foreign investors access to a rapidly changing and growing Mexican economy and specialises in issues such as government laws and Mexican business methods through to strategic advice.

GE ® Glassman Esquivel y Cía is based in Mexico City and has six partners and 40 staff. It has two associated offices in Monterrey and Guadalajara. Founded in 1989, it offers the full range of accounting, consulting and taxation services, including real estate services, legal services and advice on customs and trade.

The Mexican firm's clients are mainly SMEs and include Opticas Devlyn, which is well known throughout Latin America for its optical products.

Speaking about the company's membership of UHY, Oscar Gutiérrez said: "In the current climate of globalisation, it's important to reach international markets. We decided to join UHY as part of our expansion and to share our knowledge with other firms.

"Mexico offers investors an established, but also growing economy and there are many ways to do business here.

"We hope that by joining UHY we can continue to expand the knowledge we can offer clients.

"Our staff can help clients because they are constantly being trained to provide concrete solutions to specific problems. We can advise on government laws and standard business practice and offer a consolidated professional practice for foreign investors with interests in Mexico."

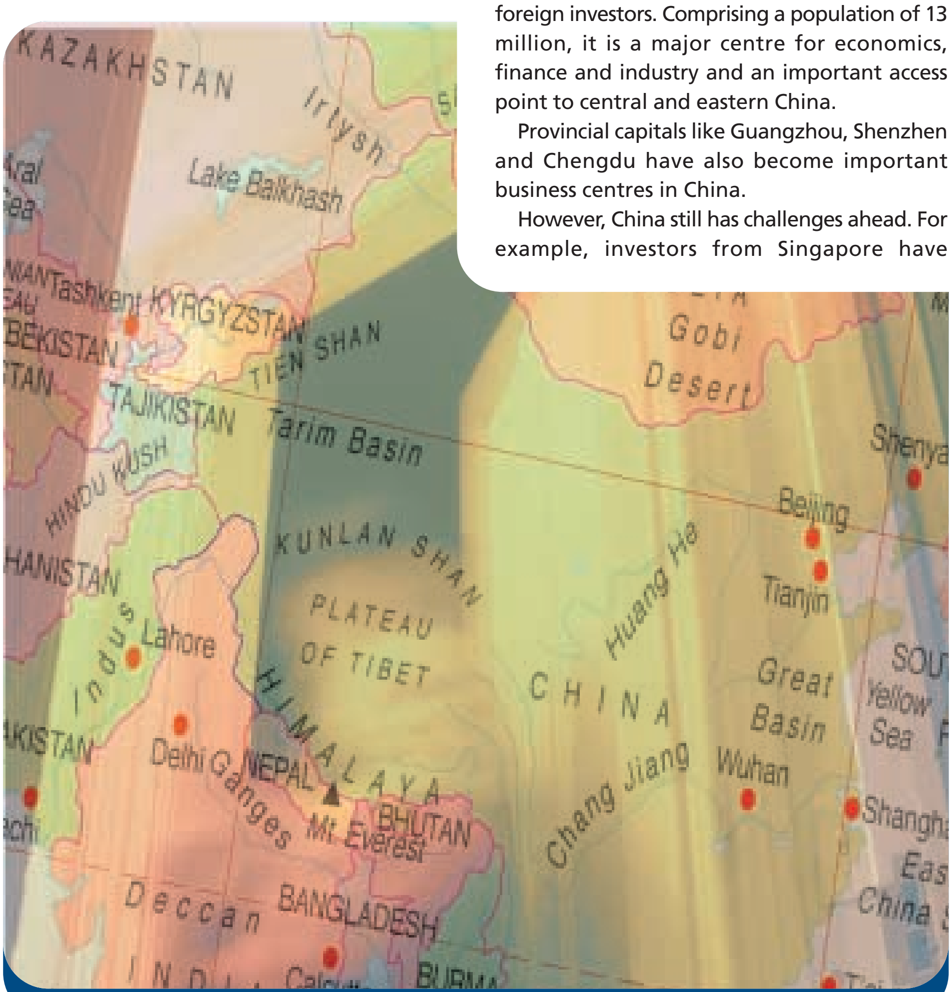
China benefits from an open door policy

Since China implemented its "open door" policy 20 years ago, foreign direct investment has flooded into the world's largest consumer market.

Today, there are literally thousands of SMEs and large enterprises operating in China.

Virtually all China's success has been achieved since the early 1980s, following a change of policy to foreign investment and trade. It began to establish economic and trade relationships with both countries and regions of the world.

To date, it has formed trade links with more than 180 countries and actively expanded economic, trade and technological exchange with both developed and developing nations. Industries and business have grown and developed year on year. For example, Shanghai has continually achieved at least 10 per cent economic growth over the past eight years.



The successful shift in policy over foreign trade two decades ago was largely because of three factors: the decentralisation of China's trade management system; the creation of special economic zones with financial incentives to investors; and special policies applied to targeted export sectors.

China consists of 27 provinces and autonomous regions and much of its economic activity centres on the four main municipalities of Beijing, Shanghai, Tianjin and Chongqing.

Beijing is the capital of China with a population of 11 million. It is the base for the country's political, economic, cultural, education and foreign affairs.

Challenges ahead

Despite this, Shanghai is actually the largest city in China and arguably more attractive for foreign investors. Comprising a population of 13 million, it is a major centre for economics, finance and industry and an important access point to central and eastern China.

Provincial capitals like Guangzhou, Shenzhen and Chengdu have also become important business centres in China.

However, China still has challenges ahead. For example, investors from Singapore have complained about China's inadequate investment and business policies.

Despite this and other problems, many foreign investment enterprises are profitable, as Lee Seng Chan, a UHY partner, points out.

Investor advice

"It is important for any SME considering locating in China to study and get to know about Chinese existing investment and business policies and practices in the various regions," he says.

"Investors should carry out feasibility studies and marketing researches on their projects or products before they decide on any investments.

> ***A lot of foreign investment enterprises are profitable in China***

"We help firms to invest in China by undertaking project feasibility studies and marketing research, providing assistance of establishing a business organisation or foreign investment enterprise in China and verifying invested capital of enterprise and issuing certificates of capital verification.

"We also provide general accounting, financial and management consulting services as well as annual and special auditing services for all kinds of enterprises.

"And we act as tax agents, providing tax advisory services."

Since the launching of its "open door" reform program in 1979, foreign direct investment by SMEs and larger enterprises has been one of the central elements of China's efforts to modernise its economy.

The country's policy-makers have gradually recognised that through closer links the international economy can provide the means to transform China into an industrial country that can actively participate in world trade.

For more information, please contact the UHY firm in China:
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+852 2892 2800

Korea on the road to recovery

Ford's recent decision not to buy the collapsed car giant Daewoo represents the latest setback to a Korean economy only just recovering from an Asia-wide crisis.

Experts see Ford's announcement as a serious setback to Korea's three-year corporate and banking reform efforts – bankrupt Daewoo has debts culminating in approximately 89 trillion won (around US$79.81 billion) in liabilities.

Korea's problems began in the late 1990s, as financial problems spread through Asia. As a foreign currency crisis affected several economies in the region, the country's Gross Domestic Product (GDP) growth fell from five per cent in 1997 to approximately minus seven per cent just a year later. The government turned to the International Monetary Fund (IMF) for a US$52 billion rescue package and, for the past three years, has revived the sagging economy through sweeping corporate and banking restructuring.

As a result, Korea graduated from IMF stewardship last month – earlier than scheduled – and its economy is back on normal track. This early revival couldn't have been achieved without the active co-operation of the international community.

Seong-ho Yi, from Seoul-based Je Won & Co, said: "The main reason for Asia's economic problem was a financial crisis that started in Thailand spread to Korea through Indonesia, Malaysia and the Philippines.

Financial weakness

"However, the crisis revealed Korea's key weaknesses. For example, big business conglomerates were over leveraged and had excessive capacity. There was also a weak financial structure: the government started to ease regulations on the financial sector, but most financial institutions were not prepared to compete against each other. Furthermore, the banks did not put the emphasis on profitability, but revenue, which produced huge non-performing loans. As a result, there was too much government intervention in the economy and bureaucracy. Assigning loans and setting accounting rules not in line with global standards were just two of the problems."

Aside from turning to the IMF, the government's response was a combination of financial reform, revision of its accounting standards in line with global standards, open corporate governance and the introduction of a credit committee and total risk management.

Again, Daewoo's predicament seems synonymous with the fortunes of the Korean economy. As the government reacted to the need for corporate reform, the Korean office of a major accounting firm was suspended for one year due to misconduct over an audit for the motor company.

Speaking about the help and advice foreign investors have been seeking during the reforms, Seong-ho Yi said: "The suspension has led to more burden being placed on audits.

"We have also been working with clients on the impact of the corporate reform, how accounting standards have changed to be in line with global standards, the introduction of combined financial statements and the limit of debt-to-equity ratio. There are also important issues concerning the prohibition of cross-guarantee and cross-investment, open corporate governance and the exit of poorly performing businesses from the economy."

> *"We have been working with our clients on the impact of corporate reform"*

For more information, please contact the UHY firm in Korea:
Je Won & Co, Seoul
+82 2 567 8427

New expertise

SMEs interested in expanding their operations in Europe can now use the expertise of a new firm in the UHY International network – Fiduciaire Fibetrust in Luxembourg.

Part of the Benelux economic group, Luxembourg has a growing economy with the world's highest per capita gross domestic product (GDP).

The country protects the rights of investors and actively pursues foreign investment through a variety of incentives, including subsidies and tax relief.

Said Jürgen Fischer from Fiduciaire Fibetrust: "Luxembourg is currently trying to attract investment from new technology companies. If tax reforms go ahead in 2001 and 2002, Luxembourg will have one of the lowest tax rates in Europe.

"It is a good gateway to Europe and, although foreign investors will find labour and land expensive, the regulatory structure is extremely fair and Luxembourg's multilingual labour force is well noted for its efficiency and high productivity."

Luxembourg has an agile government, which supports of foreign investment. It provides a wide range of financial incentives and assistance, including capital grants, low-interest loans, and tax credits. Locations in industrial parks are available to investors under an industrial zones programme.

Government authorities co-ordinate aid negotiations, minimizing administrative procedures. The law of 27 July 1993 on economic development and diversification, improving general structure and regional balance of the economy aims to encourage investment, restructuring or research and development projects. It provides four separate schemes of support, aimed at SMEs, developing regions in Luxembourg; research and development to help industrial and basic research and competitive development; and environmental protection and the rational use of energy.

LUXEMBOURG WANTS TO ATTRACT "NEW TECHNOLOGY" SMES

For more information, please contact the UHY firm in Luxembourg:
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