### SPEND/THRIFT

# When shopping abroad, do as locals do

By Maisie Wilhelm

hen travelers make their way to far-flung destinations, they may find themselves at a loss to understand or recognize the local shopping etiquette. Getting good service and good bargains can be a challenge, unless one is aware of the cultural etiquette that governs behavi-

In Europe, these rules of comportment can be as simple as saying hello to the proprietor upon entering a store. Yasmina, a saleswoman at the boutique Roxan in Paris, says, "To say Bonjour, Madame — au revoir, Madame, merci,' when you come into and go out of a store is the very basis of politeness in France. We learn that in primary school." Greeting can make all the difference, since shopkeepers are more inclined to help customers who know the etiquette.

To stretch your money, other tricks exist. Bargaining down a price is almost always possible in markets and bazaars, but few people think to try for a bargain in boutiques, where prices can be flexible. Even in some department stores deals can be made if an item is slightly damaged or is the last one. It is simply a question of asking for a reduction.

In bazaars, bargaining is expected. Stephanie Im, a marketing manager in New York City, says, "At the markets in China, the technique is to point out every detail that was wrong with something and fake walking away. No chitchat is necessary, unlike the pleasantries required in Italy, with smoothtalking merchants."

Esther Rozenkier, a Frenchwoman living in Amman, said in an e-mail, "Start your made-up story that you are just a secretary and then ask about the guy's children and wife. Then you make your first proposition. Don't be afraid to be rude and cut the price in half. They are tough bargainers.'

If the merchant says "khalas," meaning "that's it, enough, I give up," then you have reached a deal. "Bargaining is a game," says Rozenkier. "Shopkeepers get disappointed if you don't play.'

The ritual of tea or coffee drinking during shopping is common in the Arab world. It is not unusual for a merchant to offer you tea or coffee while you are shopping to make vou feel welcome like a guest. No matter how many cups of tea you drink, however, you are

not obliged to buy. One-stop shopping is the way to go, says Anna Sussman, a travel writer based in New York, who developed a strategy to eliminate the stress that bargaining can create.

When I shop now in Turkey and Syria," she says, "I am so tired of the haggling. It's much harder if you're buying a shirt from this stall, a bag from this stall, slippers from this guy, etc."

Sussman's solution is to look in many stores until she finds one that has many things she wants. Then she forms a relationship with the shopkeeper and bar-

gains for a good overall price. Shopkeepers are more likely to quote a good price for customers perceived as loyal or serious.

An Italian scarf vendor, when asked what he looks for when determining whether and how big a bargain to offer, responded with another piece of advice. Leaning in quietly, he said, "Most important, you must respect the merchandise!" He disdained the customers who treated his scarves as rags, but was inclined to give special treatment to those who were not careless, showing merchandise unavailable to most.

But Will Agranoff of Seattle has learned there are other ways to get a great deal. While browsing in Florence at the San Lorenzo leather goods market, he witnessed two Americans haggling in English with a shopkeeper over the price of a jacket. They were the type of tourist, he said in an e-mail, that "seemed to feel that a good bargaining strategy was to keep asking for the same discount with increasingly louder volume."



"The shopkeeper wouldn't budge on his price. When they finally left in disgust, I sauntered up to the shop owner and asked, in Italian, how much the price would be for that same jacket for someone who had taken the time to learn about his language and culture. He sliced the air with his hand and said, "Mezzo!" Agranoff walked away with the

The act of bargaining provides benefits beyond the merely financial. Even if you don't get the price you wanted, keep in mind there are different types of rewards in the process.

"In the souk of the old city in Jerusalem," Rozenkier said, "I chatted until I ended up with something at half price and something else for free. But more than anything, it is the experience that is worth it: You come out of the store and you realize 'I just sat for coffee for half an hour with a stranger and I learned so much about culture and traditions! and that's priceless. That's the best deal ever."

International Herald Tribune

### **BALANCE SHEET**

Jim Peterson

# Difficulty is no excuse

**Treating** 

options as an

But so what?

n my youth, a bonding ritual among the family males was the annual fishing trip to the far north of Minnesota.

The first time I made the trip, an oldtimer on the dock informed the callow city visitors that the age of the lake was 14,015 years. This he knew precisely: the lake was created by the glacier's retreat, as told him by a geologist who had fished there 15 years before.

This memory came back to me this month. As of Jan. 1, the securities analysts in the United States were finally confronting the full effect of the rule by the Financial Accounting Standards Board that employee stock options must be valued and treated as compensation expense.

The effect, for financial statements under U.S. generally accepted accounting principals, or GAAP, is to charge this cost to income, instead of the footnote disclosure that was the compromise response to

the bitter opposition to the accounting board's original proposal in 1993. Some analysts now

see havoc, using terms expense is hard. like "mess," "confusion" and "garbage numbers." There is a valuable message here, but perhaps not the one they intend. Memory recalls, during the boom of

the '90s, cheerleading analysts' disdain and disregard for reported financial results. So there is something amiss about analysts now decrying the reliability of GAAP numbers. Background: The technology sector

had led the fight every step of the way against options expensing. The hostility could, with cynicism, be understood as opposing any reporting standards that would flatten the stock price rise of an upward earnings curve.

The self-interest of executives in the revenue-driven value of their options was sold under two sense-defying arguments: that options were vital to attracting and keep talented employees and that the options valuation process was too variable and complex to yield meaningful results.

At the end of the battle, the force is gone from both arguments. There is no lack of candidates for senior management posts, either in Europe where options as compensation are far less common, or among the growing percentage of companies falling into line with the board's requirements. As for the reality that options should be expensed because they represent real value, the only proof necessary is the eagerness of executives to obtain their benefits.

The aversion to GAAP-based options

expensing is useful, however, by bringing into the open its mind-twisting complexity. The pricing models include such readily discernible data as stock price at the date of an options grant and the option's exercise price. But they also require company estimates on the expected life of the option and rate of employee forfeiture, the volatility of the underlying stock, its estimated dividend yield, and the risk-free interest rate over the life of the option. Resulting calculations are all over the place.

So the critics who argued that options valuation is imprecise, subjective and heavily based on estimates had a point: It's hard. But so what? The very same holds true all across corporate accounts. Estimates are equally critical to inventory obsolescence, reserves for doubtful accounts, pension obligations and depreciation. But nobody argues that their impact should be omitted from an income statement or

shoved into a pro forma

footnote. So the investors' real problem is not that the process is hard. Pretending it is simple, or lobbying for rules to dumb down or defy the complexity, will not make the valuation issue go away. The logical conclusion?

Suppose the analysts are right, that pro forma exclusion of options expense really does result in numbers no more or less useful or comparable between companies than GAAP figures. Either way, an increased range of differences among the analysts' various earnings projections would scatter the herd and call into question the very value of their pronouncements.

And what would follow for investors? At last, the curtain would be drawn back, exposing the facile mystique of financial statement precision, and revealing as self-fulfilling the analysts' prophecies of unpredictability as a screen for their reluctance to do the hard work of extracting corporate performance measures helpful enough to shape well-made investment decisions.

It's not that the analysts' cries reveal an emperor with no clothes. The problem is not the fault of the rules but with user readiness to pursue herd behavior into a misguided sense of mutual comfort.

In other words, we're being urged to look at the wrong thing. Back in Minnesota, my grandfather didn't care how old the lake was. What he needed was guidance to the where the fish were.

International Herald Tribune

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# Bulls are hoping for a multiyear romp in Japan

**FUNDS, From Page 16** 

holdings in companies like Ahn Laboratories, the largest antivirus software company in the country.

Asia also was host to some of the worst-performing funds in the fourth quarter. Trailing the league tables were **Skandia Greater China**, a fund that dropped 12 percent, and Quest Management's Thai Focused, which ended the quarter down 10 percent.

Interviewed for the third-quarter Your Money funds review, Martin Lau, manager of a Greater China fund for First State Investments in Hong Kong, warned that the final three months of the year would be difficult valuation concerns and growing protectionism in Europe. The decline in the price of oil early in October dealt a further blow to China investors.

The increase in oil prices dealt a harsh blow to Thailand's economy during the last quarter of the year the country is a net importer of oil but the worst may be behind the beleaguered Thai stock exchange. Stock valuations there eare among the cheapest in Asia, and more and more managers, including Aberdeen Asset Management, are increasing their portfolio weightings in Thailand.

Funds that invest in precious metals, financial services and technology registered some of the best returns among sector-specific portfolios. Michael Bartek, manager of a global equities fund for New Star Asset Management, said that healthy profit forecasts from leading investment banks in European have helped keep the financial services sector buoyant there.

"European investment banks such as **UBS** and **Credit Suisse** have been able to profit from an increase in hedge fund activity and mergers and acquisitions," Bartek said. "Although valuations have moved up, they are not yet in line with anticipated earnings growth."

Bartek's sector pick for the current quarter? "We like telecom equipment providers," he said. "Incumbent telecom companies such as France Telecom and Deutsche Telecom have indicated that they will need to spend more on equipment if they are to maintain a competitive edge. This news bodes well for leading equipment providers such as Ericsson and Nokia.

### 'Pent-up demand for investment is starting to occur.'

No sector funds were more volatile than those specializing in natural resources, which ended the quarter down, having succumbed to the decline in oil prices. For example, the DWS Invest Commodities fund gave up 11 percent while BNP Paribas Energie and **Etoile Energie Europe** fell 9 percent.

"Events in the fourth quarter conspired against the mining sector's robust fundamentals," said Daniel Balthasar, portfolio manager of DWS Invest Commodities. "The market has been concerned about rising operating costs for some time. A wobble in the oil price fueled speculation that costs would eat into profits and push share prices back. It was a knee-jerk reaction that had little to do with reality."

Balthasar said that he expected commodity prices, especially copper and iron ore, to remain firm because of tight supply. "I think the market has underestimated the availability of mining equipment," he said. "Rio Tinto has been forced to reconstruct its mines due to a tire shortage. This may not sound too serious, but any disruption to supply will have important repercussions for commodity

This was a view shared by Tod Warren, manager of a natural resources fund for First State Investments in London. "Many of the energy and commodity funds regained lost ground in November and December as investors gained heart from a stream of upbeat quarterly earnings reports from diversified producers," he said.

"We expect the feel-good factor to ations for iron ore and coal are due to take place between the producers and the steel mills in early April. No one knows how the talks will play out, but the consensus favors a positive outcome for producers such as CVRD and

Poppy Buxton, who co-manages the Merrill Lynch World Energy fund with Robin Batchelor, used the October sell-off to put money to work in the oil services sector. "Major oil companies have increased their capital expenditure plans for next year, and the most likely beneficiaries are the companies which supply the rigs, drills and technical know-how," she said. "We expect the services companies to continue to raise prices in 2006." Her sector picks included the oil services equipment provider National Oil Well and the drilling deepwater company Transocean.

Emerging market bond funds had the best performance in the fixed-income asset class. Pimco Global Investment Services, IS Asset Management and UBS Fund Services topped the



offshore fixed-income leader boards,

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# Risk takers profit in Balkans and Egypt

**EMERGING, From Page 16** 

Latin America equity

Fidelity Fds Latin America

Source: Standard & Poor's

Hansard Latin America

valuations of the sector soaring. SNP Petrom, the Romanian oil refiner, also rose after OMV, the Austrian oil company, took a controlling stake.

The fund also profited from smaller domestic plays on improving economies as well. Share prices of two Croatian companies, Konzum, a food retailer, and Viadukt, a construction company, quadrupled in 2005.

"They were very cheap and undis-

An even less likely region for outperformance in 2005 was the Middle East. Egypt was the world's best mar-

covered," Abromavicius said. "We expect that there will be more opportunities in smaller stocks and smaller markets in 2006.3

ket last year, according to the Morgan Stanley Capital Index. Shrugging off negatives like the terrorist attack on its tourism industry in July, Egypt's

**Leading offshore emerging-market funds** 

## Total percentage return in dollars from Oct. 1 to Dec. 26, 2005

Global emerging-market equity

| Hansard EU\Invesco Emg Mkt Eq | 16.82% | WestAM Comp. Latin America        | 7.   |
|-------------------------------|--------|-----------------------------------|------|
| Oyster FPP Emg Markets USD    | 10.88  | Gartmore SICAV Latin Am A         | 6.   |
| Fidelity Fds Emerging Mkts    | 10.42  |                                   |      |
| Royal Skan \$ JPM Emg Mkts IT | 10.31  | Eastern & Central Europe eq       | ļuit |
| Oppenheimer Dev Mkts A        | 9.32   | MS SICAV Emg Eurp&Mid East A      | 7.   |
|                               |        | NIS Europe Emg Mkt Eq AC          | 7.   |
| Asia Pacific Ex-Japan equity  |        | The Balkan Fund                   | 7.   |
| PCIIM Asia Pacific Fund       | 13.07  | IXIS AM Emerging Europe RCA       | 5.   |
| Schroder ISF Asian Sml A Acc  | 11.57  | Deka-ConvergenceAktien CF         | 5.   |
| Kingsway Emerging Economies   | 11.14  |                                   |      |
| MS SICAV Asian Property A     | 10.98  | Global emerging-market debt       |      |
| ZI MS SICAV Asian Property    | 10.59  | PIMCO GIS Emg Mkt Bd Inst Acc     | 4.   |
|                               | 10.59  | CA Funda Fasausina Madusta Daht A | 0    |

8.44

8.38

Hansard EU Latin America

CA Funds Emerging Markets Debt A 2.33 Merrill LIIF Emg Mkts Bd A AIG Emerging Markets Bond Y 1.84

ING Intl (II) Em Mkt Dbt USD C

At the Oppenheimer Developing Markets Fund, a 3.5 percent stake in

market soared 154 percent.

Egypt - compared with only 0.8 percent in the benchmark — contributed to the portfolio's stellar performance. It rose 16.62 percent in the fourth quarter and 52.4 percent for 2005. The fund had been in and out of the Egyptian market over the years but had limited itself to small holdings. "But about a year ago, we took much larger positions there," said Mark

economic growth, and the privatization of banks, reducing government intrusion in the economy. Among the fund's top Egyptian performers were the two major cellphone companies, Vodafone Egypt, and Orascom Telecom, the largest regional operator. Despite rapid growth,

Madden, the portfolio manager. "We saw government reforms, sustainable

market is still low, Madden said. "Part of the Orascom story is that they are also in Pakistan, and even a major player in Iraq," he said. "If fighting subsides there, cellular would be the quickest solution to service."

overall penetration of the cellular

Another outperformer was Commercial International Bank, a doublebarreled play on banking overhaul and the mortgage market. "There's a huge pent-up demand for housing if the mortgage market becomes easier," Madden said. Egypt's performance is attracting

hedge funds, adding the danger of volatility to an already unpredictable market, but Madden says he is not fazed. "We're willing to suffer that volatil-

ity for longer-term gains," he said. International Herald Tribune

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