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CONTENTS

EXPORT America
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November 2001 Volume 2 Number 12 http://exportamerica.doc.gov

NEW OPPORTUNITIES

U.S. Power Generation Technologies: A Promising Future for U.S. Exports 20
by the Energy Division

Energy Exporting Opportunities to Central and Eastern Europe 25
by Michael Rogers

GLOBAL NEWS LINE

Briefs on France, Russia, Korea, Vietnam and Costa Rica 4
Prepared with the assistance of the U.S. & Foreign Commercial Service

SUCCESS STORIES

A Secure Place in Global Markets 6
by Erin Butler

Selling to the Saudis: California Company in the Middle East 7
by Erin Butler

Trade with a Vision: Exporter Helps the World See 8
by Curt Cultice

NEWS FROM COMMERCE

U.S. - Jordan Free Trade Agreement 10
by Paul Thanos

Distribution in China: The End of the Beginning 12
by Patrick Powers

Export Opportunities in Eastern Europe 14
Compiled by the U.S. and Foreign Commercial Service

TECHNICAL ADVICE

Ask the TIC: Freight Forwarders, Customs Brokers and Incoterms 16
by Patterson Brown

Controlling the Terms of Sale 18
by Thomas Cook

INSIDERS CORNER

Upcoming Trade Events Schedule: November 2001 – July 2002 30
Office of Trade and Economic Analysis

A Look at U.S. Exports 34
Office of Trade and Economic Analysis

COVER BY DANIEL STAFFORD

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EDITOR'S MEMO

What do Old Faithful, Niagara Falls and an energetic two-year old have in common?

They're all sources of energy. While we have yet to tap the energy potential of the two-year old, technology exists for us to harness the energy generated by the other two. Energy is the basis of industrial civilization; without energy, modern life would not exist.

Energy exists in various forms, including mechanical, thermal, chemical, electrical, radiant and atomic. Energy is derived from a myriad of materials such as coal, petroleum, natural gas, wind, solar, nuclear, hydrogen and geothermal, to name a few.

The past century has been witness to dramatic changes in the development of energy sources, generation and efficiency technologies. This century will see the development of new technologies such as hydrogen-based fuel cells and clean coal burning, as well as advancements in renewable energy technologies, such as solar, wind and geothermal.

Our feature this month discusses the potential for U.S. power generation technologies in export markets. Global demand for electricity is expected to double over the next fifteen years and U.S. companies are poised to provide the means of generating this extra power. Central and Eastern Europe offer excellent export opportunities for U.S. power generation technologies, given the region's move toward securing affordable power supplies, greater integration of domestic energy industries into regional structures and development of environmentally friendly policies and strategies that are compatible with European norms.

Also discussed in this month's issue are how to control the terms of sale in negotiating a transaction (see "Controlling the Terms of Sale" pg. 18) and a report on the U.S. – Jordan Free Trade Agreement (pg. 10). Next month, we will find out the results from the first conference on the Africa Growth and Opportunity Act (AGOA) and discover the benefits of using the Patent Cooperation Treaty when applying for international patents.

Until then, please send your comments and suggestions to us at Export_America@ita.doc.gov and good luck in your exporting endeavors.

Cory Churches

Cory Churches
Editor

GLOBAL NEWS LINE

FRANCE

The overall housing and construction market in France has experienced an upturn in the last two years. Total market value increased by 7 percent in 1999. An increase of 5 percent is expected in 2000. In 1999, the French market for building products was estimated to be $79.5 billion.

Private housing construction, a key indicator of demand for building products, increased by 312,000 units in 1999, compared to 1998. In 1999, single-family homes accounted for more than 50 percent of private housing construction, with 192,000 homes built. The average cost of a single-family home was $80,000 in 1999 with an average size of 105 square meters and 5 rooms.

Renovation and home repairs were sectors which enjoyed a significant renewal in 1999, largely as a result of fiscal incentives (reduction in the Value-Added Tax on certain renovation and repair services, from 20.6 percent to 5.5 percent) and a growing desire on the part of homeowners for better quality and more comfort in their housing. Maintenance services for residences and "Do-It-Yourself" (DIY) products benefited from these factors. In addition, increased emphasis on environmental and health concerns and innovation in the building industry have also become important factors impacting on the building products market.

U.S. suppliers looking to enter the building products market in France should be aware of and become familiar with the many and diverse standards and regulations required for construction products in France. Many European Union (EU) standards for construction products remain in the developmental stage. Where an EU standard does not currently exist, French standards apply.

RUSSIA

The Russian government has approved a $2.6 billion program "Electronic Russia 2002–2010", which is intended to boost e-commerce and Internet use in the country. The architects of the program project that by the end of the program in 2010, the IT sector in Russia will account for 2 percent of the economy (compared with the current level of 0.61 percent) and IT exports should reach $1 billion to $2 billion per year. The program addresses four areas: regulatory and legal environment, Internet infrastructure, e-government and e-education. It aims to increase the efficiency of the economy both in the public and private sectors, to make wider use of information technologies in government departments and transfer much of the state's work online. It also aims to improve the quality of higher education in IT and develop new independent media on the basis Internet resources. E-education, the delivery of distance learning programs via the Internet, is a priority for the Russian government. The E-Russia program has been well received by the business community and presents considerable opportunities to U.S. technology companies in the Russian market.

KOREA

On August 31, 2001, the Korean Ministry of Commerce and Industry (MOCIE) announced its implementation plan to restructure the gas sector and privatize the Korea Gas Corporation (KOGAS), state-owned gas utility. MOCIE plans to spin off its gas import and wholesale units of KOGAS into three affiliated companies by the end of 2001. Two of these three import/wholesale units will be sold to private investors by the end of 2002. The government will retain one of three gas import and wholesale units as a subsidiary of KOGAS for several years and this subsidiary may eventually be sold to private investors. By March 2002, the government plans to announce its detailed plan for the KOGAS privatization and will complete KOGAS privatization by the end of 2002. The details of the qualification for bid participation should be finalized by March 2002, and the two gas import units will be sold to private investors through a competitive bidding process by the end of 2002. KOGAS, will retain control over the LNG terminals and the transmission pipelines and this company will be separate from the three gas importing companies. After the privatization, KOGAS will only manage and run existing transmission pipelines and may also invest in expanding the transmission network. MOCIE also plans to establish an independent regulatory body known as the "Gas Commission and Exchange" to ensure fair access to KOGAS pipelines and LNG terminals by the end of 2002.

On September 10, 2001, the Korean Ministry of Information and Communication (MIC) unveiled the nation's plans to launch a new communications/broadcasting satellite, called "EASTSAT," possibly in 2003, to provide high-speed data communications and digital broadcasting services in the Asia-Pacific region. The plan calls for drawing up a satellite systems design, selecting investors, signing a contract with a satellite manufacturer and selecting a satellite launch service company. Under the first phase of the plan, Korea Telecom (KT) will sign a memorandum of understanding with High Gain Antenna Co., a local satellite equipment manufacturer. The satellite will broadcast television programs and deliver ultra-high speed Internet access and multimedia services to

customers in the Asian-Pacific region. The EASTSAT is expected to offer direct-to-home (DTH) satellite broadcasting services, high-speed Internet connections and multimedia data telecommunications. Its transponders and communications lines will also be available to interested users on a lease basis. The project is said to be valued at $194.25 million.

VIETNAM

At present, the Vietnamese paper industry can produce about 360,000 tons of paper per year. Of this, the Vietnam Paper Corporation, Vinapimex, a state-owned company with 20 subsidiaries and 11 factories, is the single largest producer, which turns out around 170,000 tons of paper per year. Other, smaller, local mills produce the rest of Vietnam's total. The current capacity of local paper production facilities can meet only about 55 to 60 percent of the country's demand and thus Vietnam has to import an average of 200,000 to 250,000 tons of paper annually.

In addition to the import of paper, Vietnam must import significant volumes of pulp. For instance, Vinapimex can produce only 140,000 tons of pulp, and has to import 70,000 to 80,000 tons of pulp annually.

According to industry forecasts, the local market demand for paper from now to 2010 will increase by 10.4 percent each year; the country will need about 550,000 tons in 2001; 870,000 tons of paper by 2005 and up to 1.25 million tons by 2010. To respond to this rapidly surging demand, the local paper industry has come up with an ambitious plan for developing Vietnam's paper industry, which sets the targets for the industry to locally produce 615,000 tons by 2005 and 1.05 million tons by 2010. To attain these targets, the industry will need about $1.14 billion in new investment in 15 pulp and paper production projects with innovative technology.

Despite the dominance of European technical standards in the Vietnamese paper industry, due to their long presence in the market, U.S. technologies and expertise, in general, are highly respected in Vietnam. Furthermore, experience has shown that Vietnam usually strongly supports diversification in the use of technologies, equipment and expertise as well as supply sources. These projects may be good opportunities for U.S. companies to explore and offer their technologies, equipment and services.

COSTA RICA

In the early 1990s, Costa Rica experienced a surge in imports of used vehicles as the result of a tax law that favored older vehicles. This sharp increase fueled a corresponding need for auto parts. Though the volume of imports of both new and used automobiles declined during the period 1995–1997, the market for imported auto parts remained strong during that same period. Reflecting a slowing Costa Rican economy, total imports of parts increased only one percent from 1998 to 1999, to about $128.2 million and imports of parts decreased to $121 million in 2000, representing a decrease of 5.6 percent from 1999.

The consensus within the local automotive parts industry is that during the period 2001–2003, the sector will grow at an annual rate of 3 to 5 percent. Used automobile imports from Korea during 1998–2000, increased sharply because of lower duty rates for vehicles of such origin. Once again this surge has also produced an increase in auto parts imports from Korea, which has reduced the U.S. share of market. U.S. market share for automotive parts for 2000 was 35.7 percent. Sources indicate that the U.S. share of the import market is expected to only improve slightly from 2001–2003.

Local production is limited to small electrical and metal parts, batteries, electrical copper cable, hydraulic seals, filters (air/gasoline), steel leaf springs, aluminum and steel wheels, windshields, carpets, hoses, mufflers, bus bodies and tires. Major U.S. competitors in this sector are Japan, South Korea, Brazil, Germany and Taiwan.

Sales catalogs and brochures should be translated into Spanish. Products must be price-competitive. Terms of payment for purchases above $4,000 are generally transacted through irrevocable letters of credit. A bank letter of credit (L/C) is the most common and secure method of payment in international trade. Under the terms of the letter of credit, the importer may not take delivery of the goods until the exporter receives payment. Letter of credit operations are strongly recommended for Costa Rica, especially if the business relationship between the U.S. exporter and the local importer is still developing. Only after a long-term business relationship has been established between the exporter and the importer should a U.S. company consider granting open account payment terms. Transactions of $4,000 or less are often handled through advance payment via bank transfer or sight drafts.

NEED MORE DETAIL?

Ask a Foreign Commercial Officer at one of the Department of Commerce's posts located around the globe. Contact information, including phone, fax and email, is available by calling the Trade Information Center at (800) USA-TRAD(E).

A SECURE PLACE IN GLOBAL MARKETS

by Erin Butler
U.S. Commercial Service

"We are addressing a universal problem," says Rami Lazarescu, Sales and Marketing Director for Ampro Electronics.

Ampro, an Irvine, California, company that manufactures an auto anti-theft system called "The Trap," has increased its export business to buyers in more than 70 countries since its founding in 1995. Lazarescu explains that his product has a market wherever there are cars. The Trap, which has been endorsed by the Los Angeles police chief, protects not only cars, but their contents as well. Unlike traditional alarms, which rely on "passer-by intervention," the Trap emits a siren almost as loud as a jet engine inside the car to deter would-be thieves.

Even a company with an exciting, low-cost product and virtually limitless market potential like Ampro can use some support in jump-starting their international sales. Lazarescu wasted no time in contacting the Los Angeles U.S. Export Assistance Center, which is part of the global network of the U.S. Commercial Service, a Commerce Department agency that provides international business solutions to small and medium-sized U.S. companies. There, Lazarescu met international trade specialist Fernando Sanchez, who worked with him to get Ampro into new markets. Sanchez provided market research and recommended market entry strategies, such as trade shows, product catalogs and customized matchmaking services.

Lazarescu used a variety of tactics to find new international customers. To enter the Italian market, Sanchez suggested a Gold Key Service, in which Commercial Service experts in Italy screened and researched potential Italian distributors for the Trap, then scheduled appointments for Lazarescu with the top prospects. As a result, Lazarescu appointed a distributor and made an initial sale of $16,000. The service "proved very, very effective," says Lazarescu.

When Ampro decided to go to Indonesia, Sanchez recommended an upcoming auto industry trade show there. For the Japanese market, Sanchez worked with his colleagues in the Commercial Service's Japan offices to find distributors for Lazarescu. Ampro also advertised in the product catalog *Commercial News USA*, a Commercial Service publication that is given free of charge to international buyers. "The Commercial Service Gold Key and Trade Missions helped us export our no-installation (plugs into your stereo) car alarm to more than 70 countries in four years," says Lazarescu.

Ampro's success has not gone unnoticed. Last year, President Clinton recognized Ampro for the company's success in international markets. The company received the President's E-Award, a prestigious honor given to companies that have demonstrated excellence in exporting. Ampro uses the E-Award seal on their product packaging and Lazarescu reports that this endorsement has helped increase their international sales even further. "We are forever looking for new distributors," says Lazarescu. And with a great product and the support of Fernando Sanchez and the U.S. Commercial Service, Ampro will continue to find success.

Photo courtesy of U.S. Commercial Service

Fernando Sanchez of the Los Angeles Export Assistance Center (left) with E-Award winners Rami Lazarescu (center) and Reuven Barnoy of Ampro Electronics (right).

SELLING TO THE SAUDIS

CALIFORNIA COMPANY IN THE MIDDLE EAST

by Erin Butler
U.S. Commercial Service

"We started in our house," recalls Jamal Qureshi of the business he and his wife founded in 1998. Like so many entrepreneurs, the Qureshis started small — but had big dreams. Their export-only company, JQ American Corporation, supplies machinery parts to oil and gas companies in the Middle East; they have also expanded their reach to medical equipment and health products.

Qureshi, who worked in the Middle East for 15 years before starting JQ American, was familiar with the business practices and culture of the market. According to Qureshi, U.S. products, considered "top of the line," are in demand in the Middle East. But there are major hurdles as well. JQ American must compete with much larger companies, many from Japan and Europe.

Getting started wasn't easy. Luckily, Qureshi's business savvy led him to the Oakland U.S. Export Assistance Center, where he began working with center director Rod Hirsch. This office, a part of the Commerce Department's U.S. Commercial Service, is one of more than 100 in the U.S. offering export consulting and support to small and medium-sized U.S. companies. "We were really very fortunate to have the help the Department of Commerce gave us, " says Qureshi. Help that includes market research, trade leads and export counseling. "We consult with the Oakland Export Assistance Center on every major overseas inquiry to convert it into real business," says Qureshi.

Hirsch not only "helped me to identify demand," says Qureshi, but "guided us to receive continuous contracts from the major oil and gas industries" in the Middle East. Qureshi also praises the partnership between the U.S. Commercial Service and the Export-Import Bank, which provides export financing to smaller companies. "It has helped us increase our sales," he remarks. Qureshi also used an ad in a recent medical equipment edition of the Commercial Service publication *Commercial News USA* to generate new inquiries for his medical equipment.

JQ American now has customers in markets across the Middle East, including Saudi Arabia, UAE, Qatar, Oman, Kuwait; the company is currently expanding into Turkey, Egypt, North Africa and Latin America. Exporting is still the company's only line of business and its sales are better than ever.

And the future? Qureshi is considering an International Partner Search, a Commercial Service product that links U.S. suppliers with international partners, agents and distributors. Beyond that, Qureshi plans to continue "working with Rod to increase our sales"— with a solid track record and the help of its partner the U.S. Commercial Service, JQ American is ready for new buyers in new markets. "Any exporting company in the U.S. should work with the Commercial Service," says Qureshi.

TRADE WITH A VISION

EXPORTER HELPS THE WORLD SEE

by Curt Cultice,
Office of Public Affairs

Dr. M.A. Boughadou is a businessperson who not only has a vision, but also improves it for others. After all, as an exporter of ocular lenses and eye care equipment for the treatment of cataracts, he wants customers completely focused.

"When it comes to exporting, the eyes have it," says Dr. Boughadou, President and CEO of Medpro Ophthalmic, an Atlanta-based eye care equipment supplier. "Our goal is to help people around the world overcome cataracts and other eye problems and see as best as they can."

And see they do, as thousands of people have benefited from his products. Medpro exports the latest in eye care equipment technology — some 52 products ranging from cataract diagnostic technology and lasik surgery equipment to diamond knives, ocular lenses and sutures.

"The technology is evolving all the time," says Dr. Boughadou, "for example, ocular lenses are now computer-designed in acrylic and silicon, allowing for a more precise fit and treatment of cataracts and other eye problems."

Cataracts are a cloudy film that develops under the cornea, leading to deterioration in sight. Affecting mostly people in their 50s and 60s, it is typically an age-related problem often made worse by environment, sun and dust. However, babies are sometimes born with congenial cataracts, which cannot be treated until after age eight when the eyes are more fully developed. Cataracts in general are more prevalent in less-developed countries do to poor eye care.

When it comes to treatment, patients are first diagnosed and measured for lenses, before undergoing surgery. Although it takes a week to heal, people undergoing treatment with advanced technology are able to see the next day.

Medpro, which makes most of its ocular lenses, produces four types — in glass, acrylic, silicon and hydrophobic. Glass, known as PMMI, is the most commonly used because it's more affordable for patients, although the healing time takes a bit longer than other types of ocular lenses.

Dr. Boughadou says he sells about 35,000 ocular lenses annually.

If you think Dr. Boughadou loves the eye care business, you're right. He first got into the business in 1989 when he began designing eye care equipment for major manufacturers. Then he took his success a step further, launching his own firm, which now employs 85 people worldwide as well as distributors.

"We really thrive on the quality of our products and the fact that we do a lot of training of eye doctors and medical personnel internationally," says Dr. Boughadou. "Unlike most of our competitors, we make visits to clinics and take care of simple things like replacing any of our broken lenses for free, it all adds up."

Working internationally also requires other savvy business practices, especially pricing for cataract treatment which can run anywhere from $200 to $700 in Algeria.

"We are careful not to transfer the same prices from country to country, especially if we are dealing with a less-affluent country," says Boughadou. "You just can't sell ocular lenses in Algeria for the same price you would sell them in Europe."

Dr. Boughadou should know, he spent a lot of time cracking the Algeria market and has made great progress with the help of Commerce Department's Commercial Service office in Algiers.

"Algeria is a difficult country in which to do business, because access to key officials is quite limited," Boughadou says, "However, the Commercial Service knew the right people and arranged key meetings for me that were very productive."

In addition, Boughadou participated in Commerce's International Trade Fair in Algiers, an organized U.S. Pavilion that links American firms with potential foreign customers.

As a result of these efforts, Dr. Boughadou landed key contracts to supply eye care equipment to several major eye clinics and hospitals, including the Clinique Medicale de Diagnostic et de Traitement Ambulatoire in Algiers, one of Algeria's largest eye care facilities.

Pondering his opportunities in Algeria, Boughadou estimates that 30,000 people would benefit from treatment for cataracts and other eye problems in Algeria annually. Also, the Algerian government has been encouraging the privatization of health care and the establishment of private clinics to handle eye problems.

"The Commercial Service did an outstanding job directing my company through a myriad of obstacles both in Algeria and other countries," Boughadou says. "I continue to benefit tremendously from country and business reports, foreign economic trends, international market research and export counseling services."

Medpro now exports to 30 countries, including top destinations such as China, India, Argentina, Turkey and numerous other countries. All told, exports account for about 80 percent of the firm's business.

"I have the best job in the world," says Dr. Boughadou, "When you go to a place like Egypt or Algeria and you help blind people see, it gets pretty emotional." ■

Editor's note: Dr. Boughadou is also active in Doctors Without Borders, a volunteer-based organization that also works to help prevent blindness and restore eyesight.

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U.S.-JORDAN FREE TRADE AGREEMENT

by Paul Thanos,
Office of the Near East, Market Access and Compliance

On Friday, September 28, 2001, President Bush signed into law the United States-Jordan Free Trade Area Implementation Act, which implements the U.S.-Jordan Free Trade Agreement (JFTA). The JFTA eliminates duties and commercial barriers to bilateral trade in goods and services originating in the United States and Jordan. It is America's third free trade agreement, following the U.S.-Israel FTA and the North American Free Trade Agreement (NAFTA) and the first with an Arab country. It will likely take effect at the beginning of 2002.

The purpose of the JFTA is to create a free trade area between the United States and Jordan to support Jordan's domestic economic reforms, encourage efforts by other Middle East countries to open their economies and to enhance regional stability. The JFTA will play a major role in fostering closer bilateral business ties between American and Jordanian firms. It will provide benefits to consumers and businesses in the United States and Jordan by increasing choices and lowering the prices of goods and services.

HIGHLIGHTS OF JFTA

The JFTA is a unique and groundbreaking agreement in a number of areas and achieves significant liberalization across a wide spectrum of trade issues. It will eliminate all tariff and non-tariff barriers to bilateral trade in virtually all industrial goods and agricultural products within 10 years. It is the first trade agreement to include substantive provisions addressing electronic commerce, a step that should help advance a global free trade agenda in a sector critical to American high technology and multimedia companies. Both countries agreed to avoid imposing customs duties on electronic transmissions, imposing unnecessary barriers to market access for digitized products and impeding the ability to deliver services through electronic means. Jordan becomes the first country to legally bind itself to no customs duties on electronic transmissions (WTO members currently only have political commitments in this area). These provisions also tie in with commitments in the services area that, taken together, aim at encouraging investment in new technologies and stimulating the innovative uses of networks to deliver products and services.

Intellectual Property

The JFTA's provisions on intellectual property rights (IPR) build on the strong IPR commitments Jordan made in acceding to the World Trade Organization (WTO). The JFTA incorporates the most up-to-date international standards for copyright protection, as well as data exclusivity for pharmaceuticals and stepped-up commitments on enforcement. Among other things, Jordan has undertaken to ratify and implement the World Intellectual Property Organization's (WIPO) Copyright Treaty and WIPO Performances and Phonograms Treaty within two years. These two treaties, sometimes referred to as the "Internet Treaties," establish several critical elements for the protection of copyrighted works in a digital network environment, including creators' exclusive right to make their creative works available online, as well as Jordanian adherence to new WIPO treaties on copyright protection on the Internet.

Labor and Environmental Laws

The JFTA also contains trade-related environmental and labor provisions. These provisions will not require either country to adopt new labor or environmental laws and each country retains the absolute right to set its own labor and environmental standards and to change those standards. As part of the agreement, the two countries affirm the importance of not waiving or derogating from their labor or environmental laws to encourage trade and then commit to effective enforcement of their domestic labor and environmental laws. Each government has agreed to enforce its labor laws, through a sustained or recurring course of action or inaction. The JFTA makes clear that in enforcing its labor laws, each country retains the right to set its own enforcement priorities.

Each country also affirms the importance of not waiving or derogating from its environmental laws to encourage trade. Both countries reaffirm their belief in the principle of sustainable development and agree to strive to maintain high levels of environmental protection and to improve their environmental laws. In a separate understanding, the countries established a U.S.-Jordanian Joint Forum on Environmental Technical Cooperation for ongoing discussion of environmental priorities and identify environmental

quality and enforcement as areas of initial focus. The JFTA and supplemental understandings also contain other environmental-related elements, including provisions addressing transparency and public input and environmental exceptions. Like its labor language, the environmental provisions of the JFTA do not require changes in existing laws.

Dispute Resolution

As in the 1985 U.S.-Israel Free Trade Area Agreement, the JFTA creates a multi-step dispute settlement process that places a premium on cooperative resolution of disputes, as well as on procedural transparency. Disputes that cannot be resolved through consultation may be referred to a panel of independent experts for a non-binding opinion. If a dispute cannot be settled after panel proceedings are completed, the FTA authorizes the affected party to take "appropriate and commensurate measure," without specifying the form that this action should take. However, the party taking the action may not act in a manner that is inconsistent with its WTO obligations. Because the United States already has a Bilateral Investment Treaty with Jordan, the FTA does not include an investment provision.

JORDANIAN ECONOMY

Jordan has a population of approximately five million people and is bordered by Iraq, Israel, Saudi Arabia and Syria. Bilateral trade with Jordan is relatively small but is growing. U.S. exports to Jordan in 2000 were $313 million, while imports from Jordan totaled $73 million. For the first six months of 2001, imports from Jordan have already surpassed the total for all of 2000, totaling $92 million. U.S. exports to Jordan for January-June 2001 are $159 million, slightly ahead of $150 for January-June 2000. Major U.S. exports to Jordan include machinery, electrical machinery and aircraft parts while imports from Jordan include apparel and precious stones. Part of the reason for the increase in U.S.-Jordan bilateral trade is the qualified industrial zone (QIZ) initiative. Established in 1996, the QIZ program is part of the United States' sustained commitment to build economic cooperation between peace partners in the Middle East, an effort that includes the JFTA. The Presidential proclamation establishing QIZs extends duty-free status to "products of the West Bank, Gaza and qualifying industrial zones." The QIZ represents an unprecedented opportunity to gain duty-free access to the U.S. market and is available only to Jordan, Egypt and Israel. To date only Jordan and Israel have taken advantage of the program. Eleven QIZs have been established since the designation of the first zone in 1998, creating thousands of jobs. Investment in the establishment of QIZs is around $85–100 million, which is expected to grow to $180–200 million when all projects are completed.

King Abdullah and the Jordanian Government are focused on taking steps to attract investment and open up the Jordanian economy, which included WTO accession last year. The King's most important economic goal is to make Jordan a part of the global economy by developing high-value services, especially in information technology. He sees Singapore and Ireland as models and has been actively involved in the Jordanian government's efforts to modernize the economy. The Jordanian government, with the support of its private sector, has passed legislation and undertaken regulatory reform to address customs and phytosanitary regulations, intellectual property protection, the tax regime and laws regulating services. Pharmaceutical and Research Manufacturers of America (PhRMA) member companies have been impressed by the government of Jordan's far-sighted and comprehensive approach to economic and regulatory reform in the intellectual property, clinical research and drug approval process. As a result, PhRMA members now look to Jordan as a preferred partner for pharmaceutical research, development, licensing and/or co-marketing agreements. The Jordanian Parliament also established the city of Aqaba as a Special Economic Zone. A corporation has been assigned to manage the zone. Aqaba is a port city and customs duties will be abolished and taxes lowered on income and services. Approximately 50 percent of the projects will be in the tourism sector, 20 percent in services and 30 percent in industry.

"THIS AGREEMENT SENDS A STRONG MESSAGE OF SUPPORT AND CONFIDENCE IN THE JORDANIAN ECONOMY BY THE UNITED STATES. IT WILL HAVE BOTH A SYMBOLIC AND TANGIBLE IMPACT. WE EXPECT THE AGREEMENT TO RESULT IN SIGNIFICANT INVESTMENT IN JORDAN, RAISE THE QUALITY OF JORDANIAN PRODUCTS, INCREASE EXPORTS TO THE UNITED STATES, AND CREATE JOBS IN BOTH COUNTRIES."

—MARWAN MUASHER, JORDANIAN AMBASSADOR TO THE UNITED STATES

U.S. companies in need of assistance or who have questions regarding the JFTA are encouraged to contact Carl Oberg in ITA's Office of the Near East at (202) 482-2896. Other questions regarding doing business in Jordan should be addressed to ITA's Trade Information Center at (800) USA-TRAD(E). Rick Ortiz is the Commerce Department's Senior Commercial Officer in Amman focused on opening new markets for American firms in Jordan. He can be reached at 962-6-592-0101 x2632 or at Ortizeg@state.gov.

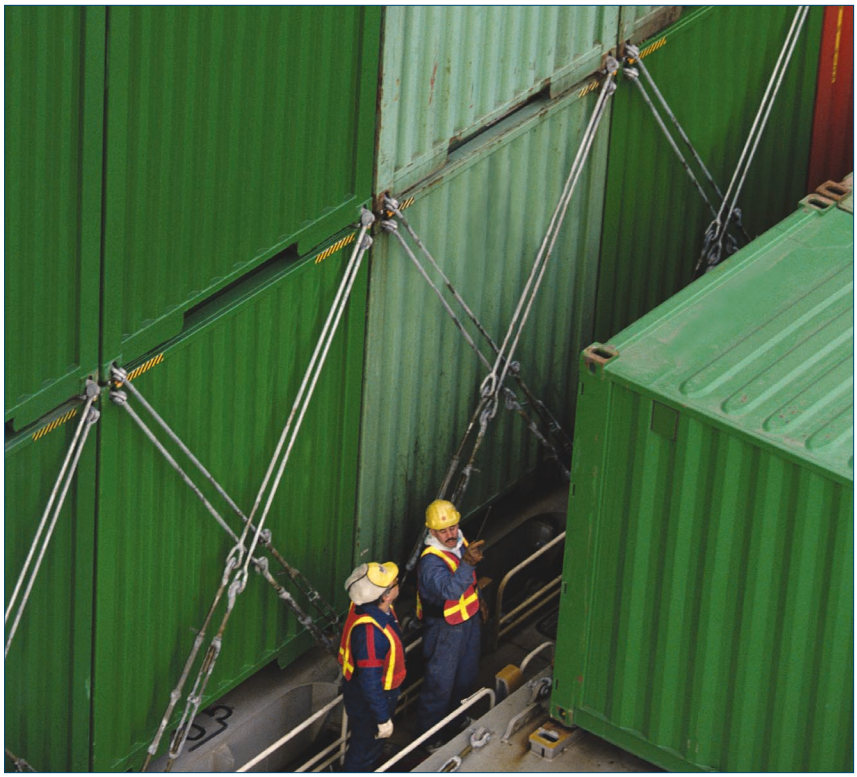
DISTRIBUTION IN CHINA

THE END OF THE BEGINNING

by Patrick Powers,
US-China Business Council, Beijing

With China's accession to the World Trade Organization (WTO) imminent, the Holy Grail of distribution and trading rights is almost within reach for foreign firms in China. Getting to this point has been neither easy nor inexpensive. Since the opening of China's markets in 1979, the history of distribution in China has been fraught with infrastructure problems and difficult legal issues and many firms have been forced by those circumstances to use highly creative methods to bypass anachronistic and restrictive regulations in order to distribute their products.

Now that greater market access beckons, it is important for businesses to look back at the history of distribution in China to keep a sense of perspective on what changes new market access opportunities will bring under the WTO regime. The underlying trend of the past 20 years is one of centrifugal force — as trading volume and opportunities have expanded, local and foreign firms have pushed the limits of existing trading regulations outward. This, in turn, has forced the government, directly or otherwise, gradually to liberalize the trade regime to reflect market conditions. From that perspective, accession to the WTO is simply the next evolutionary step in the reform and development of China's economy.



In the earliest days of China trade, professional distribution options were scarce. Maoist doctrine encouraged each province and city to be self-reliant, which created considerable industrial overcapacity, few logistical synergies and a vast bureaucracy. Foreign firms had little choice but to use state distribution networks, which were organized along rigid vertical command-and-control lines.

As China's trade with the outside world grew, leaders recognized the need to liberalize this system. When the central government wants to liberalize or reform a particular policy, the most common practice is to implement the policy in measured, calculated steps — in order to evaluate what elements of the policy are and are not working at each step. As control during the 1980s continued to shift away from the center to the provinces and municipalities

Competition among state and provincial firms began to intensify and as a consequence direct state control of imports began to break down. Legally ambiguous ("gray") import channels sprang up; in many cases involving non-civilian work units and an entire industry of these so-called "converters" began to emerge along a Hong Kong-Guangdong axis.

In the mid-1990s, as business volumes grew, foreign-invested enterprises (FIEs) increasingly despaired over prohibitions on sales of goods not manufactured in China and the problems involved in selling their products on a national basis. Some of the key issues then and now, included the inadequate state of transport infrastructure (despite progress in the past few years) made worse by monopolistic practices; a fragmented and chaotic distribution system; and local protectionism. Compounding these difficulties were (and still are) a general lack of professional third-party distribution channels; pricing issues cash flow and accounts receivable problems; the high cost of building and maintaining distribution networks; and the usual petty bureaucratic interference frequently encountered in the PRC commercial environment.

In spite of the difficulties of conducting one's own logistics and distribution activities in China, contrary to popular belief a majority of the foreign companies operating in the PRC are in the black, although perhaps not to the degree they would be if they were able to reduce costs by fully integrating their operations. In fact, many foreign firms have managed to set up national distribution channels and are well positioned to compete in a post-WTO China. Yet most of those same firms have to use a complex array of channels to fulfill their distribution needs and find it difficult to consolidate to take advantage of economies of scale.

Upon accession, a likely outcome for the distribution sector will resemble the historical pattern of evolutionary opening rather than immediate, revolutionary, change. Since both Chinese and foreign firms have the same logistics and distribution problems, they will exert significant competitive pressure on local distributors and service providers to improve their existing business models and force increased integration in the value chain. The result will probably be industry consolidation and introduction of more professional service providers — the majority of which will likely be located in the provinces and may partner with others in neighboring regions. Nationwide, the larger foreign operators will also play a greater role, but they will only be able to benefit fully from WTO terms after three to four years.

The Chinese logistics industry is underdeveloped and historically prone to local protectionism, unfair competition and an excessive number government-related operators who enjoy the privileges of monopolistic regulations at either the national or provincial level.

Leaders in the Chinese logistics industry believe that they have a three- to four-year window in which to restructure their firms and the industry before — as mentioned above — foreign operators become significant competitors. On the other hand, their customers would rather see the industry opened up as soon as possible, because history has shown that the earlier an industry opens up in China, the more it prospers; witness, for example, the strength of the consumer goods and household appliance markets in China today. These were the first markets opened significantly to foreign competition in the 1980s.

Although the WTO will open up many markets in China, distribution and logistics, like other sectors, will no doubt experience implementation difficulties and delays. Foreign firms would do well to remember this fact as they attempt to broaden their distribution networks. But anyone who visited China before 1990 will remember what China didn't have — which was just about everything in terms of business infrastructure and products. Today China has brought itself to the point (in many cases using foreign funds or technology) where, the usual litany of problems aside, the country has a strong foundation from which to develop into a modern economy.

WTO accession marks what historians may remember as the end of modern China's economic beginning. Giving foreign firms the right to operate freely in China is for the leadership a very serious and sensitive matter that it discusses in a historical framework, specifically the pre-liberation period when foreign companies were dominant players in distribution. Since 1979 China's leaders have dealt with this subject very cautiously and have now decided, perhaps reluctantly, that is in China's best interests to allow significant foreign access to the distribution sector, among others.

That is what the WTO is really all about from the PRC perspective — it is not so much about free trade as it is about the need to develop a professional financial and managerial culture based on internationally accepted commercial practices and rule of law so that the country can prosper in the years ahead.

This article is excerpted from the China Business Review July-August 2001
Patrick Powers is director of China Operations at the US-China Business Council in Beijing.

EXPORT OPPORTUNITIES IN EASTERN EUROPE

Compiled by the U.S. and Foreign Commercial Service

SLOVAKIA

Reforms and Restructuring Provide Opportunities

Slovakia will be 10 years old in 2003 and is finally coming into its own and making its mark in central Europe. This country of 5.6 million people used to be part of Czechoslovakia and like the Czech Republic, it aspires to join the European Union. Slovakia also has longer term hopes to join the Czech Republic as a member of NATO. The Slovak government started to focus on macroeconomic stabilization and structural reforms in 1998 in order to build a base for long-term prosperity. Slovakia's progress has been swift and in 2000 it became a member of the Organization for Economic Cooperation and Development (OECD). GDP grew by more than two percent in 2000 and is expected to grow about three percent in 2001.

Among the areas offering the best export potential for U.S. business are:

- Capital goods;
- Information and communication systems;
- Financial services; environmental products and services;
- Management services; and
- Production processes.

Several state-run enterprises are being privatized and many enterprises are rapidly restructuring and need to modernize their equipment and methods. U.S. companies and products have a positive image in Slovakia and U.S. technology enjoys an excellent reputation.

U.S. exports to Slovakia reached $224.20 million in 2000, giving the United States a 2.1 percent share and placing the U.S in 8th place among suppliers of Slovak imports. U.S. imports from Slovakia reached $ 102.2 million, ranking the United States 9th among purchasers of Slovak exports with a 1.4 percent share.

Attracting foreign investment has become a top priority for the Slovak government. The government has developed a comprehensive series of investment incentives, which includes tax holidays and worker retraining grants. The government is also in the process of privatizing most remaining state-held firms, including banks, insurance companies and most notably the Slovak Gas Company and the Slovak Electric company, both of which may be good prospects for potential U.S. investors. The U.S. is currently the fourth largest investor in Slovakia (behind Germany, the Netherlands and Austria). One of the largest investors in Slovakia is U.S. Steel, which acquired VSZ Steelworks in eastern Slovakia.

The U.S. Commercial Service of the U.S. Embassy in Bratislava is the one-stop-shop for U.S. exporters that want to find an export niche in Slovakia. Please contact us by telephone (+421-2-5296-1079), fax (+421-2-5296-1085) or Email Bratislava.Office.Box@mail.doc.gov. To learn more about U.S. Commercial Service programs, visit www.usatrade.gov, where you can also view our 15 minute webcast on doing business in Slovakia.

HUNGARY

A Prospective EU Member With Good Business Opportunites

Hungary, along with Poland and the Czech Republic, is well positioned to become one of the newest members of the European Union as early as 2004. This development is creating excellent opportunities for American companies doing business with Hungarian organizations. The U.S. Commercial Service in Budapest has implemented a comprehensive and customized range of products and services for American companies looking to do business in this growing and transitioning economy. The time to tap into this market is now.

Since the political and economic changes of 1989, Hungary has steadily developed into one of Central Europe's most attractive business environments. The level of political, structural and

economic stability it has achieved demonstrates the success of its transition to a modern market economy.

As a result of that stability, Hungary continues to be an excellent market for U.S. goods and services. It has had sustained economic growth of higher than four percent every year since 1997. In 2000, gross domestic product (GDP) grew at 5.2 percent, the highest in the Central and Eastern Europe region and well exceeding the average of the EU.

As has historically been the case, Hungary is a crossroads for trade in Europe. With the prosperous EU to the west and economically advancing nations to the south and east, Hungary offers not only an export market itself, but a central distribution point for the region.

U.S. exports to Hungary reached $1.22 billion in 2000, up 26 percent over 1999, as reported by the Hungarian Ministry of Economic Affairs. Leading U.S. exports to Hungary include automotive parts, computer equipment, measuring instrumentation, tapes and disks. Meanwhile Hungary's exports to the U.S. increased from $1.9 to $2.7 billion, according to the U.S. Census Bureau. Hungary's principal exports to the U.S. include electrical machinery, machine tools, vehicles (non-railway) and organic chemicals.

Although Hungary has strong trade ties with its European neighbors, the United States is its sixth largest overall trading partner, according to Hungarian trade statistics for 2000. But interestingly enough, the U.S. could be considered Hungary's second largest export market at $2.7 billion (using U.S. statistics), as compared to Germany at $10.5 billion, Austria at $2.5 billion, Italy at $1.6 billion and the Netherlands at $1.5 billion (using Hungarian statistics).

Hungary continues to outpace its Central and Eastern European neighbors in terms of GDP growth with its 5.2 percent increase in 2000. This surpasses the 1999 level by a full percentage point and represents Hungary's highest annual growth of the decade. Fueling this growth was the surge in Hungarian exports (21.7 percent) resulting from the comparative weakness of the Hungarian forint to the U.S. dollar, as well as factors at play in the European Union. While Hungarian export sales were the major growth factor, domestic industrial sales were also significantly improved, growing by nine percent in 2000.

BEST PROSPECTS FOR U.S. EXPORTS

In this past year manufacturing has been one of the principal growth sectors in Hungary. In 2000, the manufacturing sector accounted for 77 percent of gross industrial production, 57 percent of domestic sales and 94 percent of industrial exports. Output in the manufacturing sector increased 18.3 percent in 2000.

Within the overall manufacturing sector, the electric machine and instrument category is considered to be one of the best growth prospects in the coming years. The electric machine and instrument category comprises the manufacture of telecommunications devices, transmission technology devices, electrotechnical consumer goods, such as TV sets, videocassette recorders, radio receivers, CD players, electronic parts (semiconductors, resistors, condensers, electromechanical parts) and components. Gross production in the sector grew by 55 percent and yielded 25 percent of Hungary's total industrial production (and 40 percent of its exports). Consumer goods and consumer electronic devices account for the largest part of both production and exports.

The other major growth area is the Hungarian automotive sector. Almost 14 percent of total Hungarian industrial output (and 24 percent of total Hungarian exports) is accounted for by the vehicle manufacturing industry in Hungary. Two significant sectors of this industry are motor vehicle manufacturing and automotive parts manufacturing. There has been a rapid development of the Hungarian automotive industry to world-class levels in order to serve the European market. Hungary has experienced especially dynamic development in the manufacture of electric parts for vehicles.

COMMERCIAL SERVICE IN BUDAPEST

As the facts and figures on trade demonstrate, Hungary is a very attractive place for American companies to do business. The Commercial Service's office in Budapest has implemented a comprehensive but customized range of products and services for American companies looking to do business in Hungary.

For more information about these products and services please contact:
U.S. Commercial Service — Budapest, Hungary

Scott Bozek
E-mail: Scott.Bozek@mail.doc.gov

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E-mail: Pamela.Ward@mail.doc.gov
Tel: (36 1) 475-4090

ASK THE TIC

FREIGHT FORWARDERS, CUSTOMS BROKERS AND INCOTERMS

by Patterson Brown,
Trade Information Center

While exporting can greatly contribute to a firm's economic growth, it can also be a time consuming process for the small and medium-sized business. This article outlines ways in which exporters can mitigate confusion and delays associated with international trade logistics.

WHAT IS A FREIGHT FORWARDER?

To comply with export documentation and shipping requirements, many exporters utilize a freight forwarder to act as their shipping agent. The forwarder advises and assists clients on how to move goods most efficiently from one destination to another. A forwarder's extensive knowledge of documentation requirements, regulations, transportation costs and banking practices can ease the exporting process for many companies. Freight forwarders are licensed by the International Air Transportation Association for air cargo and by the Federal Maritime Commission for handling ocean bound cargo.

WHY SHOULD I USE A FREIGHT FORWARDER?

Whether the firm is large or small, the weight of the cargo light or heavy, the freight forwarder will take care of cargo from "dock to door" if requested to do so. This can include the correct filing of export documentation, all arrangements with carriers, packing, crating and storage needs. So, the small and medium-size exporter need not deal with many of the details involved with the logistics of exporting their goods. In addition, freight forwarders typically charge modest rates for their services and have access to shipping discounts. Given the years of experience and constant attention to detail provided by the forwarder, it may be a good investment.

HOW CAN I FIND FREIGHT FORWARDER?

Freight forwarders are located in most metropolitan areas. Local business telephone listings often feature a freight forwarder or transportation heading. Additionally, the National Customs Brokers and Forwarders Association of America will provide exporters with information on their members. They can be reached at:

1200 18th Street, NW,
Suite 901
Washington, DC 20036,
Tel: (202) 466-0222,
Web: www.ncbfaa.org

Privately operated forwarder listing services can be useful when looking for a local forwarder. The following websites have listings:

www.forwarders.com
www.1800miti.com/links/page84.html
www.freightgate.com/directories/directories.tet
www.freightworld.com/forwarder.html

WHAT IS A CUSTOMS BROKER?

A customs broker performs transactions at ports on behalf of other parties. In other words, an importer, whether into the United States or another country, hires a customs broker to guide their goods into a country. Like the forwarder, the broker will recommend efficient means for clearing goods through the maze of customs entry protocol. The broker can also estimate the landed costs for shipments entering the country. U.S. exporters typically do not book shipments directly with a foreign customs broker, because freight forwarders often partner with customs brokers overseas who will clear goods that the forwarder ships to the overseas port. Conversely, those same foreign customs brokers contract the services of the domestic freight forwarder when the goods are headed in the opposite direction.

The transactions negotiated for the importer will include the entry of goods into a customs territory, payment of taxes and duties and duty drawback or refunds of any kind. Furthermore, the broker has knowledge of regulations not only from the corresponding customs authority, but also from other regulating agencies involved in imports.

WHAT ARE INCOTERMS AND WHEN ARE THEY USED?

Incoterms is an abbreviation of International Commercial Terms, which were first published in 1936 by the International Chamber of Commerce. Since that time there have been six different revisions and updates to the Incoterms. The Incoterms provide a common set of rules for

the most often used international terms of trade. The goal of the Incoterms is to alleviate or reduce confusion over interpretations of shipping terms by outlining who is obligated to take control of and/or insure goods at a particular point in the shipping process. Furthermore, the terms outline the obligations for the clearance of the goods for export or import and packing requirements. The Incoterms are used quite frequently in international contracts and an official version of the Incoterms should be referenced in the text of the contract.

Although the Incoterms are widely used and exceedingly handy, they are not appropriate for every type of contract. Specifically, the terms used in a contract state exactly when the shipper unloads and relinquishes obligation and when the buyer takes over for carriage and insurance. The Incoterms are not meant to replace statements in a contract of sale that outline transfers of ownership or title to goods. Therefore, the Incoterms may not be of use when looking to resolve disputes that may arise regarding payment or ownership of goods.

WHAT ARE SOME EXAMPLES OF INCOTERMS?

Incoterms fall into four different groups: Departure (E), Main Carriage Unpaid (F), Main Carriage Paid (C) and Arrival (D). The point at which liability and carriage transfer from the seller to the buyer distinguishes the groups and each group's letter corresponds to the first letter of an INCO Term. For example, if your agreement with a buyer calls for the seller to release goods at the seller's location (Departure group), the INCO Term Ex Works (EXW) would be used. Ex Works states principally that the buyer takes over carriage and insurance responsibilities at the seller's dock. Alternatively, if the seller were to deliver goods to the buyer's dock, including all carriage and insurance, a term from the arrival group such as DDP (Delivered Duty Paid) would be appropriate. DDP requires that the seller deliver goods to the buyer's dock with all carriage, insurance and duties paid. In the range of Incoterms, DDP entails the most obligations for the seller, whereas EXW represents the least.

Caution must be exercised when using Incoterms because they relate to particular modes of transportation. For example, Incoterms such as FOB (Free on Board) and CIF (Cost, Insurance and Freight) are only applicable to sea transport. FOB indicates that the shipper (seller) has upheld his/her part of the agreement when the goods pass the ship's rails at the port of exit. The receiving party (buyer) assumes risk and costs associated with the goods once they pass the ship's rail in the seller's homeport. Due to the specific mention of the ship's rails, an aircraft or other mode of transport could not be used with FOB. For a shipment scheduled for delivery by air, rail, or some other form of transport with the same agreement as FOB one would need to use the Incoterm FCA, or Free Carrier. FCA can include other modes of transportation such as road, rail, inland waterway and air. Whereas transfer under FOB takes place when the cargo passes the ship's rails, transfer with FCA occurs when delivery of goods has been made at a destination previously outlined by the buying party.

These examples are not an exhaustive or definitive guide, but serve to highlight common Incoterms used in exporting. See the resources below for further information.

WHERE CAN I LEARN MORE ABOUT INCOTERMS?

Several avenues exist for obtaining information on the Incoterms. The International Chamber of Commerce publishes the Incoterms and can be contacted directly to receive related materials at ICC Publishing, 156 Fifth Avenue, Suite 417, New York, NY 10010, Tel: (212) 206-1150, or www.iccbooks.com.

In addition to the hard copy version of the Incoterms, many different websites list definitions of the Incoterms. Following are several of the sites currently available:

www.look4logistics.com
www.shipst.com/shipping/incoterms.asp
www.iccwbo.org/incoterms/understanding.asp
www.dsayles.com/incoterm.htm
www.1800miti.com/links/page87.html
www.foreign-trade.com/schedules.htm

For more information on freight forwarders, customs brokers, and Incoterms, contact the Trade Information Center at (800) USA-TRAD(E) Monday through Friday 8:30 to 5:30 EST, by email at tic@ita.doc.gov, or visit our web site at http://tradeinfo.doc.gov.

The Trade Information Center (TIC) is operated by the International Trade Administration of the U.S. Department of Commerce for the 19 federal agencies comprising the Trade Promotion Coordinating Committee. These agencies are responsible for managing the U.S. Government's export promotion programs and activities.

CONTROLLING THE TERMS OF SALE

Thomas Cook
American River International

In attempting to understand who should control the terms of sale and what the parameters are in the decision-making process, several critical factors must be reviewed.

The Incoterms, published by the International Chamber of Commerce, advises on and provides definitions for terms of international trade. They include CIF, FOB FAS, all acronyms for potential terms of sale that the U.S. exporter needs to understand to conduct successful international trading. An exporter can obtain a copy of the Incoterms booklet, which should be part of every exporter's library, from any International Chamber of Commerce, or ICC Publishing Corporation, Inc. 1212 Avenue of the Americas, New York, NY 10036 or www.iccbooks.com.

OVERVIEW: SALES TERMS

The various terms of sale have significant consequences regarding responsibilities, liabilities, costs and profits or losses confronting both the importer and exporter. The Incoterms are European in foundation, reflecting a different mind-set. The terms combine documentary and transactional requirements for passage of title and payment terms. There are many hidden costs involved in international trade that the Incoterms help to define. The exporter should be aware that terms of sale directly affect costs and could affect an exporter's competitive advantage. The more responsibility assumed, the higher the price. For example, the price might be $4,500 from the plant dock, $4,800 to the U.S. port of export and $5,800 delivered to the customer's door in Oslo, Norway.

The Incoterms advise who is responsible for arranging transportation services, freight charges, insurance and other logistics. Freight forwarders, banks, carriers and experienced shippers are the best resource for figuring out what they are all about.

NAME THE TERMS AND THE POINT OF SHIPMENT

When using the terms, a point of destination or a site must be named. For example, if you were selling free on board or FOB, the question is "FOB at what point?" According to the definitions of the terms, once the goods are loaded on board the transportation conveyance, title passes to the buyer. But does this occur at the plant or at the port?

If you sell FOB plant, the title will pass once the freight has been loaded on board the inland conveyance. This means that the buyer will arrange to pay for the inland transportation. They will also assume responsibility for loss or damage to the freight during transit.

Choosing to sell FOB port of loading requires that the exporter arrange for the inland freight. The exporter will then assume all transit liabilities until the freight is transferred to the international carrier. If it is an ocean shipment, the risk transfers once the freight passes the rail of the vessel, illustrating the extent of the definition of the terms.

If you had an international transaction in France that called for a cost, insurance, freight or CIF sale with a named point, such as Paris and the shipment was by air, the exporter would be responsible for arranging the transportation. The shipper would assume all transit liabilities and provide marine insurance up to the point of pickup from the Paris airport. In such a case, the exporter has taken on a great deal of responsibility and with it an equal amount of risk. This is when the exporter needs to be a good traffic manager and/or have a quality freight forwarder. The marine insurance, the underwriter and the claims systems must all be in place to deal with the potential losses in an international transaction.

TERMS OF PAYMENT

At the time the export sale is being consummated, the terms of payment need to be decided, as this will have a great effect on the decision making for the terms of sale. Assume, for example, that you complete the transaction with all i's dotted and t's crossed, with the terms of sale as FOB/NY. The shipment is made with the terms of sale calling for a payment from your buyer in Paris in sixty days. The shipment arrives missing three of ten pieces. They represent approximately $12,000 of the total invoice value, for which

your buyer discounts your bill. You argue that the "risk" passed in New York; therefore the insuring responsibility, with a clean bill of lading, was with the buyer from the time the freight was received on the international conveyance.

The buyer argues that the shipment showed up short and that under no circumstances — if the U.S. exporter is to keep the account — would he contribute to the loss, holding the exporter fully responsible. According to this scenario, while the terms of sale "appeared" to offer less exposure to the exporter, the terms of payment that allowed sixty days provided greater exposure. The position of the importer was both unreasonable and incorrect, but it is a common path when the buyer holds the advantage of not yet having paid for the freight.

Without contingency insurance of unpaid vendor protection, the exporter may have to sue to collect — at the cost of losing a customer, unnecessary aggravation and great expense.

ADDITIONAL CONSIDERATIONS

A very general conclusion that can be drawn is that in most export situations, the exporter should control the terms of sale as well as the terms of payment. Every factor must be considered in this evaluation, such as, but not limited to the following:

- Price and payment terms
- Competitive pressures
- Forwarder and carrier options
- Opportunities for loss and damage
- Previous experience with buyer
- City and country of destination
- Customs clearance in buyer's country
- Current economic and political situation in buyer's country

An additional consideration in controlling the terms of sale offers the exporter short- and long-term options for maintaining competitiveness. If you choose to sell on terms — where all the basic shipping, documentation, insurance and freight choices are in your control — then you have the ability to affect the CIF costs. You are not forced to accept a particular insurance company whose marine rates may be higher than you can obtain in the open market. If you are free to choose steamship lines, you have the option to look at possible non-conference carriers that might offer lower shipping costs. Each variable must be evaluated. Controlling the option to evaluate will afford the more competitive choices that will work to the exporter's advantage.

Another important consideration in determining the terms of sale is to look at the pitfalls of attempting a "door-to-door" sale, if required to do so, particularly in certain countries where customs law and practice work to the disadvantage of the exporter.

As "importer of record" in door-to-door sales, you assume certain liabilities in the import country that you might want to reconsider.

In certain countries, such as Mexico (though this situation is changing), U.S. exporters have found it preferable to sell FOB port of entry such as Laredo, in lieu of a CIF sale point of destination. Mexican customs (their trade and practice) have afforded the importer a better opportunity to arrange clearance than with the exporter's agent. This is also true in other countries such as, but not limited to Thailand and Algeria. Each situation must be carefully evaluated on its own merits. The exporter's freight forwarder's local relationship with foreign clearance agents plays a vital role in this regard.

The current political and economic situation in the buyer's country is critical. Take the situation in certain parts of the new Eastern Europe. While there is a big demand for U.S. products, payment is difficult at best. In order to make the sale, the U.S. exporter may not be able to sell completely on secured terms but may be willing to sell on a collect or sight draft basis. This arrangement might meet the need of the importer and reduce some of the exporter's exposure.

The key word is "reduce" not "eliminate." The exporter will need to make arrangements through the freight forwarder or the carrier not to release the freight until the payment is made to the local representation. Good communication and tight monetary controls will be critical to successful execution of this option.

Equally important is attention to the minutia of transactional detail for the passage of title and payment terms. Although title may transfer, responsibility, particularly fiscal responsibility, may not end.

Quality marine insurance affords protection to the exporter in all situations. The marine insurance contract should have features that protect the exporter regardless of who is responsible to insure and where title passes. "Unpaid vendor" or "contingency" insurance can be part of any successful export program. It will afford the exporter full transportation insurance in cases where they are not responsible for insurance, but may be exposed to payment or contract terms.

It is also critical when letters of credit are used for international transactions that the term of the sale conform to Inco practice as well as Uniform Customs and Practice (UCP) 500 for payment terms.

The bottom line is that the exporter must evaluate many issues in determining the best terms of sale for a particular export transaction. In any case, the exporter should negotiate a controlling advantage that will mitigate potential loss and maximize protection of profits.

U.S. POWER GENERATION TECHNOLOGIES

A PROMISING FUTURE FOR U.S. EXPORTS

by the Energy Division,
Trade Development

Power generation capacity is one of the most prominent issues currently facing the energy sector. Countries across the world are assessing their power generation needs in light of greater anticipated demand for electricity in the decades ahead. In the Bush Administration's National Energy Policy, an entire chapter is dedicated to international energy relationships and the importance of energy diversification and security. These factors point to several exciting opportunities for U.S. companies in the power generation field.

The United States is a world leader in power generation technology and infrastructure. With global demand for electricity expected to double over the next 15 years, U.S. companies are poised to take advantage of opportunities to provide the means of generating electricity to over two billion people — as well as to contribute to the fuel supply necessary to power such systems. Current estimates predict that over the next 10 years, this international market will offer four times the growth potential of the U.S. domestic market.

INCREASING GLOBAL ELECTRICITY DEMAND

According to the International Energy Agency (IEA), overall global energy use is expected to increase by about 2 percent per year through 2020. The bulk of this projected increase in world energy demand will come from developing countries as a result of rapid economic growth and industrial expansion, significant rates of population increase and urbanization and the substitution of commercial for non-commercial fuels.

World electricity generation is itself projected to increase an average 2.7 percent per year through 2020. As a result, as much as 3,000 gigawatts of new generating capacity are expected to be installed worldwide to accommodate this surge in demand. This new capacity is valued at approximately $3 trillion. The world's developing countries will need to invest approximately $1.7 trillion in this new generating capacity, which presents enormous potential for U.S. exports. Most of the demand is expected to be met with combustion turbines in industrialized nations and coal in developing nations.

In the energy sector, it is important to keep in mind that there is an established relationship between economic activity and energy demand. With increasing economic activity comes greater energy demand, whereas in times of economic slowdown, this energy demand declines. Deviations from projected economic growth paths have a fairly predictable impact on energy demand; the correlation between economic trends and energy demand has been observed numerous times throughout the world.

BEST EXPORT PROSPECTS FOR U.S. COMPANIES

Providers of U.S. energy equipment and services enjoy an excellent international reputation for quality and service. As a result, U.S. exports of energy-related equipment and fuel increased by 42 percent since 1996. This positive export trend is expected to continue into the foreseeable future, due in part to liberalized and deregulated electricity markets, as well as some expected regional power generation capacity shortages. U.S. power generation technology manufacturers will compete primarily with European and

Japanese industry to sell their reliable and environmentally friendly electric power technology to both developing and industrialized nations.

U.S. CLEAN COAL TECHNOLOGIES

Coal is one of the world's most abundant fuel sources. It is expected to remain a primary fuel source for electricity production despite a projected slight decrease from 34 percent to 31 percent of the world's total energy mix. New technologies are able to pre-treat and burn coal much more efficiently than in the past. These technologies reduce emissions of sulfur and nitrogen oxides, while providing distinct advantages over conventional coal utilization systems. In new coal-fired power generation plants, clean coal technologies can be used to reduce emissions to acceptable environmental limits as well as to provide greater generating efficiencies. The best markets for these U.S. technologies exist in coal-dependent countries such as China, Eastern Europe and India.

NATURAL GAS TURBINES AND COMBINED CYCLE POWER GENERATION

Natural gas accounted for 19 percent of total world electricity output in 1999, largely because of its abundant supply, competitive cost and low output of harmful emissions. It is expected that this average will jump to about 26 percent by 2020. Given the considerable U.S. experience in using natural gas for power generation and heat, it is natural that U.S. companies have a competitive advantage in foreign markets. The U.S. has been the largest consumer of this technology in recent years due to the increasing use of natural gas for new and planned power generation plants. It is predicted to maintain this status for the foreseeable future, with Asia and Australia being the best prospects for exports of this technology. However, a current two-year manufacturing turnaround on some larger turbine units may slightly impact potential U.S. domestic and export sales.

NUCLEAR ENERGY

This industry has achieved a second straight year of record power generation levels. In addition, there has been an increase in public awareness about some of the positive environmental aspects of nuclear power: it does not produce some of the harmful emissions that are associated with coal and gas power plants, such as nitrogen oxides, sulfur dioxide, mercury and carbon dioxide. U.S. nuclear electricity generation has increased in recent years because of new technologies, standardized plant designs and an improved licensing process.

The U.S. nuclear industry faces several challenges in the international market. Competitors frequently enjoy government subsidies and other "soft" assistance that are not available to U.S. companies. Many of the most promising short- and medium-term markets have non-tariff trade barriers that hinder U.S. industry. Despite these difficulties, there are possible market opportunities in China, Eastern Europe, Japan, South Korea, Taiwan and Vietnam. The combined value of these markets is estimated to exceed $100 billion.

DISTRIBUTED POWER GENERATION TECHNOLOGIES

Microturbines

Microturbines are the diminutive cousin of traditional turbines. Their only moving part is a compressor-cum-rotor, thus making them relatively easy to operate and maintain. Because of these properties, some electrical industry analysts believe that microturbines could eventually revolutionize the power industry. Producing from 25 to several hundred kilowatts (KW) of power, microturbines ideally serve small retail establishments and entities in need of flexible power generation options.

Diesel and Turbine Internal Combustion Engines

Small diesel and turbine internal combustion engines form a large part of the approximate $5 billion annual worldwide market for distributed power generation technologies. Their ability to provide power immediately, as well as their small size, has made them highly desirable in geographic areas that have minimal electricity transmission infrastructure. Given the growing electricity demand around the world and concerns about adequate power generation capacity in many countries, these small engines are increasingly providing power for commercial users. These users purchase them to ensure a reliable supply of electricity for their business operations and to lessen their dependency on high cost peak-time electricity. The Electric Power Research Institute (EPRI) estimates that by 2010, the world market for these technologies will average about $30 billion annually. U.S.-based Caterpillar, Cummins Engine, Ingersoll-Rand and General Electric are among the U.S. companies increasing their product offerings in this market.

SOLAR POWER AND WIND ENERGY TECHNOLOGY

Exports of U.S. solar photovoltaic (PV) cells and panels and wind energy equipment and services, have continued the 1990s decade-long trend of rapid growth. Accelerated export market growth, especially in Europe and Japan, is expected to continue in 2002. European and Japanese government and power utility policies that dramatically increase the amount of electricity generated by environmentally sustainable energy sources and technologies have stimulated this export market growth. Because renewable energy technologies can generate electricity at the micro-level (e.g., enough for an individual home), these are an attractive alternative for dispersed and remotely

located populations. There are many small and medium-sized businesses in the renewable energy technologies sector that are well positioned to compete in the international marketplace.

Solar Power

In most European countries and Japan, growth in solar PV sales and installations is attributed to the rapid expansion of building — integrated solar PV in commercial and residential buildings. Solar PV systems installed on top of or near buildings, or in the buildings' skylights and windows, are integrated into the buildings' power connections with the utility grid. Thus the solar PV panels can either generate power for use in those buildings (instead of power received from the grid), or can be transmitted directly into the utility grid under "net metering" procedures. Under net metering, accumulated power usage recorded by the building's meter is decreased by the solar power fed into the grid, thereby reducing monthly power bills. In Japan alone, approximately 100 MW of solar PV panels were installed in buildings in 2000, a large quantity that, for comparison sake, equals almost one-eighth of all solar PV panels installed worldwide during the past 20 years.

Export sales of U.S.-manufactured solar PV cells and panels increased by almost 80 percent from 1994 to 1999. U.S. solar PV cell and panel exports grew even faster in 2000, increasing by almost 38 percent from 1999 levels to reach $185 million. Since the value of solar PV cells and panels is almost one-half of the total system cost, exports of all solar PV systems and equipment in 2000 is estimated at $350 million. U.S.-produced solar cells and panels comprise approximately one-quarter of total global shipments. In 2000, sales to European countries accounted for 48 percent of total U.S. solar PV exports, while sales to Japan were 21 percent of total exports.

Wind Power

U.S. exports of wind power equipment and services also accelerated in 2000, with the majority of sales concentrated in European countries and in India. Measured by megawatts of wind power installed, the world market increased by almost 32 percent (4,500 MW) in 2000 to a total level of 18,500 MW installed around the globe. Almost 75 percent of that total wind power is installed in European countries, with Germany's total of 6,400 MW reached in 2000; Spain's total reaching 2,600 MW; and Denmark's total reaching 2,300 MW. By comparison, domestically-installed wind power in 2000 increased by over 40 percent from 1999, reaching a total level of 2,500 MW installed.

The rapid growth of wind turbine production, installation and operation is expected to continue during the next five years. Over 39,000 additional MW of wind power is expected to be installed worldwide between 2001 to 2005, the vast majority which is likely to be installed in Europe, Japan and a handful of developing countries such as India, Brazil and China. It is estimated that between 2001 and 2005, worldwide installation of this additional wind power generation and conditioning equipment (and associated services) could reach $30 billion.

WHAT'S NEXT? FUTURE POWER GENERATION TECHNOLOGY EXPORTS

Fuel Cells

Fuel cells are electrochemical devices that convert a fuel's energy directly to electrical energy. In turbine-generated electrical power plants, a fuel (coal, oil or gas) is burned at a high temperature to produce a pressurized steam that turns the blades of the turbine to generate electricity. This method of producing electricity is mechanical. Fuel cells do not require a combustion fuel to be used to convert heat energy to mechanical energy and finally turning mechanical energy into electricity. Instead, fuel cells chemically combine the molecules of a fuel and oxidizer without burning, thereby dispensing

THE ENERGY DIVISION

The Energy Division is part of the Trade Development program in the International Trade Administration (ITA). Trade Development is the only organization in the federal government that analyzes foreign markets from a U.S. industry sector perspective.

Specifically, Energy Division international trade specialists monitor trade policy issues and develop interagency strategies to remove foreign trade barriers; lead bilateral commercial energy working group activities with key foreign nations to increase U.S. export competitiveness; and offer trade promotion services such as trade missions, conferences, and trade shows to expand U.S. market share abroad.

In addition to covering the area of power generation, the Energy Division's international trade specialists track sectors such as oil and gas, coal, nuclear, and renewable energy. The Energy Division is also responsible for the Industry Sector Advisory Committee (ISAC) on Energy. The ISAC is comprised of representatives from U.S. energy industry associations and businesses that have experience and interest in the international marketplace. These ISAC members serve as advisors to the U.S. Government on energy-related international trade policy matters. For more information about the ISAC on Energy, or to learn how to become a member, please contact Samuel Beatty at (202) 482-4179.

The Energy Division stands ready to assist your company in its export activities. For additional information, please contact us at (202) 482-1466.

with the inefficiencies and harmful emissions of traditional combustion. Because a hydrogen-rich fuel is always being supplied to fuel cells, they operate much like continuous batteries. However, they do not need to be replaced or recharged like a battery.

Five types of commercially viable fuel cells exist today: (1) proton exchange membrane, used in vehicles; (2) alkaline, used in golf carts; (3) phosphoric acid, used for combined heat and power generation (CHP) up to 250 KW; (4) molten carbonate, used for medium to large-scale heat and for small scale power generation; and (5) solid oxide, used for heat and for small scale power generation.

Though basic fuel cell technology has existed for 162 years, breakthroughs during the past few decades have rendered it mass-marketable for applications in stationary power generation, automobiles, computers and cell phones. The National Fuel Cell Research Center (NFCRC) envisions a fuel cell industry with annual revenues exceeding $10 billion by the year 2010. At the present time, fuel cells are not economically competitive enough to replace traditional energy sources.

However, several U.S. companies are in the final stages of research and development and expect to begin commercial manufacturing within the next five to seven years. U.S. manufacturers can expect fierce competition from Japanese and European manufacturers in this market.

Gas-to-Liquids (GTL) Technology

GTL technology converts natural gas to a liquid form that can be easily transported. The conversion is achieved by compression and refrigeration or by chemical conversion and produces a clean fuel that contains no sulfur or aromatics. It also creates less carbon dioxide than other fuels when burned. In addition, GTL products can be used directly to fuel diesel engines. U.S. companies that are developing GTL technologies include Conoco, ExxonMobil, Chevron and Syntroleum.

Gas-to-liquids technology promises to be a lucrative U.S. export opportunity in the next few years. Currently, only a few plants in South Africa and Malaysia produce large amounts of fuel using GTL. Although this technology has been around for decades, high costs have limited its use to only a few facilities in Germany and South Africa. Recent natural gas price volatility in the North American market has increased commercial interest in GTL plants worldwide. In addition, many countries have passed strict new environmental rules that mandate clean fuels. Now, at a time when there is significant interest in developing means to transport natural gas from remote locations, a number of companies have started investigating GTL technology in more detail. Furthermore, the cost of the GTL process has decreased considerably. In a few years, GTL technologies have the potential to be widely used to produce fuels on a commercial basis for end-user markets in North America and the Asia Pacific region.

In short, expected increases in global electricity demand offer U.S. companies in the electric power generation sector a greater opportunity to export their technologies abroad. The best near and mid-term prospects include clean coal, natural gas turbines, nuclear power, micro-turbines, solar and wind technologies and GTL technology. As the technology matures and as their prices fall, fuel cells will also become another exciting U.S. export to the international market.

For more information on U.S. power generation technology export markets, contact:
Basic Industries/Energy Division
Tel: (202) 482-1466
Fax: (202) 482-0170
www.trade.gov/td/energy

Upcoming Trade Events:
Electric Power 2002
March 19–21, 2002
St. Louis, MO
Phone: (713) 463-9595
Fax: (713) 463-9997

Eco-Energy 2002 Exhibition & Seminar
February 27–28, 2002
Tokyo, Japan
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ENERGY EXPORTING OPPORTUNITIES TO CENTRAL AND EASTERN EUROPE

by Michael Rogers,
Central and Eastern Europe Business Information Center, Market Access and Compliance

At the start of the new century, Central and Eastern Europe are facing new energy challenges. These include:

- Securing affordable power supplies that are able to accommodate growing economies;
- The need for wider private sector participation in the energy sector;
- Greater integration of domestic energy industries into regional structures; and
- The development of environmentally friendly policies and strategies that comply with stringent international and European norms.

This dynamic environment is full of opportunity for a wide range of U.S. firms with expertise in areas such as plant management, environmental technology, logistics and engineering.

The energy sectors of individual countries in Central and Eastern Europe (CEE) are in varying stages of development and reform. Therefore, each country presents a unique set of opportunities for U.S. firms. Nevertheless, there are two crosscutting commercial policy objectives that are driving this wide scale sectoral reform. First, as part of the continued economic transition begun over a decade ago, the region's national governments are pursuing policies of economic growth. Second, they are also pursuing a policy of economic integration with international and regional institutions such as the European Union (EU).

As part of the EU accession process, these aspiring CEE countries are required to adopt the *acquis communautaire,* or the common body of law in the European Union. The principal objectives of energy reform as it relates to the EU accession process include the creation of a single energy market. In practice that means that accession candidate states must take steps to ensure transparency of prices to final consumers and to facilitate transit of resources from Central and Eastern Europe, Russia and the Newly Independent States to the markets of Western Europe.

The commercial opportunities in Central and Eastern Europe's energy sector fall into two major categories: First, the privatization of state-owned assets, second, the upgrade of existing facilities and infrastructure as well as the construction of new facilities.

The following country profiles describe the current opportunities in some of the region's individual markets.

ALBANIA

Albania benefits from an abundant supply of hydropower. There are currently eight major hydroelectric facilities that account for 95 percent of the country's power generation. At present the hydro facilities produce about 3.6 billion kilowatt hours per year. This is significantly below the projected capacity of 16 billion kilowatt hours per year. The Albanian government is exploring ways to develop this unrealized potential.

However, the Albanian energy sector has many problems that it must overcome. Power supplies are restricted and unpredictable. Approximately 50 percent of all electricity is not paid, as a result of no price controls, poorly organized distribution and a public unwillingness to pay for substandard service. The European Bank for Reconstruction and Development (EBRD) and the World Bank are currently financing a number of initiatives to help improve Albania's power generating infrastructure.

BOSNIA AND HERZEGOVINA

Bosnia and Herzegovina's total power generation capacity is 3,867 megawatts. There are 13 hydroelectric plants that generate 52 percent of the country's electricity. The remaining 48 percent is generated by four coal burning facilities.

The World Bank and other co-financiers, including the European Bank for Reconstruction and Development, the European Investment Bank and the United States Agency for International Development, are planning to invest $231.1 million over the next three years in reconstruction of the electric power sector of Bosnia and Herzegovina

This multilateral effort is a continuation of the ongoing energy reconstruction program and ensures access to reliable, lower cost electricity, to be supplied with reduced environmental and safety risks and improved cost recovery by suppliers. It is expected to be completed within a three-year period from October 1, 2001, through September 30, 2004. The beneficiaries of this effort are the three electric power companies Elektroprivreda Bosnia and Herzegovina, Elektroprivreda of the Croatian Community of Herzeg-Bosnia and Elektroprivreda Republika Srpska and the Joint Power Coordination Center.

BULGARIA

Bulgaria's power generating infrastructure is comprised of nuclear, conventional, thermo-electric and hydroelectric facilities. Nuclear power accounts for 40 percent of electricity. Conventional power generation is fueled mainly by domestically produced coal. Under a comprehensive reform plan, Bulgaria's energy sector is now undergoing reconstruction to be followed by privatization. The adoption of the Energy and Energy Efficiency Act in July 1999 accelerated power sector reform by providing the regulatory and legal framework for the market-based development of energy sector.

Under that plan, the state-owned electric company, NEK, has been divided into separate companies for generation, transmission and distribution prior to privatization. Electric power price reform is underway and will be accompanied by regulatory oversight. The State Agency for Energy and Energy Sources will regulate prices until December 31, 2001. After that period, the new State Commission on Energy Regulation will take over the monitoring of the market and the issuance of operating licenses for generation, transmission and distribution of electricity. Moreover, there will be a second round of World Bank loans for supply-side efficiency improvements.

Related energy legislation enacted with the Energy Act requires heat allocators and thermostats to be installed on radiators in residences. The legislation also allows for independent heat providing agents to be hired by heat and electricity providers to better measure heating and electricity use and collect charges from residential and business customers. Additionally, privatization of the district heating substations is being considered, in order to make it possible to effectively implement this new approach to bill collection.

CROATIA

The Ministry of Economy is the lead government agency for developing and implementing Croatia's energy policy reform. The goal of the reform is to enable and regulate competition according to European Union (EU) directives and provides the basis for privatization of the Croatian Electric Company, the Croatian Oil and Gas Company and the Adriatic Pipeline. The privatization process is expected to begin sometime in 2002.

The liberalization of the electricity market, which is scheduled to begin in 2002, will start with the largest consumers (over 40 gwh per year). Major consumers will be allowed to negotiate directly with suppliers. There are about 15 such consumers in Croatia. Foreign companies will be permitted to act as suppliers, providing that they are registered and licensed for this business activity in Croatia. It is expected that within the next few years, the 40-gwh per year-limit will be gradually reduced as market competition develops and will ultimately disappear — allowing all consumers to benefit from a free market.

CZECH REPUBLIC

The Czech Republic has focused on diversifying its energy resources. Reliance on coal has been declining in favor of natural gas and nuclear energy. A new pipeline connection to Germany and a long-term agreement with Norway to supply natural gas greatly reduces the country's dependence on traditional energy suppliers in Russia and the Newly Independent States. It is expected that the government will now focus on the environmental aspects of energy production to make it compliant with EU regulations.

New energy legislation adopted in late 2000 outlines the framework for the privatization of the Czech energy sector. Under the current plan, full liberalization is not expected till 2007. However, large consumers will be able to start choosing suppliers in 2002.

ESTONIA

Estonia has sufficient resources to meet its current energy needs. This includes abundant domestic fuel resources, infrastructure for natural gas and liquid fuel imports and a well-developed national power system for the generation, transmission and distribution of electricity. Active oil shale deposits amount to about 1,200 million tons and, at current levels of consumption, are forecasted to last a hundred years. Current production capacity of its oil shale mines exceeds Estonia's predicted domestic demand in the coming decades.

The long-term electricity consumption forecast shows that Estonia's domestic consumption will remain moderate in the near future with a maximum of 2 to 3 percent annual increase. Any expansion in the power market will be through increased export, for which Estonia possesses the technical capabilities. Powerful transmission lines linking Estonia with Russia and Latvia make possible both electricity export to and transit through, these regions. However, export to these countries has been limited due to low demand in Latvia and Russia. In addition to Russia and Latvia, Finland is among Estonia's potential electric power export markets due to the relatively low price of Estonian electricity.

F.R. YUGOSLAVIA

F.R. Yugoslavia has a current installed energy capacity of 10,410 megawatts. Coal-fired plants produce about 70 percent of the country's electricity with the other 30 percent coming from hydropower. F.R. Yugoslavia has nearly 13 billion tons of exploitable lignite reserves and nearly 7,000 gigawatts of hydro potential. The country's primary infrastructure was largely neglected during the 1990s and existing plants are based on U.S. technology from the 1950s. However, if these resources are properly developed and managed, F.R. Yugoslavia could begin to export electricity again as early as 2002–2003.

Two state-run companies, Elektroprivreda of Serbia and Elektroprivreda of Montenegro carry out the majority of F.R.Yugoslavia's electricity generation and distribution. However, the government recently announced plans to privatize the power sector within the next two years. Current prices are kept low by the Ministry of Trade to subsidize all parts of the economy, but an agreement is in place to raise prices in order to cover increasing costs and bring a reasonable profit to the sector. Recently, the F.R.Yugoslav Investment/Trade Promotion Agencies have outlined nine future energy sector projects including the refurbishment of the Tesla Power Plant and a preliminary study of the hydropower potential of the Tara and Moraca rivers. The total value of the nine proposed projects is estimated to be over $750 million. The complete list of proposed projects is available on the Central and Eastern Europe Business Information Center's Web site at www.mac.doc.gov/eebic.ceebic.html.

F.Y.R. MACEDONIA

At present, the state-owned F.Y.R. Macedonian electric company provides electricity services. A thermal plant in Bitola supplies 70 percent of the country's energy. Other power-generating facilities include two additional coal/oil

thermo-power facilities and 15 hydro-power installations.

With the goal of entering the European Union, the F.Y.R. Macedonian government has been working to restructure and liberalize the country's electricity market. Discussions are currently underway on how best to achieve this goal. Significant reform and privatization, however, is not expected until after 2002.

HUNGARY

Hungary has a well-developed and largely privatized energy system. In the power sector, a former monopoly, the state-owned National Grid Company (MVM) is responsible for the export, import, wholesale, high voltage transmission and dispatching of electricity generated by independent power plants and the state-owned Paks Nuclear Power Plant. Six foreign-owned regional electric utilities buy power from MVM and carry out retail activities including billing.

In the oil and gas sector, the 25 percent state-owned Hungarian Oil and Gas Company (MOL) has a monopoly for gas and oil exploration, transmission, stockpiling and wholesale trade. Hungary is a massive importer of oil and gas from Russia, while it is a net power exporter to surrounding markets. The country's major energy resources for power generation are nuclear and hydrocarbon fuels. Regional gas distribution companies have also been privatized to mainly European strategic investors.

The Hungarian Oil and Gas Co. (MOL), Hungary's largest company was privatized in several steps between 1994–1998 with the Hungarian State retains a 25 percent stake. In addition, the Hungarian government mandates retail gas prices. MOL controls about 35 percent of the fuel retail market and owns the majority of the pipeline and storage infrastructure in Hungary. As part of its regional expansion policy, in 2001, MOL bought a 36 percent share of the Slovak oil and gas company, Slovnaft, with an option to buy a majority stake at a later date.

In 2000, the Hungarian government decided to start liberalizing the power and the gas markets in a step-by-step process as Hungary draws nearer to the EU. As a first step, in January 2002, the 15 biggest consumers of electricity will be able to buy power from generators directly through MVM as a transporter. Further steps of the envisaged 10-year liberalization process are currently under discussion.

LITHUANIA

Lithuania's electricity sector falls under the jurisdiction of the Ministry of Economy. Lithuanian Energy operates all major generating, transmission and distribution assets with the exception of two combined heat and power plants in Vilnius and Kaunas. An energy law passed in May 2000 provides for the privatization of Lithuanian Energy. Reforms will include the unbundling of generation, transmission and distribution services.

POLAND

During the last ten years, the electrical power sector in Poland has been gradually liberalized. The electrical power sector consists of three main systems. First, the power generators including system power plants, combined heat and power plants and local energy producers with a total installed capacity of 34,255 megawatts. Second, the high-voltage transmission system operated by Polish Power Grid Company (PPGC). Third, the distribution system consisting of 33 electric distribution utilities and new companies created according to the Energy Law.

The Energy Law of 1997 created the legal framework for liberalization of the power sector and creation of a competitive energy market. The key provisions of the 1997 law included a solid legal framework, defining the rights and duties of producers, distributors and users of energy and the establishment of an independent regulatory entity responsible for granting licenses, approving tariffs and ensuring competition within the energy sector. The law

also introduced third party access of enterprises to energy distribution grids, provided that third parties produce energy domestically and meet contractual and governmental obligations. Full liberalization of Polish electrical power market is expected by 2005.

ROMANIA

Romania's energy policy has been an important component of the reform measures passed during the past decade. Two main categories of enterprises function in the energy sector: the Regies Autonomes (RAs) for the production and supply of energy products and the Commercial Companies (CCs) that ensure support services and other activities. The Regies Autonomes are state holding companies operating in strategic sectors, such as electric power, oil, natural gas, lignite and coal. The CCs are joint stock enterprises established under the commercial law.

The World Bank, EBRD, the European Investment Bank (EIB) and USAID are financing a $363.9 million power sector reform project aimed at meeting the demand for electricity by rehabilitating thermal generation capacity. This will be accomplished by financing the transfer of equipment, services and technical assistance. In addition the Romanian Ministry of Industry and Resources has published a list of projects for potential foreign investors including a $500 million investment for the completion of the Cernavoda 2 nuclear reactor and $35 million project for the development hydropower resources. A complete list of potential projects is available on the Central and Eastern Europe Business Information Center's Web site at www.mac.doc.gov/eebic.ceebic.html.

SLOVAKIA

Slovakia is a strategic transit country for Russian gas to the European Union. In 2000 the Slovak government began to institute market reform. Market liberalization is a key component of

Slovakia's accession negotiations with the European Union. As a result, the government has taken steps to establish an independent regulatory body and privatize the country's power company, gas company and gas pipeline.

SLOVENIA

Slovenia's European Union aspirations have resulted in progress toward a more open economy in many sectors, including electricity. Slovenia is working on solving bilateral issues with Croatia including the Krsko nuclear power plant, which supplies energy for both countries. The agreement with Croatia over Krsko will reduce Slovenia's electricity supply significantly, forcing the government of Slovenia to further liberalize the electricity market to allow trading companies to import electricity. The government also consolidated hydroelectric, steam power plants and coalmines into the new holding Slovenske Elektrarne, of which the government owns 79.5 percent. These moves will present opportunities for U.S. energy trading firms, but reduce competition in power generation in the medium term.

GOVERNMENT ASSISTANCE FOR U.S. FIRMS

The U.S. Department of Commerce's has a number of resources for U.S. companies interested in Central and Eastern Europe's energy sector. The Central and Eastern Europe Business Information Center (CEEBIC) is available to assist U.S. firms interested in pursuing opportunities in Central and Eastern Europe. To contact CEEBIC, call (202) 482-2645; fax (202) 482-3898, Email ceebic@ita.doc.gov, or at www.mac.doc.gov/eebic.ceebic.html.

Firms may also wish to contact the Department of Commerce's Energy Division at (202) 482-1466 or fax (202) 482-0170 or the U.S. Commercial Service abroad. A complete list of Commercial Service offices in Central and Eastern Europe is available on www.usatrade.gov.

UPCOMING TRADE EVENTS

NOVEMBER 2001- JULY 2002

DATES	EVENT	LOCATION
November 20 - 23 2001	Milipol 2001 Milipol is a worldwide exhibition of internal state security and anti-criminal technologies. In 1999, Milipol featured 500 exhibitors and 1800 professional and governmental visitors from 100 countries.	Paris, France
November 28 - 30 2001	Power Mex/T&D World Expo Mexico This is the best power-gen show in Mexico. Energy conservation is imperative in Mexico, whose consumption rates are higher than any other country. Mexico is driving towards a more efficient road for the electric and petroluem sector. Your products and services could meet their needs.	Mexico City, Mexico
December 1 - 8 2001	Telecommunications Trade Mission The telecom sector in the above countries is one of the fastest growing sectors. Domestic production of telcom equipment is minimal and is limited to central office equipment, wire and cable. Nearly 95 percent of telecommunications equipment is imported. Under the WTO Agreement on Basic Telecommunications Services, these governments made commitments to market access and national treatment for long distance and international wireline and wireless telecommunications services, including statellite services. Markets for these services will be liberalized by 2003.	Poland, Czech Republic and Slovakia
December 4 - 7 2001	Pollutec 2001 Pollutec, France's premier environmental trade show and Europe's second largest exhibition, covers all sectors of environmental technologies. The 2000 exhibition in Lyon drew over 2,100 exhibitors and 60,000 international visitors from 33 countries.	Paris, France
December 14 - 17 2001	Paperex 2001 The biennial Paperex exhibition and conference is India's only major event in the listed industry sectors, and recommended as a good venue for appropriate U.S. companies to promote their products and services.	New Delhi, India
January 10 - 13 2002	Reiseliv 2002 Reiseliv is Norway's travel and tourism show. Over 1,000 exhibitors at the 2001 version received 46,000 visitors. The local press claims that that the U.S Pavilion at Reiseliv is the largest in the Nordic region. Exhibitors consistently praise the show and the pavilion, organized in cooperation with the Visit USA Committee of Norway, as attractive, well organized, and well attended.	Oslo, Norway
January 22 - 26 2002	Fourth South American Dental Show The South American Dental Show in Sao Paulo is the largest event of its type in Latin America and one of the largest and most important Dental shows in the world. Over 600,000 people from throughout Brazil and the rest of Latin America attend the show every year. This show is a must for any U.S. firm seeking to penetrate the large and growing Brazilian market for dental products.	Sao Paulo, Brazil
January 22 - 25 2002	Arab Health 2002 Arab Health is the premiere medical show for the Middle East — attracting visitors from the Gulf states, the Levant, the Indian Subcontinent, Egypt and North Africa. This is the 26th edition of an annual how, which features exhibitors from over 75 countries and attracts 8,000 - 10,000 professional visitors. Mini-exhibits with space to display literature and graphics and meet with visitors - in a common area under the Commerce Department banner.	United Arab Emirates
February 19 - 22 2002	Andina Link Television Expo 2002 Andina Link is Colombia's premier educational television broadcast exhibition. The show embraces cable television, content, programing, pay television, and goods and services.	Bogota, Colombia

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Telecommunications Equipment and Services	William Corfitzen Tel: (202) 482-0584 Email: William.Corfitzen@mail.doc.gov

HIGHLIGHTED EVENTS

SAKHALIN OIL AND GAS RUSSIA EXPLORER PROGRAM

DECEMBER 1 - 6, 2001
VLADIVOSTOK, RUSSIA

The Commercial Service in Vladivostok and the American Business Center (ABC) will provide a thorough briefing on the status of oil and gas projects, supporting industries, infrastructure projects, and the regulatory environment (Russian content regulations). One-on-one business appointments with potential customers and partners in the oil and gas industry will be prearranged, as will group mission meetings with the larger oil concessions (Sakhalin 1 and 2) and appropriate government officials. November is the off-season when drilling is prohibited, and will provide participants with greater access to government officials and company representatives, and allow them time following the mission to conclude agreements prior to the 2002 drilling season, which starts in April.

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ELECTRIC POWER 2002

MARCH 19 – 21, 2002
ST. LOUIS, MISSOURI

Electric Power 2002 is sponsored by Power Magazine and the McGraw Hill companies. The theme is "Generating clean, reliable electric power in a competitive market." Electric Power 2001 had 62,200 square feet of paid exhibit space. There were more than 418 exhibitors and 4,200 attendees from 33 countries. The power industry is global in scope with integrated technologies used throughout the world. Many of the industry's leading suppliers are multi-nationals however, there are also many small to medium-size companies with specialized products which have great export potential. The show will showcase new technologies that are both energy efficient and environmentally friendly.

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DATES	EVENT	LOCATION
February 20 - March 1, 2002	Healthcare Technologies Matchmaker This Matchmaker will target 15 companies in the healthcare technologies industries, including medical and dental equipment and supplies, pharmaceuticals and health care service sectors. The focus of the delegation will be to match participating US companies with qualified agents, distributors, representatives, licensees, and joint venture partners in these markets.	Greece, Spain, Italy
February 27 - 28 2002	USA Eco-energy 2002 Exhibition & Seminar Exhibition & Seminar focusing on alternative energy and on-site power generation.	Tokyo, Japan
March 6 - 8 2002	Glas Tech Asia 2002 Glass products, Glass manufacturing, processing, and materials for architecture, construction and automotive.	Singapore
March 6 - 15 2002	Autoparts and Services Matchmaker This Matchmaker will target the U.S. automotive industry, including original equipment manufacturers, after-market parts manufacturers, and composite materials and electronic component manufacturers. The focus of the delegation will be to match U.S. companies with qualified agents, distributors, representatives, licensees and joint venture partners in the automotive industry.	Philippines, Thailand, Malaysia
April 9 - 12 2002	Expo Comm Andino 2002 The fifth international telecommunications, wireless, and broadband technology exhibition and conference for the Andino Pact Region.	Bogota, Colombia
April 15 - 20 2002	Hannover Messe 2002 Hannover Messe is the world's most comprehensive show for industrial technology. This years show includes factory automation, research and technology, subcon technology, energy, materials handling and logistics, and surface treatment.	Hannover, Germany
April 24 - 27 2002	Supply Chain and Logistics China 2002 This will be the most important national business-to-business supply chain event in China. China's transportation, warehousing, distribution and material handling industries are poised for explosive growth. This event will be one of the most effective sales and marketing channel to establish a foothold in this dynamic market.	Beijing, China
May 7 - 11 2002	IFAT 2002 The goal of this event is to introduce and network U.S. companies and their related tourism industry association partners with business and government decision makers from all Showcase Europe, Central and Eastern Europe, the NIS and other Mediterranean countries. The conference will enable all participants to identify and hear first-hand the business opportunities associated with the development, construction and operation of tourism infrastructure projects.	Munich, Germany
May 29 - June 1 2002	Australia's International Engineering Exhibition 2002 AIEE is the largest trade show of its kind in Australia aimed at the manufacturing/engineering sector. The U.S. Department of Commerce is organizing a product literature center at this major event. The product literature center provides a cost effective method for U.S. companies to explore the Australian market.	Sydney, Australia
June 12 - 16 2002	Fematec 2002 FEMATEC is Argentina's largest building industry supplies trade show. Exhibitor's booths occupy a total surface of 320,000 net square feet. This event is particularly suited for launching new products into the Argentine market. The show is visited by approximately 200,000 industry specialists.	Buenos Aires, Argentina
July 18 - 20 2002	Asia Comm/Expo Comm Thailand The ninth international telecommunications, networking, IT and wireless technology exhibition and conference for Thailand and Indochina.	Bangkok, Thailand

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STROIKO 2002

MARCH 22 – 29, 2002
SOFIA, BULGARIA

STROIKO is Bulgaria's largest construction and building materials show and the second largest regular trade event in Bulgaria. This biannual show traditionally features more than 700 exhibitors and covers over 3,800 square meters of space. The fair attracts thousands of high quality business visitors, including homebuilders, developers, architects, importers and distributors. To date the show has featured mostly European products and technology for homebuilders and commercial construction, so the show offers a good opportunity for U.S. firms to exhibit their market-leader and cost-competitive products.

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U.S. PAVILION AT POSIDONIA INTERNATIONAL SHIPPING EXHIBITION

JUNE 4-7, 2002
PIRAEUS, GREECE

The U.S. Commercial Service in Athens, Greece, in cooperation with the American-Hellenic Chamber of Commerce, will organize the U.S. Pavilion at the 18th edition of Posidonia, to be held in the Port City of Piraeus, Greece, June 4–7, 2002.

Posidonia is one of the most important maritime trade events in the world and is expected to attract more than 1,500 exhibitors from over 70 countries. U.S. companies in all related maritime and shipping industries should take full advantage of the 30,000 decision-making professionals from Europe and around the world who are expected to visit the exposition. The U.S. Pavilion at Posidonia is expected to be the largest national exhibit at this event and will offer excellent export opportunities for U.S. firms looking to expand in the important Greek market.

For more information on the participation in the U.S. Pavilion at Posidonia, please contact:

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American Embassy Athens, Greece
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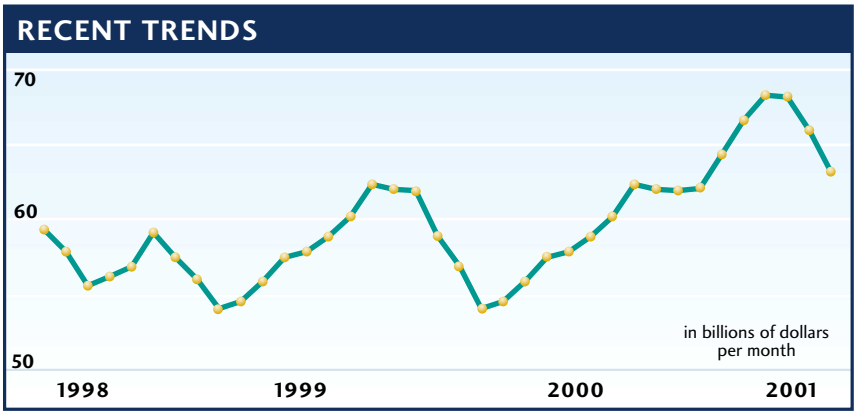
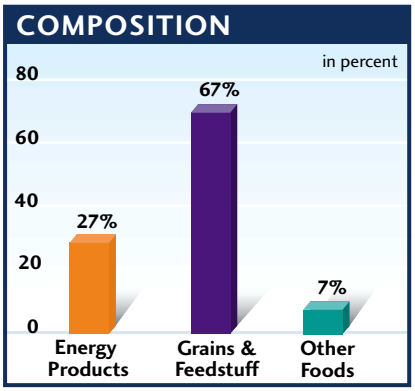
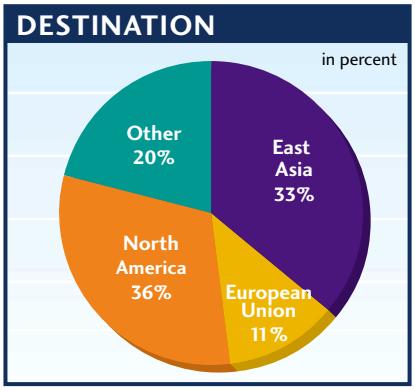
Fax: (3010) 721-8660
E-mail:Irene.Ralli@mail.doc.gov

A LOOK AT U.S. EXPORTS

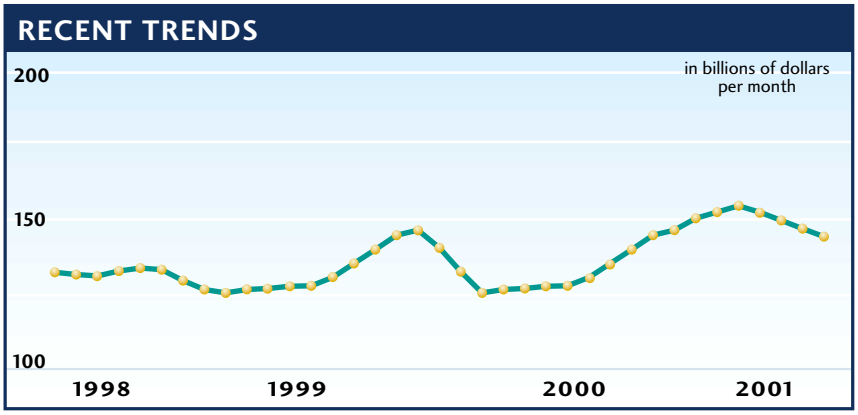
FOOD AND ENERGY

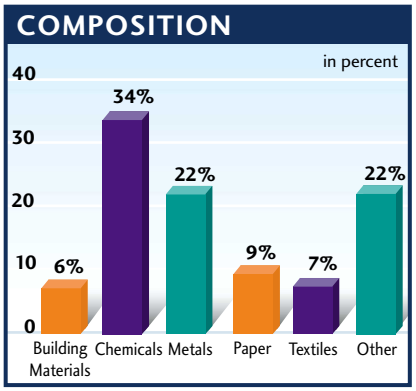


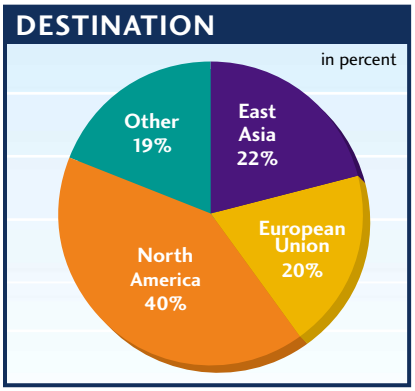




MATERIALS







Monthly data are seasonally adjusted.

Product categories (except for services) are based on end-use classification.

North America: Canada and Mexico.

European Union: Austria, Belgium, Denmark, France, Finland, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and United Kingdom.

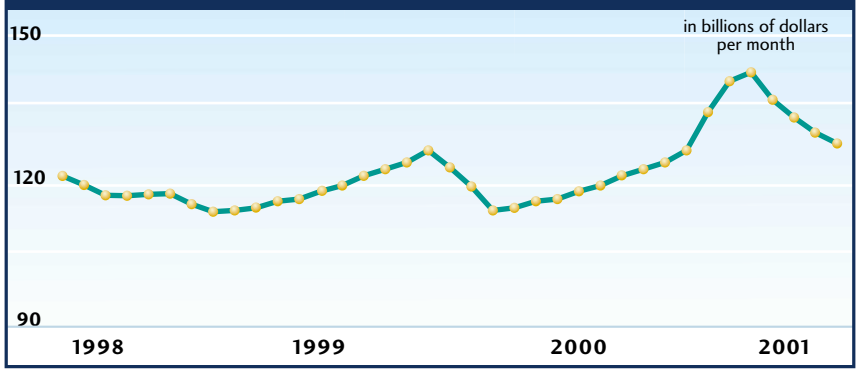
East Asia: China, Hong Kong, Indonesia, Japan, Malaysia, Philippines, Singapore, South Korea, Taiwan and Thailand.

The chart showing exports of services by region is based on data for calendar year 1999. Other charts showing product mix and geographic destination are based on data for the year ending July 2001.

Source: Bureau of the Census (goods), Bureau of Economic Analysis (services).

MACHINERY

RECENT TRENDS



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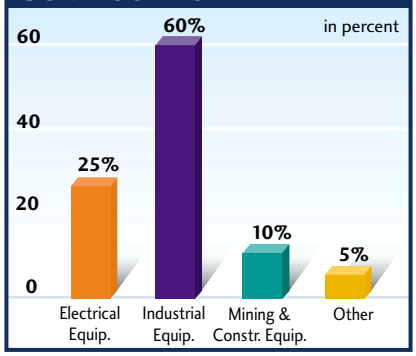

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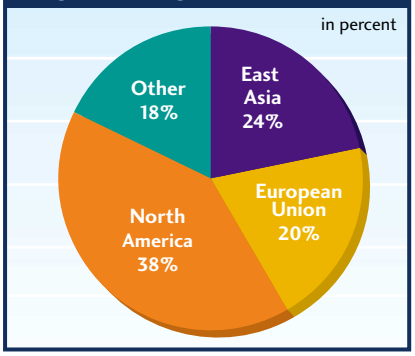
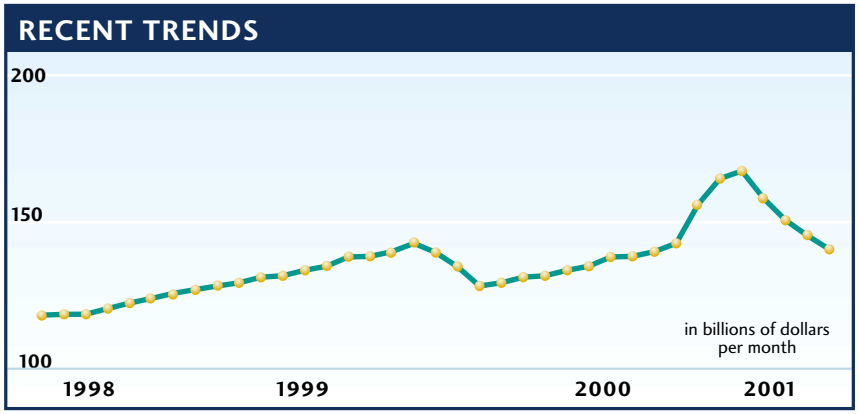


ELECTRONICS & INSTRUMENTS

RECENT TRENDS



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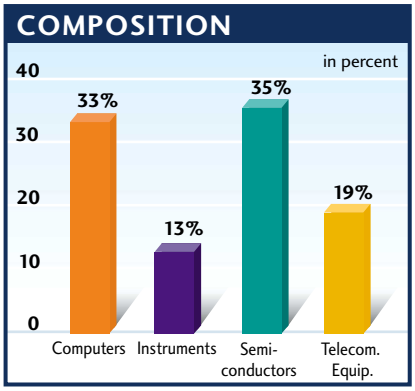

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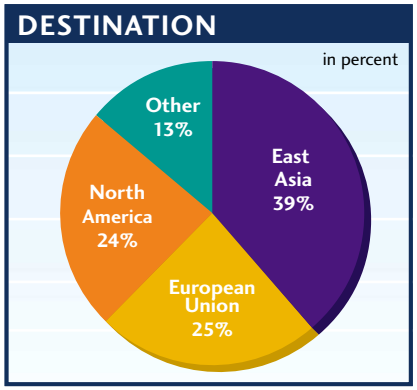

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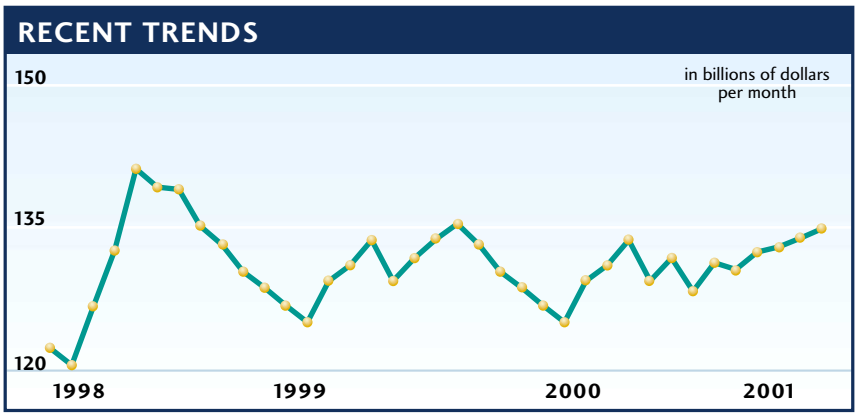

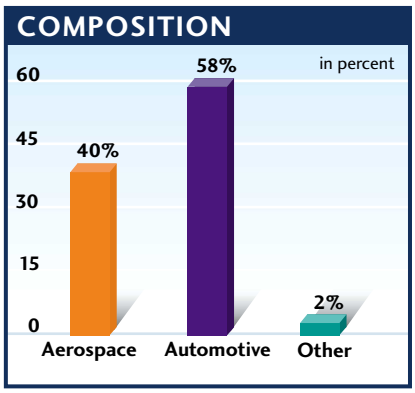

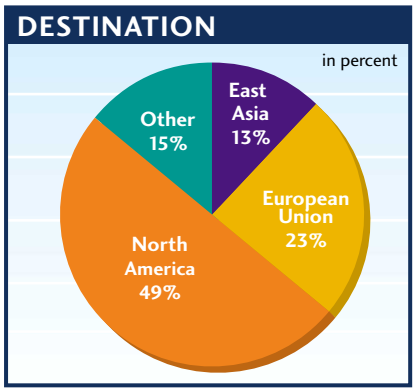

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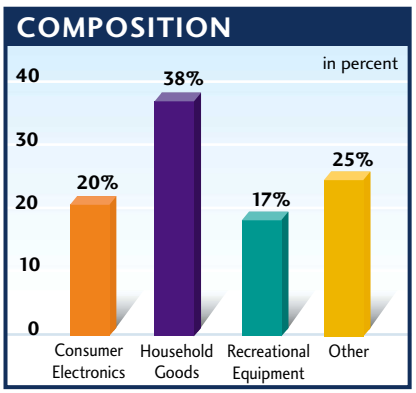
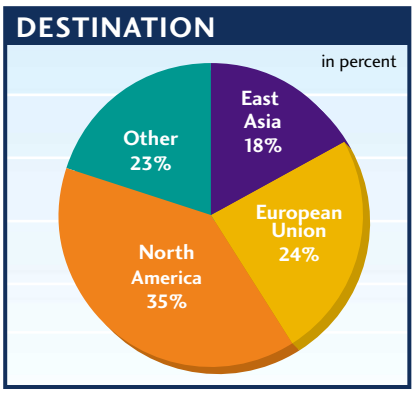
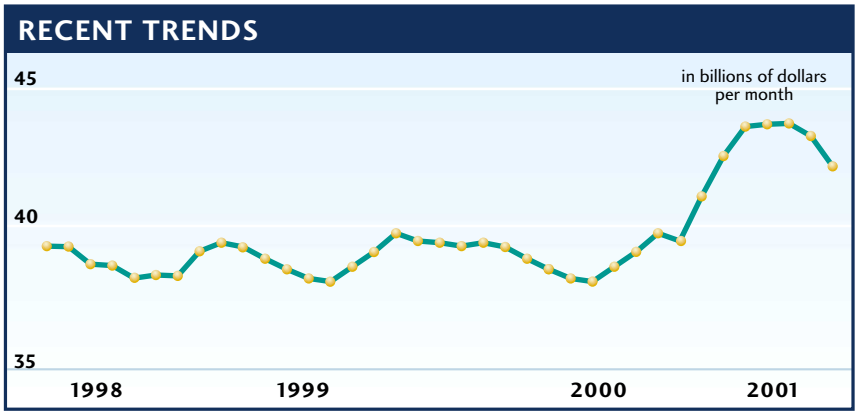
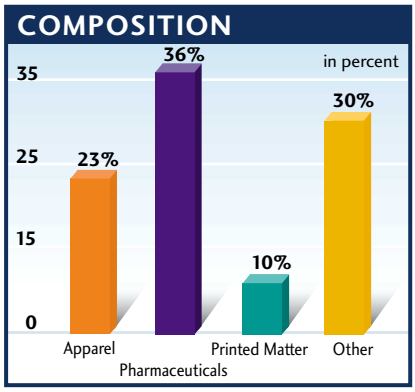
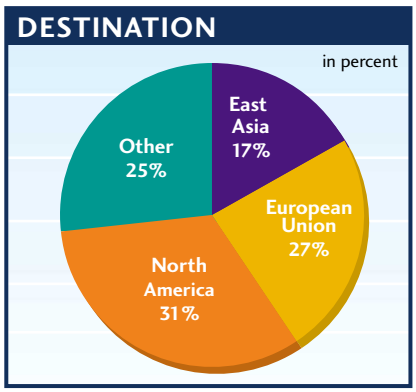




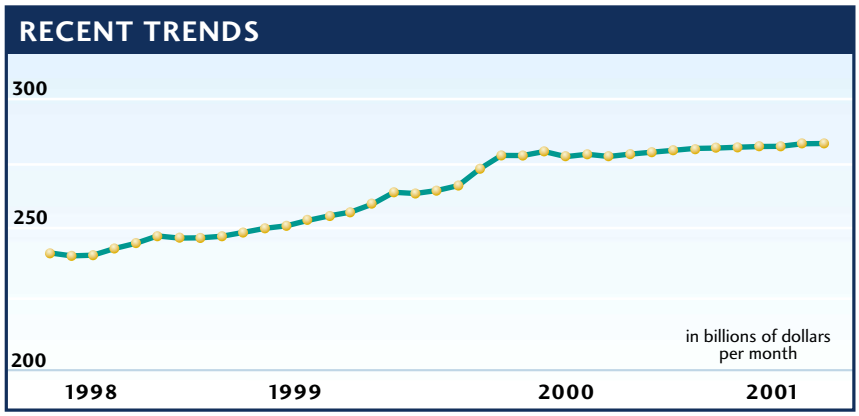
CONSUMER NONDURABLES

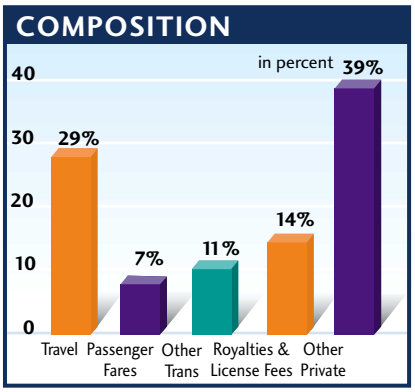


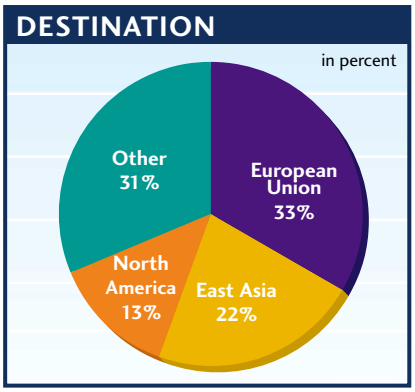




CONSUMER SERVICES







Additional information is available from the International Trade Administration (www.ita.doc.gov/tradestats/);

the Bureau of the Census (www.census.gov/foreign-trade/);

and the Bureau of Economic Analysis (www.bea.doc.gov/bea/).

Prepared by the Office of Trade and Economic Analysis, Trade Development. For more information call (202) 482-2056.

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