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January 2003
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THE FEDERAL SOURCE FOR YOUR GLOBAL BUSINESS NEEDS

GLOBAL ECONOMIC OUTLOOK

ASSESSING RISKS AND OPPORTUNITIES

INSIDE:

Selling U.S. Wines Abroad: "New World" Wines Seek Their Market
Classifying Your Products for Export
Ohio District Export Councils

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EDITOR'S MEMO

The beginning of a new year give us all an opportunity to start fresh, plan for the year ahead, and take a long look at what may be in store for us.

The past few years have been tumultuous times and while there are indications of improving economic conditions around the globe, consumers and producers alike are still wary. However, in the face of this global recession, there are still opportunities for diligent, committed exporters. Developing economies have felt the slowdown with less impact than have most industrialized nations. And as our efforts to improve conditions, open trade, and advance business relationships in regions such as western Africa and Latin America, these are the markets that currently offer the most diversity.

Economies in transition, such as Russia and Poland are quickly adopting systems that are improving business conditions. Additionally, countries of Central and Eastern Europe are poised to join the European Union in 2004 and in preparation for accession; all have instituted significant infrastructure and business environmental changes to ensure their success as the newest members of the EU. Our feature this month takes a broad overview of the prospects for the global economy as well as focusing on the short-term outlook by region.

Secretary Evans recently completed two back-to-back business development missions; one to Ghana and South Africa (see News from Commerce) and one to Chile and Peru. Both of these regions exemplify opportunities for U.S. business. While in Africa, Secretary Evans stressed the importance of American firms operating abroad to be mindful of social responsibility and the impact of being a good corporate citizen.

In that same theme, both firms featured as Success Stories highlight companies that have explored opportunities in developing regions; one a software-development firm, the other a provider of cost-effective water purification equipment. Each in its own way is improving the stability and future prosperity of the economies in which they operate.

Looking forward, there will be many opportunities to explore new markets, witness groundbreaking cooperation, and move ahead with global business. Welcome to 2003 and, as usual, good luck in your exportig endeavors.

Cory Churches
Editor

GLOBAL NEWS LINE

JAPAN

The Japanese do-it-yourself (DIY) products market has expanded over the past 30 years to its current market size of $30 billion, with more than 3,700 stores. Although the Japanese DIY market is the third largest in the world (behind the DIY markets in the United States and Germany), it is only 14 percent as large as the U.S. DIY market. The annual growth rate of the Japanese DIY market has slowed to slightly over 4 percent in recent years, not withstanding the decrease in average purchases per person caused by the slow economy in Japan. Gardening and exterior products have been strong for several years. Recently, the remodeling market has shown promise.

TAIWAN

In line with a government policy favoring renewable energy, the state-run Taiwan Power Company (Taipower) plans to invest $43 million to build 200 wind power turbines along the western corridor of the island over the next 10 years.

According to Taipower management, the 200 turbines will have an aggregate capacity of 300 megawatts (MW), accounting for 1 percent of the company's total installed generating capacity. The first wave of 60 turbines is scheduled for installation by 2005, for a combined capacity of 100.8 MW, at a total cost of $12.9 million.

NEW ZEALAND

Possible power shortages in New Zealand may, in the future, be prevented through wind technology. As studies reveal that New Zealand's requirement for new electricity generation installations could be sooner than expected, some power generators are now seriously considering wind power. New Zealand's national grid operator, Tranpower, has warned that New Zealand may face power shortages between 2005 and 2007 if no new generation installations are built. At least one private-sector forecaster is warning that power shortages could be earlier than 2005 if there is a dry year.

Electricity demand has grown by 1.8 percent annually over the last decade. Hydropower constitutes 63 percent of the country's total electricity generation, with the balance comprised of gas (22 percent), geothermal (7 percent), coal (4 percent), and other (3 percent).

Meridian Energy, a state-owned power generator and retailer, announced in October 2002 that it had plans to install two to three new wind farms. Meridian also intends to invest in a joint irrigation and hydro generation project in the Waitaki Valley on New Zealand's South Island. Besides the Meridian announcement, several other organizations have expressed interest in wind technology, especially in the Wellington region. New Zealanders are receptive to the concept of wind power but are generally reluctant to support developments in their own backyard.

SWEDEN

Swedish foundries are investing in expansion, which provides market opportunities for U.S. suppliers of casting raw materials and equipment. Swedish industry uses an average of 450,000 tons of castings annually. Some 150,000 tons are imported, mostly from Europe. The ultimate goal is to import the raw material and cast it domestically. The foundries cast in steel, iron, aluminum, magnesium, and copper.

There are some 200 foundries in Sweden. The annual revenue of the industry is just over $800 million, and the industry employs some 7,000 people. Several of the foundries are integrated parts of large consortiums, such as Volvo, Scania, and SKF (the vehicle industry being one of the largest customers for castings). Although the large vehicle companies have their own foundries, they also use smaller ones for subcontracting. Another growing industry sector depending on foundries is wind power.

In a letter to the Swedish Ministry of Industry, Employment and Communications, the director general for Invest in Sweden Agency (ISA), Kai Hammerich, has proposed that the Swedish government subsidize a 3G mobile phone for everyone in Sweden. The proposal is similar to a package introduced four years ago, when employees could rent tax subsidized PCs from their employers.

The 3G mobile scheme would boost IT investment and 3G services, thereby supporting Ericsson and the Swedish telecommunications sector. ISA estimates that around 650,000 phones would be placed on the market.

According to ISA, the project would mean a tax loss for the state in the neighborhood of $390 million. The agency believes that this would be offset by increased development and sales of telephone systems that in turn would promote exports. In order to support the telecommunications sector, ISA proposes that the time for new infrastructure to be in place be extended by two to three years. License holders have already requested an extension, but the Swedish regulator, PTS, has declined the requests so far.

The Swedish press has not reacted enthusiastically to the proposal. The argument is that you cannot compare the PC reform with this proposal, because the objectives are not the same. The objective for the PC reform

was to increase computer skills among Swedes, something that resulted in high computer density, as well as high Internet and broadband penetration. In this case, the winner would be Ericsson and its suppliers, while institutions dependent on tax revenue, such as schools and child-care facilities, would be on the losing end.

BELGIUM

At all levels, e-learning has opened a potentially strong market for U.S. exporters. Many U.S. institutions and companies can benefit from the development or refinement of e-learning programs—services that Belgium needs to reduce educational costs and develop as an information-based society. With its great regard for American institutions, not to mention the increasing demand for e-learning, Belgian universities and employers could be highly receptive to many of the innovative programs offered by U.S. institutions and companies.

GERMANY

The German wind energy sector reports records year after year. Since 1999, Germany has been the world leader in terms of installed wind power facilities and generated wind energy. Offshore projects will dominate efforts among Germany's market players in the coming years. Because locations suitable for wind energy generation are limited throughout country, there has to be a "natural" end to the present hype. It remains to be seen how the output of existing wind power facilities can be increased with the help of technological progress.

The German social-democratic/green government coalition is making tremendous efforts to increase the utilization of renewable energy. Two years after the implementation of the German Renewable Energy Sources Act, the share of energy generated by renewable sources increased from 5 percent to 7.2 percent (or 36 billion kWh) in 2001 and should reach 10 percent by 2010. Wind energy ranks second among renewable energy generation with 3.5 percent or 11.5 billion kWh, after hydro generation with 20 billion kWh. The German wind energy sector expects to record total sales of $3.5 billion for 2002. With the exception of GE Wind Energy, U.S. firms still play a minor role in the German wind energy market. This situation could change, if expected technological developments lead U.S. wind power industry players to increased competitiveness on global markets.

ROMANIA

The information and communications technology (ICT) sector is probably the most dynamic component of the Romanian economy, and definitely one that is receiving priority attention from the government. Over the last 10 years, the sector has experienced impressive growth, offering Romania the latest technologies in most branches of telecommunications. According to industry sources, estimations for 2002 put the total size of the telecommunications services market at about $1.8 billion. The most significant development in the sector will be the liberalization of the market for fixed telephony, beginning on January 1, 2003. This is expected to increase competition in the whole sector, with positive effects on both the quality and the cost of services.

Although faced with strong competition coming mostly from Western European companies, U.S. firms are well represented in the Romanian ICT market, especially in the IT subsector and in wireless, cable, and mobile communications. The best prospects for U.S. exports include wireless communications equipment, cable communications equipment and services, 3G mobile communications (especially CDMA) equipment and services, and Internet services, including voice over Internet protocol. Romanian imports of PCs, network interfaces, and other communication interfaces, as well as of multimedia equipment, will continue to come mostly from U.S. suppliers. Likewise, software for advanced IT applications will continue to come primarily from the United States. ■

NEED MORE DETAIL?
Ask a commercial officer at one of the Department of Commerce's posts located around the globe. Contact information, including phone, fax and e-mail, is available by calling the Trade Information Center at (800) USA-TRAD(E).

The Heat is On

Solar Technology Creates Potable Water

by Curt Cultice
ITA Office of Public Affairs

It was 1999, and the citizens of Quezon City, near Manila, the Philippines, were anxiously awaiting new equipment for the Tahanan Clinic, a drug and alcohol rehabilitation center.

The clinic was expecting the arrival of a solar water pasteurizer from Safe Water Systems, Inc., a small firm based in Honolulu. Once in place, the pasteurizer would use the warmth of the sun to heat water, thus purifying it and making it fit to drink.

Back in his Honolulu office, Will Hartzell, president of Safe Water Systems, remembers being very excited about the opportunity to help the clinic in Quezon City.

"The best part of this job is knowing that what we do really makes a difference," Hartzell says. "Eighty percent of all illnesses in the developing world result directly from waterborne pathogens. Helping improve the health and quality of life for millions of people around the world is tremendously satisfying."

The concept behind the Safe Water Systems technology is really very simple. The solar water pasteurizers use the sun's rays to heat the water to the point where all harmful bacteria and viruses are disinfected. It achieves the same result as boiling but at a lower temperature over a longer period of time. The solar units are designed to last about 25 years, don't need electricity, and they require virtually no maintenance, making them ideal for undeveloped rural locations and an efficient alternative to purifying water by boiling. Where firewood cannot be gathered, wood or other fuels must be purchased, with the cost often consuming up to 25 percent of a family's income. Millions of people cannot afford to buy fuel, have no way to disinfect their drinking water, and consequently suffer illnesses or die.

Placed at the water source of a local village or clinic, the water enters the solar water pasteurization system, where it is heated for two and one-half hours or so, and there you have it—drinkable water!

A LITTLE HELP FROM HIS FRIENDS

Hartzell still thinks about that sale to the Tahanan Clinic. Why? Well, let's just say he is thankful to have the resources of the U.S. Export Assistance Center in Honolulu.

"It turns out that once the shipment was made, I found that the clinic was not a registered importer," he says. "I couldn't get the product into the Philippines without paying exorbitant fees."

The Tahanan Clinic was in danger of not getting its water pasteurization system. The thought really bothered Hartzell. After all, the people using this clinic were really counting on delivery of his product, and he was counting on them to love his solar water pasteurizer.

"At first I was worried, but I took the issue to the Commercial Service trade specialists at the Honolulu U.S. Export Assistance Center, and they were able to untangle the paperwork and procedures, enabling our solar water pasteurizer to be shipped."

Hartzell had been dealing with the U.S. Export Assistance Center for a couple of years, and he was quite familiar with its

Photo courtesy of U.S. Commercial Service.

Hawaii Congressman Neil Abercrombie (left) presents Will Hartzell, president of Safe Water Systems, with the Export Achievement Certificate, as Robert "Mike" Murphy of the Honolulu Export Assistance Center looks on.

services. "Oh sure, the trade specialists have helped me out in a variety of situations," Hartzell says. "We've gotten assistance on everything from letters of credit and shipping terms to market information and country commercial guides for doing business around the world."

The hard work and assistance have paid off noticeably. For example, Safe Water Systems last year won the U.S. Commerce Department's Export Achievement Certificate. The award recognizes businesses that have exported to new markets with help from the department's Commercial Service trade specialists.

"Nigeria is a really good example of how we used information from the U.S. Export Assistance Center to navigate the market," Hartzell says. "We recently sold six of our solar water units—totaling $30,000—to priests at small clinics in that country."

Mike Murphy, director of the U.S. Export Assistance Center in Honolulu, says the deal was a real "win-win" for all involved and that the center helped the firm get documents on requirements for import into Nigeria.

"Water Systems is a good company that will work hard to make the export sale," Murphy says. "We enjoy building partnerships with local companies, and it gives us even more of an incentive to help when we're dealing with humanitarian issues."

A HEALTHY EDUCATION

Despite their success, Hartzell says that selling solar water pasteurizers to developing countries is not necessarily an easy or speedy proposition.

"There is quite a bit of health education going on in these rural areas, but many people in developing nations have no idea that unsanitary drinking water leads to sickness," he says. "Organizations like the United Nations, World Bank, and CARE are heavily involved in this educational effort."

Photo courtesy of Safe Water Systems.

Three girls stand near the larger unit in Olkokola Village, near Arusha, Tanzania.

The statistics are alarming. Every year, 5 million people die as a result of contaminated drinking water—twice the number of people who die from AIDS. Contaminated drinking water is also the leading cause of death for children under five years of age, because their immune systems are not fully developed.

According to the World Health Organization, 1.2 billion people do not have access to drinking water free from disease-causing microbes. The World Health Organization predicts that by 2025, this number will increase to more than 2 billion.

Hartzell says his firm piggybacks on this worldwide educational effort by selling solar pasteurization units to governments agencies, non-profit and humanitarian service groups, charitable trusts, foundations, schools, and health clinics.

As such, the solar water pasteurization units have been proven to be both efficient and affordable. The firm's larger unit, measuring 40 square feet, costs $2,600, while the smaller 20-pound portable or family-sized unit is a mere $300. A village or institutional unit disinfects 250 gallons of water per day, and a family-sized unit will create up to 10 gallons safe to drink. The firm also makes a fuel-burning unit for use in areas with heavy foliage and little sun exposure.

With ever-increasing sales, Safe Water Systems continues to expand and now employs a dozen people.

"The biggest challenge of exporting is closing the deal," Hartzell says. "We've been very good at that, but there's a ton of potential opportunities out there."

Since 1996, the firm has exported 1,400 solar water pasteurizers to nearly 50 countries in Southeast Asia, Central America, and Africa.

Thanks to Safe Water Systems, millions of people around the world have a better way of life. And that includes the patients of Tahanan Clinic in Quezon City. ■

Hard Hats and Software

Promoting Good E-Government in Africa

By Doug Barry
U.S. Commercial Service

John D. Parks grew up working in his family's construction business in the sun-splashed community of Riverside, California. Two years ago, he put together a team to build HardHatBid, Inc. The team spotted an unfilled need in bidding and procurement processes, and recently HardHatBid negotiated a very large contract with the government of Ghana. How did the team do it?

Through their experience in the construction business, team members knew of the difficulties in bidding and procurement cycles. "There is a noticeable lack of transparency, connectivity, and accountability in these systems," says Parks.

Out of their analysis came an idea for a solution: the Double Blind Electronic Bidding System (DBS), computer software for improving the quality and efficiency of bidding and procurement. But the team's bigger insight was that the DBS could make any procurement process more transparent, which would be a boon for governments and government agencies all over the world.

E-GOVERNMENT IN EMERGING MARKETS

Parks explains that there is substantial interest in creating more efficient e-government systems. With the help of the U.S. Commercial Service, HardHatBid found an interested buyer in Ghanaian President John Kufuor, who had campaigned for office on an economic development, anti-corruption platform. Parks said there is considerable urgency in developing countries to create transparent government processes and involve local businesses that do not typically receive government contracts. Says Parks, "Encouraging economic development and local growth becomes a national security issue. Providing good governance and accountability helps to stabilize society."

The negotiations with the government of Ghana took months of hard work, including a detailed analysis of the Ghanaian economy, developing a relationship with the Ghanaian ambassador to the United States in Washington, D.C., and meeting with officials in Accra, the capital of Ghana. Ghana put the contract out for bid worldwide, but only HardHatBid met the specifications.

UNIVERSAL BIDDING

HardHatBid's solution went beyond software to include the creation of 50 community development centers in every district in Ghana. These "walk-in centers" enable prospective bidders to access government solicitations, download blueprints, become compliant with government regulations, and create and submit bids. Where electricity is spotty or nonexistent, the centers generate their own power and provide Internet access. One of the things Ghanaian officials liked about the HardHatBid system is that a person can be trained on how to use it in less than 30 minutes. One welcome feature of the system, says Parks, is that all on-line forms are written in plain language.

The first phase of project development will involve interviewing representatives from every national and local government department. The system will be customized to handle all the bidding and procurement needs on everything from housing and public works to education and defense. Each department's needs will be matched to the overall government economic development policy.

But isn't the system only as good and honest as the people operating it? Yes, says Parks, but there are built-in features that make it difficult for shenanigans to go unnoticed for long. "If for some reason a single contractor keeps getting contracts from a specific department, the system automatically sends a red flag to several managers," explains Parks. He says the software can detect "patterns of impropriety," and that the availability of this and other information "empowers government managers to do more of the right thing and to do it better and faster."

HELP FROM THE U.S. COMMERCIAL SERVICE

Eduard Roytberg, a U.S. Commercial Service trade specialist in southern California, has worked with HardHatBid since it started and believes the company is developing a solid niche. "This technology creates a fairness platform that if faithfully implemented can help a country or region to become more attractive to foreign and domestic investment, more stable politically, and simply a better place in which to do business," notes Roytberg.

Parks credits Roytberg and his colleagues with opening doors for his company. Specifically, says Parks, the U.S. Commercial Service held seminars on exporting, scheduled appointments with officials in Ghana, and assisted in the selection of Parks as a participant in the trade mission to Ghana and South Africa, led by Secretary of Commerce Donald Evans, in November.

Parks has advice for small companies seeking international sales. First, do your homework. Second, use the resources of the U.S. government, including the U.S. Commercial Service of the Commerce Department. "The government can give you great credibility in many parts of the world," says Parks. Third, understand your buyer. The buyer has to like you and your company before he will buy your product.

What's next for HardHatBid? "We have been engaged by six additional countries in Africa. Also, countries and private enterprises on every continent have approached us about implementing DBS. We know that 2003 will be a great year for us, because we're riding a trend that merges the Internet, economic development, and good governance." ■

Photo courtesy of U.S. Commercial Service.

John Parks (R), CEO of HHB, with Commerce Secretary Evans during a recent mission to Africa.

Selling U.S. Wines Abroad

"New World" Wines Seek Their Market

by John Ward
Export America

Baseball—a sport whose fans have long favored beer as their beverage of choice—may at first blush be an odd pairing with wine, but as Stacie Jacob of the Washington Wine Commission found out recently, presumptions can be misleading. The commission had brought over a couple of Japanese wine writers to tour Washington wineries for two weeks. Recalls Jacob, "After their tour, they insisted on doing one thing: attending a Mariners game and seeing the team's star pitcher, Ichiro Suzuki. We made sure they got there."

According to Jacob, the communications director for the Washington trade group, building on such cultural links has helped the state boost awareness of its wines in the important Japanese market: "The image of the Pacific Northwest—its natural beauty, the association with a healthful lifestyle, and the cultural links with Japan—has helped us to make ourselves known to Japanese wine buyers." It is a point not lost on many other wine producers, as they seek to sell abroad.

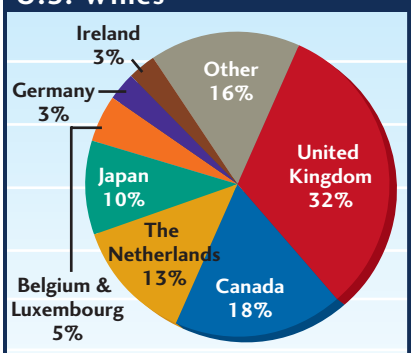
U.S. WINE: A HEALTHY INDUSTRY

Building an international market has been a natural step for many U.S. wineries, after several decades of strong growth in the domestic market. Despite being hobbled over the years by the legacy of Prohibition, a home market with 50 wildly differing regulatory regimens, and a domestic delivery system that would make Rube Goldberg cringe, the U.S. wine industry has been experiencing one of its best periods in history.

During the 1990s, the number of U.S. wineries nearly doubled, from 1,608 in 1990 to 3,182 in 2002, according to the American Vintners Association. Newer growing regions—such as those of the Pacific Northwest and Virginia—matured and added to the production of the already well-established wineries in California and New York. At the same time, wine production and sales grew as well, from 109 million liters of wine in 1990 to 300.2 million liters in 2000.

California is by far the most important wine producer in the United States, accounting for some 90 percent of U.S. wine. Its production of 3 million

Largest Export Markets for U.S. Wines



in percent for 2001
Source: Foreign Agricultural Service, U.S. Department of Agriculture.

LARGEST PRODUCERS OF WINE GRAPES IN 2001 (THOUSANDS OF TONS)

California: 3,008 tons
Washington: 100 tons
New York: 41 tons
Oregon: 22.8 tons
Pennsylvania: 12 tons
Texas: 9.3 tons
Virginia: 3.8 tons
U.S. total: 3,568 tons

Source: U.S. Department of Agriculture, "Non-citrus Fruits and Nuts 2001 Summary," Report No. FrNt 1-3 (02), July 2002.

tons of wine grapes in 2001 put it well ahead of second-place Washington, which produced 100,000 tons, and third-place New York, which produced 41,000 tons. (See chart.)

Exports have followed this growth. According to the Wine Institute, a California trade group, U.S. wine exports grew from $137 million in 1990 to $560 million in 2000. California, for example, exported 12 percent of its wines in 2001. In Washington State, about 9 percent of the state's production is exported. Nationally, the largest markets for U.S. wines include the United Kingdom, Canada, the Netherlands, and Japan.

Photo courtesy of the Washington Wine Commission.

Kiona Vineyards in the Columbia Valley of Washington State. The producer is part of the state's newest appellation, Red Mountain.

DIFFERENT TOOLS FOR DIFFERENT MARKETS

When approaching foreign buyers, sellers of U.S. wine must pay careful attention to the peculiarities of regional and cultural attitudes, as well as such intangibles as perceptions about lifestyle and health concerns.

The Wine Institute's Gladys Horiuchi notes that her group makes a point of associating wine with positive aspects of California, such as the sunny climate, its active lifestyle, and its emphasis on outdoor leisure activities. "People like the image of California," says Horiuchi. "We've even brought a surfboard to trade shows to make the point explicit and help sell the wine."

Washington vintner Tom Hedges, owner of Hedges Cellars in Benton City, Washington, notes that in Japan, wine consumers are sponges for information: "They will carefully read the back label, and pay attention to the packaging. It's an important part of approaching that market." Hedges, who began exporting to Japan three years ago, has also benefited from Japanese awareness of the supposed health benefits of drinking red wine. "White wines had always sold better in Japan than red, but after studies were published touting the benefits of drinking red wine, the market in Japan changed. Reds now outsell whites."

In a very competitive market, U.S. wine producers use a blend of wine tastings, videoconferencing, and a star baseball player to get their wares before foreign buyers.

"VIRTUAL" TASTINGS: AN ADDED EDGE

Traditionally, wine sellers have used trade shows, country visits, and tastings to get the attention of prospective distributors and buyers. A recent twist on this approach has been the development of so-called "virtual" wine tastings. Cases of wine are shipped in advance to the target audience. Later, bottles are opened simultaneously in the United States and in the target country, while winery representatives are available—via videoconferencing—to answer questions from prospective buyers.

Since 1999, the North Bay U.S. Export Assistance Center, located in San Rafael, California, has organized six of these virtual tastings in conjunction with the Foreign Agricultural Service in Italy, Mexico, Colombia, Japan, the Philippines, and Switzerland. Several more are in the planning stages for 2003.

At a recent such virtual tasting this past July, five wineries from northern California met at the USEAC offices in San Rafael, while some 38 participants gathered in the U.S. consulate in Osaka, Japan. Japanese attendees included hotel and restaurant buyers, distributors, and press.

The tastings have brought some success. According to Sandy Forman

of Mercury International Corp. of Torrance, California, a distributor representing some 30 small wineries, "Our participation in a virtual tasting in the Philippines got our wines noticed by potential buyers in a market we had never before approached. It laid the groundwork for successful follow-up sales we later made at a Philippine trade show."

MATCHING FUNDS HELP MARKETING EFFORTS

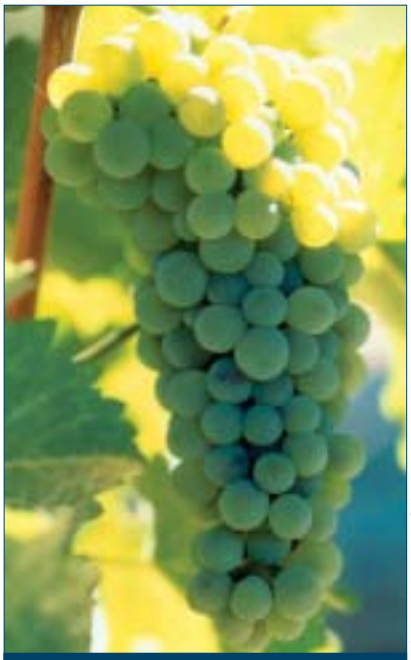
In addition to the assistance offered by the U.S. Export Assistance Centers, the Foreign Agricultural Service of the U.S. Department of Agriculture is a key promoter and financer of wine marketing efforts. Under the department's Market Access Program (MAP), matching funds are provided for certain overseas promotions, such as trade shows, wine fairs, tastings, and a variety of other promotional efforts.

The MAP funds are usually dispersed through private-sector partners, such as wine trade associations. In fiscal year 2002, for example, the California Wine Institute, the New York Wine and Grape Foundation, and the Northwest Wine Promotion Council collectively received some $3.5 million under the USDA program. The funds are given out on an annual basis, upon receipt of an application to the USDA that details how the funds will be used.

ON-SITE SALES AND TOURISM

A small niche market for some boutique producers is international wine tourism. Some smaller wine producers already find that a significant portion of their wine sales are made on-site, directly to the consumer during a winery visit. Virginia wineries, for example, sold 43 percent of their wines in 2001 at the winery, with the remainder sold either through distributors (47 percent) or state package stores (10 percent).

Larger wine producing states actively promote their winery regions as tourist destinations. California, New York, and Washington, for example, all offer printed and on-line guides to their winery regions that are geared to wine tourists. Washington and New York are both particularly well placed to attract international visitors, owing to the proximity of their prime wine producing areas to the Canadian border. According to the Washington Wine Commission, some 5 percent of wine tourists in 2000 were foreign visitors.



Gewurztraminer grapes.

Photo courtesy of the Washington Wine Commission.

THE FUTURE OF "NEW WORLD" WINE EXPORTS

While wine exports may have flattened somewhat over the past year, U.S. wine exporters can look forward to growing markets, thanks to a number of factors in their favor. One is the growing awareness on the part of the federal government to take an active part in helping this sector grow.

In December 2001, five non-European wine-producing countries—the United States, Canada, Australia, Chile, and New Zealand—signed the Agreement on Mutual Acceptance of Oenological Practices. (Argentina subsequently signed the agreement, and South Africa is in the process of

approving it.) These so-called "new world wine exporters" have agreed to take significant steps that will ease barriers to the trade of wines among themselves. These include the establishment of consultation and dispute settlement procedures and, most important, allowing the importation of wines that have been made in accordance with each country's laws, thereby eliminating a very significant barrier to trade.

Today, while producing some 8 percent of the world's wine, the United States has a much smaller share—some 4.2 percent—of world wine exports. But with a combination of innovative marketing, increased international awareness, and lowered trade barriers, U.S. wine producers will have the opportunity to grow and prosper. ■

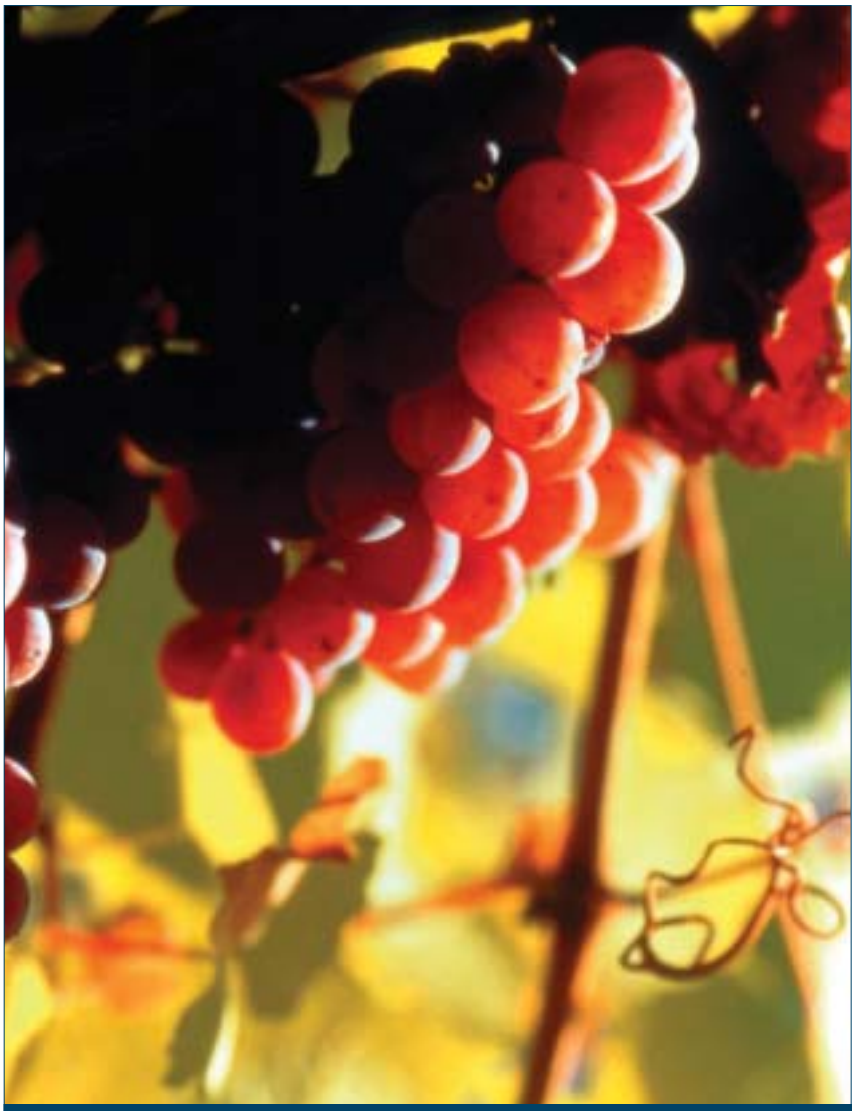


Photo courtesy of the Washington Wine Commission.

Chardonnay grapes.

SIPS OF MORE WINE INFORMATION

California's **North Bay U.S. Export Assistance Center** (USEAC)—the sponsor of the virtual wine tastings mentioned in this article—is gearing up for more tastings in 2003. The USEAC is located at 4040 Civic Center Drive, Suite 200, San Rafael, CA 94903. For more information, contact trade specialist Dan Giavina by phone at (415) 492-4548, or via e-mail at daniel.giavina@mail.doc.gov. Information on the activities of this and other U.S. Export Assistance Centers is available on-line at www.export.gov.

The **Foreign Agricultural Service** (FAS) of the U.S. Department of Agriculture is the main U.S. government source of information about wine export marketing promotions, events, and statistics. The FAS Web site is www.fas.usda.gov. The FAS also publishes a monthly magazine, *AgExporter*, which regularly features in-depth looks at markets for U.S. agricultural exports. Recent articles have examined U.S. wine exports to Quebec, Poland, and France. One can subscribe to *AgExporter* by contacting the Government Printing Office at (866) 512-1800, or at http://bookstore.gpo.gov. The magazine is also available on-line at www.fas.usda.gov/info/agexporter/agexport.html.

Most **wine-producing states** have agencies or commissions that promote their grape growers and wineries. Here are links to some of the larger ones:

- California: the Wine Institute, www.wineinstitute.org
- Washington: Washington Wine Commission, www.washingtonwine.org
- New York: New York Wine and Grape Foundation, www.nywine.com
- Oregon: Oregon Wine Advisory Board, http://oregonwine.org
- Virginia: Department of Agriculture and Consumer Services, www.virginiawines.org
- Texas: Department of Agriculture, www.agr.state.tx.us/wine/docs/grapeguide.htm

Several **trade associations** offer information about production and exports of U.S. wine. They include the American Vintners Association (www.americanwineries.org) and the aforementioned Wine Institute.

MORE INFORMATION

Trade Mission to Africa

Goodwill and Good Business

by Cory Churches
Export America

In November, Secretary of Commerce Donald Evans led 10 senior executives to Ghana and South Africa on the fourth business development mission for the Bush administration. The mission focused on commercial opportunities for U.S. companies, including joint ventures, presented by the continuing market liberalization and privatization under way in these countries. In both Ghana and South Africa, briefings and business appointments were arranged for members of the delegation.

Two delegation members secured large deals as a result of the mission, and Secretary Evans participated in the signing ceremonies for each. The first was an $80-million agreement between Lemna International Inc., of Minneapolis, Minnesota, and Ghana Water Company. The project will expand and rehabilitate the drinking water systems of Sunyani and 16 other towns and villages, in order to provide clean drinking water to thousands of people.

"Water is a fundamental human need, and repairing, upgrading, and expanding the Sunyani water supply system will have an extremely positive developmental impact on the current population and on the 372,000 people who will be living in the area in 2020. Improvements to the health of citizens and increases in productivity will directly and indirectly contribute to Ghana's economic development," said Viet Ngo, president and CEO of Lemna International.

"This agreement is an outstanding example of what can be achieved through public-private sector cooperation," said Evans. "Through trade, American companies are helping improve living standards in Africa. Furthermore, as we continue to trade, we will develop economic opportunity and jobs for America's workers."

The project is expected to generate nearly $50 million in U.S. exports, creating and supporting hundreds of U.S. jobs. In recognition of Lemna's significant efforts to secure valuable business contracts, received an Export Achievement Certificate from the U.S. Commercial Service in early 2002.

Forest Oil of Denver, Colorado, was equally successful. Bruce Thompson, executive director of Forest Oil's public and industry affairs, signed a letter of intent with the South African Department of Minerals and Energy, for a natural gas project totaling $800 million. Forest Oil will develop infrastructure treatment facilities, an offshore gas pipeline from the Atlantic Ocean to Saldanha Bay on the South

Photo courtesy of U.S. Commercial Service.

Secretary Evans is greeted by a patient at Princess Marie Louise Children's Hospital in Accra, Ghana. The secretary's visit highlighted Boeing's donations to the hospital.

African coastline, storage facilities, and metering stations.

As he highlighted U.S. business opportunities and successes, Secretary Evans also emphasized the importance of corporate citizenship, encouraging businesses to answer President Bush's call to use the power of free markets as a tool against poverty.

In Accra, against the backdrop of a hospital that treats children infected with HIV/AIDS, Evans praised U.S. companies that give back to the communities where they do business. The Princess Marie Louis Children's Hospital in Accra lacked basic equipment and appropriate plumbing and heating until U.S. companies, including Boeing, stepped in with financial support.

During a visit to Chris Hani Baragwanath Hospital in Johannesburg, the largest general hospital in the world, Evans cited Pfizer's partnership with the hospital to fight HIV/AIDS as a model of successful corporate citizenship.

Pfizer is providing the drug Diflucan free of charge to government hospitals and clinics throughout South Africa to improve the quality of life of people living with HIV/AIDS. Since the start of the program in 2000, South African hospitals and clinics have distributed 2 million doses of Diflucan. During Evans' visit, Pfizer announced that it would continue to provide these drugs free of charge for an indefinite amount of time—a significant, ongoing contribution to help the many South Africans affected by the HIV/AIDS epidemic.

"When American companies do business overseas, they bring the American values of service, volunteerism, and social responsibility," said Evans. "Businesses have the power to play a big part in unlocking prosperity and providing hope for the people of Africa, and it is projects like this that illustrate the impact of good corporate practice on the lives of people around the world."

Photo courtesy of U.S. Commercial Service.

Secretary Evans witnesses a signing between Lemna International of Minneapolis, Minnesota, and Ghana Water Company, Ltd. The contract is valued at $180 million.

Throughout the mission, Secretary Evans reiterated the United States' commitment to pursue a free-trade agreement with the South African Customs Union (SACU). "President Bush believes that free markets and free enterprise are the keys to unlocking social, political, and economic opportunity around the world, especially in Africa," said Evans. "A U.S.-SACU Free Trade Agreement will send a clear signal to the global business community that the SACU countries are developing a strong investment and business climate."

Secretary Evans also praised the African Growth and Opportunity Act (AGOA) as an economic model to encourage new investments, jobs, and trade. "Working together, businesses and governments can open new markets and trade opportunities," said Evans. "Increased commercial partnerships between the United States and Africa will make economic prosperity a reality."

Secretary Evans also stated that he believes in the strong partnership between government and the private sector. Therefore, while in Accra, he launched a new office, stating, "Opening the Commercial Service office is a sign of our continuing commitment to Ghana. And it's a sign of improving business conditions. With this new office, our Commercial Service at the Department of Commerce will have 54 people working in Africa. These folks are here on the ground, working daily to find new business opportunities for American and Africa businesses."

"This is a remarkable period for Africa. For the first time, the needs of Africa and other developing regions are at the center of global trade talks. The United States has seen action on a number of fronts, the WTO meetings in Doha, the G-8 summit last summer, and the World Summit on Sustainable Development in September. All these efforts show how serious the world is about connecting Africa to the global economy. And the United States is leading the way. This January, President Bush hopes to attend the second annual AGOA Forum." ■

Ask the TIC

Classifying Your Products for Export

by JoAnn Queen
Trade Information Center

On a daily basis, millions of products from the United States and elsewhere enter markets around the world. A crucial aspect of this constant stream of goods is the proper identification and documentation of those products for customs purposes. For every item, there is a customs classification number that ensures that customs authorities recognize the product and that the appropriate customs fees are assessed. These numbers are also used to obtain tariff rates, complete export documentation, and conduct market research.

WHAT IS AN HS OR HTS NUMBER?

The World Customs Organization, formerly the Customs Cooperation Council, developed the Harmonized Commodity Description and Coding System, also called the Harmonized System (HS). The HS is recognized by 179 countries and customs or economic unions, representing 98 percent of world trade.

The HS assigns six-digit codes that represent general categories of goods. Countries that use HS numbers are allowed to define commodities at a more detailed level, but they must "harmonize" the first six-digits to the HS framework. Each country can assign up to four additional numbers, making the entire number up to 10 digits. Using these codes ensures that customs officials are referring to the same item when classifying the product and applying the tariff rate.

The U.S. tariff schedule, or Harmonized Tariff Schedule (HTS), is based on the international HS nomenclature. The 10-digit HTS numbers are used on U.S. import documentation and to obtain U.S. tariff rates.

WHAT IS A SCHEDULE B NUMBER?

In the United States, numbers used to classify exported products are called "Schedule B" numbers. Similar to the HTS, the Schedule B system is also based on the international HS, but the U.S. Census Bureau administers it. The Schedule B number, not the HTS number, must be provided on the Shipper's Export Declaration (SED). Using these numbers, U.S. export statistics are calculated from SEDs by the Census Bureau. Schedule B numbers cannot be used for classifying products for importation into the United States.

IS THERE A DIFFERENCE BETWEEN HTS AND SCHEDULE B NUMBERS?

Yes, in the United States, HTS numbers are used for import documentation, while Schedule B numbers are used for export documentation. Both Schedule B and HTS numbers have the same first six digits, however at the 10-digit level the codes can be different. For example, Schedule B and HTS codes show differences for the number 4801.00.00 (newsprint, in rolls or sheets).

Schedule B:

48	Paper and paperboard and articles (includes paper pulp articles)
4801.00.00.02	Newsprint, in rolls or sheets.

HTS:

48	Paper and paperboard; articles of paper pulp, of paper or of paperboard
4801	Newsprint, in rolls or sheets.
4801.00.00.20	Standard newsprint paper
4801.00.00.40	Other

The HTS number tends to be more detailed.

There are about 9,000 export codes (Schedule B) and approximately 12,000 import numbers (HTS). It is usually okay to use the more detailed HTS number on export documents, but that is not always the case. The Census Bureau's Foreign Trade Division Web site (www.census.gov/foreign-trade/www) contains a list of HTS numbers that cannot be used to report exports.

HOW OFTEN ARE CLASSIFICATION NUMBERS UPDATED AND BY WHOM?

The Foreign Trade Division of the Census Bureau revises the Schedule B manual, either by publication of a new manual or issuance of a Public Bulletin to update the existing manual. The entire manual is usually re-published every five to 10 years. The U.S. International Trade Commission (www.usitc.gov) annually updates the *Harmonized Tariff Schedule Annotated.*

HOW ARE SCHEDULE B AND HTS NUMBERS ORGANIZED?

Schedule B and HTS numbers are organized by chapters, beginning with 01 (live animals and animal products) and ending at 97 (works of art, collectors' pieces, and antiques). The United States and certain other countries also use

chapters 98 and 99 to cover special categories of products, such as goods temporarily imported for repair or alteration (United States), donations of clothing and books for charitable purposes (Canada), and household and other goods imported by someone resuming residence in the country (New Zealand). Beneath each chapter, there is a heading and then a subheading that further describes the product. HTS numbers for various products break down in the order outlined below:

Chapter = first two digits
Heading = first four digits
Subheading = first six digits
Tariff item = up to 10 digits total

For example, the following is a breakdown of a "men's cotton raincoat" and its HS number 6201.12.2010:
Chapter: 62 – Apparel articles and accessories, not knit, etc.
Heading: 6201 – Men's or boy's overcoats, raincoats, carcoats, capes, cloaks, anoraks (including ski jackets), windbreakers and similar articles (including padded, sleeveless jackets): Overcoats, carcoats, capes, cloaks and similar articles.
Subheading: 6201.12 – Of cotton
Tariff item: 6201.12.2010 – Men's raincoats

HOW DO I CLASSIFY MY PRODUCT?

The first step is to understand the product well, particularly its material and how it will be used. Sometimes, the details may make a difference in its category. For example, hammers are classified in several different chapters, and it is important to know if the hammer is electric or pneumatic and whether it is made of metal, wood or rubber.

Next, visit the Census Bureau's Schedule B Search Engine at www.census.gov/foreign-trade/schedules/b. You may either browse through the chapters or search for a Schedule B number. To begin, click on "Search" and enter a key word in the search box; then click search. The results will be listed two different ways: alphabetical index and Schedule B book descriptions. Choose the description that best fits the product, and use the corresponding classification number.

CAN I SPEAK TO SOMEONE IF I HAVE PROBLEMS CLASSIFYING?

If you are having difficulty classifying using the Schedule B Search Engine, classification specialists at the Census Bureau's Foreign Trade Division Commodity Analysis Branch are available to assist you in identifying the appropriate number to classify your product. To classify durable goods (metals, machinery, computer, electronic, and other miscellaneous goods), phone (301) 763-3259. To classify non-durable goods (food, animal, wood, paper, mineral, chemical, and textile goods), phone (301) 763-3484. If you do not know if the product is durable or non-durable, phone (301) 763-3047.

CAN I REQUEST THAT THE IMPORTING CUSTOMS AUTHORITY DETERMINE THE APPROPRIATE NUMBER PRIOR TO EXPORTING?

Yes, you can. This is referred to as an advanced customs ruling. The request must be in writing to the importing country's customs authority and provide sufficient information on the product. Most customs authorities will make the determination and provide a binding customs ruling. However, the customs authority's ruling must be accepted, even if there is a category or number that better describes the product. The number assigned by customs may carry a higher tariff than a number you believe more aptly describes the product.

HOW DO I OBTAIN TARIFF RATES IF I HAVE THE APPROPRIATE HS NUMBER FOR MY PRODUCT?

You can find several alternative methods of determining foreign tariff rates on the Trade Information Center's Web site at www.export.gov/tic. Click on "Tariff and Tax Information," then go to "Tariff Resources." Tariff rates for many countries are shown on the site, and an HS number identification and tariff look-up tool is also available. Also, a freight forwarder or customs broker can help you find tariff rates. If you need further assistance, contact the Trade Information Center at (800) USA-TRAD(E) to speak with one of the trade specialists. U.S. import rates can be obtained by calling U.S. Customs offices nationwide, a listing of which is found on www.customs.gov or the International Trade Commission site at http://dataweb.usitc.gov/scripts/tariff.asp.

WHERE CAN I FIND FURTHER INFORMATION?

To find further information on Schedule B numbers, visit the Census Bureau at www.census.gov/foreign-trade/www. To find further information on HS numbers, visit the U.S. International Trade Commission at www.usitc.gov. For all other trade-related issues, contact the Trade Information Center at (800) USA-TRAD(E). ■

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. You, too, can "Ask the TIC" by calling (800) USA-TRAD(E) toll free, Monday through Friday, 8:30–5:30 EST. Or visit the TIC's Web site at www.export.gov/tic.

Global Economic Outlook

Assessing Risks and Opportunities

by John Jelacic
Office of Trade and Economic Analysis, Trade Development

The world economy is gradually recovering from the downturn of 2001. There is enough data available for 2002 to estimate that world growth for the year is approximately 3 percent. Compared with past recoveries, the current one is slow and tenuous. The outlook for 2003 is that the world economy will grow by around 3.4 percent, a rate of growth that is about average for the last two decades. The world economy is not expected to reach its long-term potential rate of growth of approximately 4.5 percent per year until late 2003 or early 2004.

The major characteristics of the current economic cycle are that the cycle has been fairly synchronized across most major economies and that the economic meltdown in high-tech information and telecommunications industries played an important role as the downturn spread throughout the world.

Table 1 reveals the global nature of the downturn. In industrial economies, economic growth fell from 3.5 percent in 2000 to only 0.8 percent in 2001. Minimal growth in the United States and Europe, as well as negative growth in Japan, explains much the slowdown. Only Australia (among the industrial countries listed in the table) maintained a semblance of normal growth. In 2002, with moderately better growth in the United States and very good growth in Canada and Australia, the record for industrial economies improved a little. However, slower growth in Europe and continued recession in Japan will keep the overall growth rate for this group of countries well below potential through 2003.

Among emerging markets, recession is evident predominantly in Asia and Latin America. In Asia, the high dependence on the United States as a market for exports, particularly in telecommunications and computer products, severely undercut growth (especially in Taiwan, Hong Kong, Singapore, the Philippines, and Malaysia). U.S. imports of manufactured goods in 2001 from these five markets fell from between 12 percent (Malaysia) and 22 percent (Singapore). Continued strong growth in China during 2001 was responsible for keeping the slowdown in the region to a minimum compared with growth in 2000. China accounts for nearly half of the output in emerging Asia (excluding Japan, Australia, and New Zealand). Overall, growth in Asian emerging markets is estimated to have increased to just under 6 percent in 2002. The aggregate forecast for these markets is just over 6 percent in 2003.

Another important weak spot among emerging markets in 2001 was in Latin America, where growth slowed dramatically in 2001 before falling into negative territory in 2002. Much of the slowdown in 2001 was centered in three countries: Argentina (-4.4 percent growth), Mexico (-0.3 percent growth), and Brazil (1.5 percent growth). These three countries account for 10 percent, 23 percent, and 32 percent, respectively, of total Latin American output. In 2002, the estimated 0.7-percent decline in Latin American output occurred mainly in Argentina, where output plummeted by about 16 percent, and in its neighbor, Uruguay, where output fell by 11 percent. Meanwhile, in Venezuela, political turmoil has disrupted petroleum production. The economy there declined by over 6 percent in 2002. Sluggish growth of 1.5 percent in the two Latin American giants, Brazil and Mexico, was not enough to offset these serious recessions for the group. The prediction for 2003, with significant uncertainties, is that growth will reach 3 percent.

Compared with the industrial economies and emerging markets, the transition economies enjoyed relatively strong growth in 2001, even though growth was less than the 6.6-percent rate in 2000. When data for 2002 is complete, this group of countries is expected to record a solid rate of growth of 3.8 percent. The forecast for 2003 is that growth will accelerate slightly to around 4.4 percent. Within this group of economies, Russia and Poland are predominant, with 43 percent and 13 percent, respectively, of total group output. Strong growth in Russia, ensuing from higher energy prices and large export surpluses, helped offset sluggish growth in Poland. The Polish economy grew by

TABLE 1. WORLD, REGIONAL, AND COUNTRY GROWTH

(in percent)	1998	1999	2000	2001	2002 Estimate	2003 Forecast
World	**2.7**	**3.6**	**4.7**	**2.2**	**2.7**	**3.4**
Industrial Economies	**3.0**	**3.2**	**3.5**	**0.9**	**1.5**	**2.1**
United States	4.3	4.1	3.8	0.3	2.4	2.6
Canada	4.1	5.4	4.5	1.5	3.4	3.2
Japan	-1.2	0.7	2.8	0.3	-0.5	0.7
European Union	**2.9**	**2.8**	**3.5**	**1.6**	**1.0**	**1.8**
United Kingdom	2.9	2.4	3.1	1.9	1.6	2.5
Euro area	**2.9**	**2.8**	**3.6**	**1.5**	**0.7**	**1.7**
Germany	2.0	2.0	2.9	0.6	0.3	1.1
France	3.5	3.2	4.2	1.8	1.0	1.8
Italy	1.8	1.6	2.9	1.8	0.4	1.5
Australia	5.2	4.8	3.1	2.6	3.0	3.0
Emerging Markets	**3.0**	**4.2**	**5.9**	**3.6**	**4.0**	**5.1**
Africa	**3.0**	**2.7**	**3.1**	**3.4**	**2.8**	**4.0**
Sub-Saharan Africa	2.7	2.8	3.2	3.3	2.9	4.2
Asia	**3.2**	**6.4**	**7.0**	**5.0**	**5.9**	**6.1**
China	7.8	7.1	8.0	7.3	7.5	7.2
India	5.8	6.7	5.4	4.1	5.0	5.7
NIEs	**-2.4**	**7.9**	**8.5**	**0.8**	**4.5**	**4.9**
South Korea	-6.7	10.9	9.3	3.0	6.1	5.8
ASEAN	**-7.3**	**3.5**	**5.5**	**2.6**	**3.8**	**4.4**
Indonesia	-13.1	0.8	4.8	3.3	3.5	4.5
Middle East	**3.3**	**0.8**	**5.8**	**0.7**	**3.1**	**4.2**
Latin America	**2.3**	**0.2**	**4.0**	**0.6**	**-0.7**	**2.8**
Brazil	0.2	0.8	4.4	1.5	1.5	3.0
Mexico	5.0	3.6	6.6	-0.3	1.5	3.3
Transition Economies	**-0.7**	**3.7**	**6.6**	**5.0**	**3.9**	**4.4**
Central and Eastern Europe	**2.4**	**2.2**	**3.8**	**3.0**	**2.8**	**3.6**
Poland	4.8	4.1	4.0	1.0	1.2	2.5
CIS	**-2.8**	**4.6**	**8.4**	**6.2**	**4.5**	**4.8**
Russia	-4.9	5.4	9.0	5.0	4.4	4.9
Ukraine	-1.9	-0.2	5.9	9.1	4.8	5.0
Top 20 U.S. Markets						
For manufactured goods	2.8	3.8	5.1	2.7	2.8	3.4

Source: Historical data from the IMF; forecast data from the ITA, U.S. Department of Commerce.

only 1 percent in the last two years, following several years of rapid economic development in the 1990s.

Two developments stand out in an assessment of the 2002 world economy. First, after declining for five consecutive quarters beginning in the fourth quarter of 2000, U.S. imports surged in the first half of 2002. Much of the increase was the result of normal cyclical inventory restocking by U.S. companies plus some early precautionary purchases in advance of the threat of the West Coast dock strike. The rapid increase in imports provided a boost to several U.S. trading partners, particularly in Asia. The second noteworthy development of the current recovery is that throughout industrial countries, monetary and fiscal polices have been expansionary. In the United States, monetary and fiscal policies became supportive of economic growth almost at the outset of the economic downturn. Without the stimulus from the sharp move to a fiscal deficit from a fiscal surplus in the federal budget, the downturn would certainly have been worse. Likewise, the reduction of interest rates by the U.S. Federal Reserve helped to stimulate spending on automobiles and other big-ticket items, although business investment spending has shown only a small signs of recovery. Additionally, low inflation in the United States has helped to keep long-term interest rates at 30-year lows, a trend which has helped feed the continuing boom in home construction.

While the economies of Europe were slowing, automatic spending and tax stabilizers provided a fiscal boost, but countries within the euro area of the European Union are now facing fiscal restraints under the EU Growth and Stability Pact. The pact limits the size of a country's fiscal deficit to 3 percent of GDP. As European economies have slowed, revenues have fallen and social spending has increased. Several euro area countries have found their budgets near or over the 3-percent

limit, and, under the provisions of the pact, they face the necessity of either cutting spending or raising taxes. Two countries, Portugal and Germany, have exceeded the limit while France and Italy are near it and may exceed it barring a return of faster growth. At the same time, monetary policy in the euro area has been restrictive. The focus of the European Central Bank (ECB), by design, is on controlling inflation with an inflation target of 2 percent or less. Since inflation in the euro area has been running at an annual rate of around 2.5 percent, the ECB did not reduce rates for over a year until December, when rates were cut by 0.5 percentage points. The ECB has not been as aggressive in its monetary policy as the U.S. Federal Reserve, but it is hoped that this recent cut in interest rates will provide some stimulus to the economies of Europe.

In Japan, neither monetary nor fiscal policy has been able to return the economy to normal rates of growth for much of the last decade. Interest rates have been at or near zero percent for several years, but Japanese banks are carrying so much bad debt that they have been unwilling or unable to make new loans with the result that credit has been shrinking and prices have been falling. Japan has instituted several rounds of aggressive fiscal policy actions over the decade. These efforts have had moderate success, and they have succeeded in keeping the economy from falling into a serious depression. But as a result of deficit spending and the continuing sluggish economy, Japan's national debt is growing rapidly and becoming a serious concern. Japan has launched a series of reforms to rid the banks of non-performing loans, but these efforts have not been very aggressive or effective. A new governor of the Japanese central bank will be appointed soon, and there is hope that the new governor will be more aggressive in the use of monetary policy.

The economic stimulus of expansionary monetary and fiscal policy throughout much of the industrial world and in a few emerging markets, most importantly China, has been an important force in recovery. In opposition to the expansionary government policies, a handful of notable problems are slowing or threatening to slow the economic rebound. First, the investment boom that fueled the bubble in telecommunications, information technology, and several other industries has left an overhang of capital investment. As a result, investment is lagging in several economies. In the United States, for example, business fixed investment barely turned positive in the third quarter after seven consecutive quarters of decline. Low business confidence, equity prices that are well below record highs and that continue to fall in several markets, and the aforementioned excess capacity are keeping business investment in check.

Another brake on economic growth is the fact that oil prices have been rising, in part as a reflection of uncertainty over the situation in the Middle East and in part because of political turmoil in Venezuela. According to White House estimates, every $10 increase in oil prices cuts 0.25 to 0.50 percentage points from U.S. growth. Finally, with regard to a U.S. recovery, the continued strength of consumer spending and the large and growing U.S. trade deficit are important forces behind the rebound in the U.S. and world economies. Should U.S. consumers, now carrying unprecedented levels of debt, increase their savings to more traditional levels, an important stimulus to the recovery would disappear.

Regional Analysis

The remainder of this article will take a regional view of short-term prospects for the world economy. The survey will give an overview of the world, but it will emphasize the economies that are the most important export markets for U.S. manufactured goods. The following overview will include an assessment of underlying trends, major risk factors, and specific problems and opportunities. The 20 countries that comprise the destination for the majority of manufactured goods exports of the United States are listed in Table 2 and 3.

NORTH AMERICAN FREE TRADE AGREEMENT

NAFTA members Canada and Mexico are the two most important trading partners of the United States. The United States ships more than a third of its manufactured goods exports to the two countries and receives almost 30 percent of its total manufactured goods imports from them. U.S. manufactured goods exports to both countries dropped in 2001 (by 8.6 percent to Canada, and by 9.8 percent to Mexico). The fall in exports to the NAFTA partners was part of an overall decline in U.S. manufactured goods exports in 2001, as well as part of the global drop in world trade. Through the first nine months of 2002, total U.S. merchandise exports to Canada and Mexico continued on a downward trend in comparison with the same period in 2001.

Canada has been one of the better-performing industrial economies in the current business cycle. Although growth did slow to 1.5 percent in 2001, Canada's economy avoided the recession that hit the United States. In 2002, the economy picked up smartly and should finish the year with approximately 3.4-percent growth, the best showing among the Group of Seven. Canada avoided much of the negative fallout from the equity market collapse, compared with the United States. Additionally, since its economy is much less dependent on information and technology sectors, Canada had much less of a capital investment overhang. Canada has also benefited from higher energy prices. Investment spending in Canada has begun to rebound. Employment has been growing, consumer and business confidence remain high, and capacity utilization is running at high levels. Inflation has been edging up, and the Bank of Canada tightened monetary policy in the spring and summer. In 2003, growth is projected to be slightly lower, although near the long-term potential rate of growth in Canada. Uncertainty in the international arena, an expected slowdown in housing construction, and slower growth in exports are behind the forecast for slightly lower growth. In addition, there was a large advance in inventory growth in the second quarter that will likely slow.

Mexico is the second-largest market for U.S. manufactured goods exports and the third-largest source of U.S. manufactured goods imports, just behind Japan. In 2001, U.S. imports of Mexican manufactured goods constituted 91 percent of U.S. imports of manufactured goods from Japan. Five years earlier, U.S. imports of manufactured goods from Japan were nearly twice as large as manufactured goods imports from Mexico. The sharp narrowing of the gap in this facet of U.S. trade with Japan and Mexico reflects two important trends that have been shaping U.S. and world trade in recent years. First, the growth in manufactured imports from Mexico reflects the fact that since the advent of the North American Free Trade Agreement, many U.S. and other foreign manufacturing operations have moved to Mexico. However, recently Mexico has been losing manufacturing assembly operations to China and countries in Central America.

The Mexican economy began recovering from the 2001 recession in the spring of 2002. An increase in exports to the United States, as well as an increase in investment spending, was behind this growth. Government fiscal and monetary policies were restrictive during this period. Budget cuts were made in response to falling tax revenues. Interest rates were increased in October to support the peso, which fell sharply in 2002. The Mexican economy is highly dependent on the United States. The United States consumes more than 70 percent of the country's exports. The outlook for Mexican growth in 2003 depends greatly on the continued recovery in the United States. Foreign investment in Mexico remained relatively strong in 2002, since the country avoided the economic fallout that hit other Latin American nations as a result of the collapse of Argentina's economy. Mexico is highly dependent on external financing. Given this dependency, financial market risk continues to be an important uncertainty in the country's economic future, particularly if tax, electricity, and other reforms stall. The Mexican economy is expected to grow only 1.5 percent in 2002, but growth is expected to accelerate to approximately 3.3 percent in 2003, and slightly higher in 2004.

WESTERN EUROPE

Ten Western European economies are among the top 20 markets for U.S. manufactured goods (see Table 2 and 3). The United States ships approximately 25 percent of its manufactured goods exports to Western Europe. Over the last five years, exports to this market have grown slightly faster than

U.S. manufactured goods exports to the world (see Table 3). Four countries—the United Kingdom, Germany, France, and the Netherlands—are in the top eight destinations for U.S. manufactured goods, and sales growth to each of these four was above average in the 1996–2001 period. Among the remaining six European countries in the top 20 list, exports to Ireland should be singled out, because of the very rapid export growth in the last five years. The value of manufactured exports to Ireland more than doubled in the 1996–2001 period, and the average annual growth of exports during these years (15.2 percent) is the fastest in the list of 20. The surge of exports was a reflection of Ireland's becoming an assembly and export base for multinational companies doing business in Europe. With its well-educated, English-speaking workforce and relatively low labor costs, Ireland was seen as an ideal location. Foreign direct investment poured into the country. Nevertheless, with the burst of the high-tech bubble, the boom has ended. Additionally, Ireland is now facing competition from several lower-cost countries in Central and Eastern Europe that will be joining the European Union in mid-2004.

Whether U.S. exports to Western Europe will continue to grow at the same pace over the next five years appears more doubtful. Except for exports to Germany, shipments to the other European countries in the list of top 20 markets fell in 2001, along with exports to most markets. In the first nine months of 2002, exports to Western European markets fell at a faster rate than the decline in U.S. exports to the world.

The problem is that a brief but weak economic recovery that began late in 2001 appears to have run its course and a new slowdown is in progress. Weak consumer spending, stagnant investment, and softening export orders have led to a downgrade in the region's growth outlook. The most recent data indicate that the German economy registered minimal growth in the third quarter of 2002, as did the economies of Italy, the Netherlands, and Switzerland. The United Kingdom, Spain, Sweden, and France have fared better. The brief and shallow recovery that now is losing momentum was led by the export sector. Domestic demand, except for generally expansive fiscal policy, has been insufficient. Consumer spending, inventory rebuilding, and stronger investment are expected to provide the stimulus for faster growth in 2003.

ASIA

For several years, the majority of U.S. foreign trade has been with Asia rather than with markets in Europe.

TABLE 2. GROWTH IN THE TOP 20 MARKETS FOR U.S. MANUFACTURED GOODS

(Annual percentage change in real output, history, and forecast.)

	Partner	1999	2000	2001	2002 (Estimate)	2003 (Forecast)	Annual Growth 1996–2001
1	Canada	5.4	4.5	1.5	3.4	3.2	3.9
2	Mexico	3.6	6.6	-0.3	1.5	3.3	4.3
3	Japan	0.7	2.8	0.3	-0.5	0.7	0.7
4	United Kingdom	2.4	3.1	1.9	1.6	2.5	2.7
5	Germany	2.0	2.9	0.6	0.3	1.1	1.8
6	France	3.2	4.2	1.8	1.0	1.8	2.9
7	South Korea	10.9	9.3	3.0	6.1	5.8	4.1
8	The Netherlands	4.0	3.4	1.2	0.3	1.4	3.4
9	Singapore	6.9	10.3	-2.0	3.6	4.2	4.6
10	Taiwan	5.4	5.9	-1.9	3.3	4.0	4.1
11	China	7.1	8.0	7.3	7.5	7.2	7.8
12	Brazil	0.8	4.4	1.5	1.5	3.0	2.0
13	Hong Kong	3.0	10.4	0.2	1.5	3.4	2.5
14	Belgium	3.0	4.0	1.0	0.6	1.7	2.8
15	Australia	4.8	3.1	2.6	3.0	3.0	3.9
16	Switzerland	1.6	3.0	0.9	0.0	1.2	1.9
17	Malaysia	6.1	8.3	0.5	3.5	5.3	2.8
18	Italy	1.6	2.9	1.8	0.4	1.5	2.0
19	Ireland	10.9	11.5	5.9	3.8	5.3	9.5
20	Israel	2.6	7.4	-0.9	-1.5	1.8	3.0
	Weighted Total	**3.8**	**5.1**	**2.7**	**2.8**	**3.4**	**3.7**

Source: Historical data from the IMF; forecast data from the ITA, U.S. Department of Commerce.

In 2001, slightly more than 25 percent of U.S. manufactured goods exports were sent to Asia, and a larger share of U.S. manufactured imports, 43 percent, was from the region. Eight of the top 20 export markets for U.S. manufactured goods are in the region (see Table 2 and 3). Japan, South Korea, Singapore, and Taiwan are in the top 10, with China ranked at number 11. Despite the importance of this trade to the United States, over the last five years the performance of U.S. manufactured goods exports to the region has definitely fallen short of the average growth of exports to the world. Two major and well-known economic shocks account for the sluggish growth. First, following the Asian financial crisis in 1997, many countries in the region experienced rapid capital flight and curtailed imports to reduce current account imbalances. Second, the recent bust in telecommunications and information technology sectors significantly affected U.S. trade with several Southeast Asian economies that specialize in producing goods for these sectors.

The recent performance of Asian economies and the outlook for 2003 present a mixed picture. Among the developed industrial countries in the region (including Australia and New Zealand), Japan has undoubtedly been the laggard. After very slow growth in the first quarter of 2002, the Japanese economy recorded good growth in the spring and summer months, including a modest increase in exports. But the midyear deceleration of the U.S. economy (and a stronger yen) cut short the modest rebound in exports. Continuing weak domestic demand is expected to result in negative economic growth for 2002 as a whole. The outlook for 2003 is that the Japanese economy will grow very slowly. In the last quarter, investment spending fell. Consumer confidence is abysmal, economic reform has stalled, deflation continues unabated, and the government seems unable to formulate new initiatives to propel economic growth. The major problem continues to be the massive amount of bad, nonperforming loans that are strangling the banking sector.

The other advanced industrial economies in Asia, Australia and New Zealand, have had much better

TABLE 3. U.S. EXPORTS OF MANUFACTURED GOODS TO LEADING MARKETS

(millions of U.S. dollars)

	Partner	1996	1999	2000	2001	Share of World in 2001	Share of Top 20 in 2001	Annual Growth 1996–2001
	World	522,660	611,781	689,524	641,885	100.0%		4.2%
	European Union	110,025	138,917	151,676	146,210	22.8%		5.9%
	NAFTA	168,730	227,402	259,891	236,368	36.8%		7.0%
	South America	31,392	31,503	33,975	33,762	5.3%		1.5%
	Asia	162,859	159,130	184,068	165,602	25.8%		0.3%
	Top 20 Markets	**427,270**	**512,460**	**585,762**	**539,645**	**84.1%**	**100.0%**	**4.8%**
1	Canada	119,952	149,585	160,662	146,906	22.9%	27.2%	4.1%
2	Mexico	48,778	77,817	99,229	89,463	13.9%	16.6%	12.9%
3	Japan	46,969	42,205	48,972	43,622	6.8%	8.1%	-1.5%
4	United Kingdom	28,658	36,237	39,544	38,637	6.0%	7.2%	6.2%
5	Germany	21,177	25,081	27,364	28,288	4.4%	5.2%	6.0%
6	France	13,199	17,965	19,349	18,998	3.0%	3.5%	7.6%
7	South Korea	20,413	18,825	23,444	18,096	2.8%	3.4%	-2.4%
8	The Netherlands	13,415	17,097	19,563	17,210	2.7%	3.2%	5.1%
9	Singapore	15,955	15,606	17,133	16,890	2.6%	3.1%	1.1%
10	Taiwan	14,404	16,511	21,668	15,602	2.4%	2.9%	1.6%
11	China	9,131	11,406	13,128	15,465	2.4%	2.9%	11.1%
12	Brazil	11,279	12,550	14,528	15,170	2.4%	2.8%	6.1%
13	Hong Kong	11,781	11,093	12,966	12,512	1.9%	2.3%	1.2%
14	Belgium	9,546	10,655	12,318	12,002	1.9%	2.2%	4.7%
15	Australia	11,347	11,203	11,841	10,371	1.6%	1.9%	-1.8%
16	Switzerland	8,155	8,153	9,716	9,597	1.5%	1.8%	3.3%
17	Malaysia	7,747	8,681	10,581	8,836	1.4%	1.6%	2.7%
18	Italy	6,820	8,690	9,398	8,336	1.3%	1.5%	4.1%
19	Ireland	3,377	6,089	7,354	6,837	1.1%	1.3%	15.2%
20	Israel	5,167	7,011	7,004	6,807	1.1%	1.3%	5.7%

Source: Census Bureau, U.S. Department of Commerce.

growth. Both economies slowed in late 1999, but they have rebounded since. Australia's economy was on track to grow by around 4 percent in 2002. However, a severe drought, the worst in 100 years, has seriously damaged the country's agricultural sector, and the outlook for growth in 2002 and 2003 is 3-percent growth. New Zealand is expected to register 3-percent growth in 2002, and to grow at a slightly slower rate in 2003.

Among emerging markets, the two Asian giants, China and India, continue to exhibit strong growth. The influx of foreign direct investment (FDI) associated with China's entry into the World Trade Organization has resulted in a new round of export-led growth in that country. Much of the new FDI represents relocation of manufacturing operations to China from other countries, mainly the United States, Japan, and Europe. This geographic restructuring of manufacturing has accounted for as much as 40 percent of China's export growth this year, according to Andy Xie, an analyst at Morgan Stanley. In fact, Mr. Xie estimates that even in a flat-growth world economy, China's exports would grow approximately 7 percent because of the relocation activities. China has also relied on increased government borrowing for massive spending programs to propel its rapid growth. India, while not known as a destination for much FDI, has seen its share increasing in recent years, particularly in the south. Much of this investment has been in telecommunications and information technology industries. India and China are expected to record 2002 growth of 5 percent and 7.5 percent, respectively. In 2003, China's growth is expected to slow slightly, while India should do even better than last year.

Except for South Korea, the newly industrialized economies (the NIEs—South Korea, Taiwan, Singapore, and Hong Kong) of East Asia suffered a very bad year in 2001, due to the high-tech bust. In early 2002, the four economies in this group rebounded some, but a slowdown in export growth to the sputtering U.S. economy has resulted in an end to that early expansion. Among this group, only South Korea was able to generate strong domestic demand through an expansion of consumer credit. South Korea is also less reliant on information technology exports, a factor that will continue to constrain growth in the economies of Taiwan, Singapore, and Hong Kong. All four of the NIEs are among the top 20 export destinations for U.S. manufactured goods.

ASSOCIATION OF SOUTHEAST ASIAN NATIONS

The ASEAN countries performed much better in 2001 than in the years immediately following the 1997 Asian crisis. These economies continue to make steady progress in economic restructuring. These countries' political situations have become more stable, but the recent terrorist bombing in Indonesia has introduced a new level of uncertainty in the region. As with the NIEs, export growth in the second half of 2002 has slowed, and expected growth for this group of countries has been reduced. Faster growth in 2003 is predicted based on the assumption of stronger world and U.S. economies. The longer-term prospect for the ASEAN group is problematic, because FDI in these countries has fallen (as multinationals have shifted their offshore production to China). Only Thailand has had notable success in switching to domestic sources of demand for its growth. FDI into Malaysia meanwhile has fallen. Malaysia is one of the Southeast Asian economies heavily dependent on information technology exports. Not only have Malaysian exports suffered because of the IT slump, but also IT investment is increasingly heading to China. Malaysia's economy has rebounded in 2002 from nearly stagnant growth in 2001. Slightly faster growth is expected in 2003, but the

era of near double-digit growth for the country appears to be over.

LATIN AMERICA

Only Brazil, among the countries of Central, South America, and the Caribbean, is among the top 20 markets for manufactured goods. Four additional countries, Venezuela, Argentina, the Dominican Republic, and Colombia are among the top 30 markets. U.S. manufactured goods exports to Brazil, the Dominican Republic, and Venezuela grew at healthy rates in the last five years, but exports to Argentina and Colombia declined during this period. The outlook for U.S. export growth to the region is somewhat pessimistic in the near term, due to weak economies in the region.

The economies of Latin America grew by less than 1 percent in 2001, and they are expected to contract by a similar amount in 2002. A modest recovery to 3-percent growth is forecast for 2003, but the forecast for this region is very uncertain given economic and political turmoil in many areas. In Brazil, the election of the left-of-center government of Luiz Lula da Silva and the sharp fall in the value of the country's currency in the weeks leading up to the election have put further strains on the already weak economy. The 30-percent decline in the value of the real has helped Brazilian exports, but the decline in the value of the currency has fed inflation, which is approaching 10 percent. An important test of the new administration will be how it addresses the challenge of inflation. Argentina recently defaulted on its financial obligations to the World Bank, while negotiations between the country and the International Monetary Fund continue to drag along. In early December, the government lifted restrictions on the amounts of pesos that people had been allowed to withdraw from their savings and checking accounts. This move is one that should help the country in its negotiations with the IMF as well as provide the economy with much needed funds. There are some signs that economic activity is beginning to revive after five years of recession. Industrial production edged up, and the collapse of the peso has made the country's exports competitive again. An expected rebound in the economy where 25 percent of the labor force is unemployed is an important reason for expecting an increase of the growth rate in the region in 2003.

The region's problems, together with a general decline of investment into emerging markets in the wake of the global slowdown, put the outlook for a rebound to 3 percent growth in 2003 at risk. The direction of Brazil's economy, which accounts for around 40 percent of the region's output, is a key factor behind whether or not economic recovery proceeds.

THE MIDDLE EAST

In the region, only Israel ranks among the top 20 export markets for U.S. manufactured goods, although in the recent past Saudi Arabia has also been in this group. Saudi Arabia was the 22nd-most important market for manufactured goods in 2001. Turkey and Egypt are also very important markets for U.S. agricultural products.

Owing to the tensions associated with the possibility of war in Iraq, no region is under as dense a cloud of uncertainty as is the Middle East. Aside from Turkey, recovering from last year's economic crisis, most other countries in the region will post lower growth

in 2002 than in the previous year. Egypt's economy was hurt by a sharp fall in tourism following the events of September 11, 2001. Its industry has begun to recover but would be hurt by increasing tensions over the possibility of military action in the region. Israel's economy has experienced the worst performance in the region this year largely because of security concerns and political unrest in the West Bank and Gaza. The depression in the world IT industry has also adversely affected the country. A modest recovery of growth to around 2 percent is forecast for 2003, assuming political tensions subside.

AFRICA

In Africa, economic growth for 2002 is expected to come in at a slightly lower rate than in 2001. The 2003 forecast is for growth to accelerate to around 4 percent. Several countries in the region, such as Angola, Chad, and Mozambique, have recorded respectable rates of growth in recent years. Unfortunately, sluggish growth in the continent's largest economies—Nigeria, South Africa, Algeria, and Libya—has lowered the overall rate of growth for the region. As noted, growth for the region is forecast to accelerate to 4 percent in 2003, but the continent faces several serious problems. These include the continuing economic crisis in Zimbabwe, a severe threat of massive famine in Zimbabwe as well as in several other countries in the area, continuing political unrest in the Democratic Republic of Congo, and the ongoing revolt in the Ivory Coast.

CENTRAL AND EASTERN EUROPE AND THE COMMONWEALTH OF INDEPENDENT STATES

The economies of Central and Eastern Europe and the Commonwealth of Independent States (CIS) experienced fairly solid growth in 2001, except for Poland. In the case of Poland, soft markets in the European Union and the United States have cut export growth, while large grain harvests have pushed down food prices. Consumer demand is weak, and unemployment growing. A slow recovery is expected in 2003. As a group, the transition economies of the region grew by 5 percent. In 2003, growth is forecast to be at a slightly lower rate. Healthy rates of growth in Russia and Ukraine, the giants of the CIS, have helped to bolster growth in the CIS region. No country in this group is a major market for U.S. manufactured goods. As these economies have made the transition from central planning to markets and have restructured their foreign trade, they have increasingly directed their trade to the European Union. Recently, the European Union announced that eight countries in Central and Eastern Europe would join the union in 2004, pending the successful conclusion of ongoing negotiations.

Global economic recovery will be lengthy, and the road will be bumpy, well populated, and long. The strength and stability of the U.S. economy will undoubtedly have a tremendous effect on the rest of the world.

PUBLICATIONS AND WEB SITES

The **International Monetary Fund** publishes its *World Economic Outlook* in the spring and fall. It is available at www.imf.org/external/pubs/ft/weo/2002/02/index.htm.

The **World Bank** publishes an annual report, *Global Economic Prospects and the Developing Countries*, which focuses on emerging markets and economies in transition. Visit www.worldbank.org/prospects/gep2003.toc.htm.

The **Organization for Economic Cooperation and Development** publishes its *OECD Economic Outlook* every spring and fall. This report focuses on the 30 OECD member countries, most of which are industrial economies. The report is on-line at www.oecd.org/EN/document/0,,EN-document-0-nodirectorate-no-2-21578-0,00.html.

The **United Nations** publishes its *Global Economic Outlook* annually. See www.un/org/esa/analysis/link/0402GlobOutlook.pdf.

The U.N. project research center, **Project LINK**, at the University of Toronto, provides modeling for *Global Economic Outlook*. The Project LINK site contains useful forecasting information as well as links to various organizations and other local and regional reports: www.chass.utoronto.ca/link/link.html.

Table 2 lists U.S. exports of manufactured goods to the top 20 markets. For additional information on the goods exported to the leading markets as well as other U.S. trading partners, including both import and export data, visit the statistical Web site of the **International Trade Administration**: www.export.gov/tradestats.

Ohio District Export Councils

Bringing Exporting Expertise to Local Communities

by Cory Churches
Export America

Collaborating with the community is what the Ohio District Export Councils are all about. As with other Councils or DECs, the majority of their activities fall into five categories: trade education, legislative and media outreach, fund-raising, and special projects.

Ohio warrants having two DECs, north and south, due to the fact that the state is home to seven major metropolitan areas and a large number of manufacturing and services exporters. The DECs work to provide necessary support in their respective service territories.

The DECs are linked to the U.S. Export Assistance Centers in Cincinnati and Cleveland. Overall, Ohio has worked to reinvigorate its membership to ensure diversity of geography, representation by congressional district, industry sector coverage, and expertise. Members are also evaluated on the basis of their ability to make a concrete and consistent time commitment to promoting the goals of the DEC. Skills are matched directly to tasks, and meetings are held to a bare minimum in order to maximize time spent on achieving success.

Both Ohio DECs frequently participate in and initiate commercial briefings by overseas officers as well as ambassadors to the United States to educate community export leaders. Occasionally, in order to reach as broad audiences as possible, visiting commercial officers are guests at a high-level luncheon and later meet at a smaller community function, such as a Rotary Club meeting and conduct one-on-one counseling sessions with local companies. This way, the information that the officer has to share reaches a more diverse group of exporters and potential exporters.

Other trade education activities include sponsoring seminars on export controls and regulations, the potential for doing business in a particular market or region, and the mechanics of the export process. Ohio U.S. Export Assistance Centers as well as DECs have also promoted the outreach efforts of the U.S. Commerce Department's Market Access and Compliance team when it toured Ohio, telling businesses how to tap into the numerous services offered by its network.

One of the goals of the DECs as well as the export assistance centers is to increase the number of clients and therefore exporters. Joe Dehner, chairman of the Southern Ohio District Export Council, has laid out several ambitious goals for this year and is planning an expansion of an annual event: a global town meeting. In past years, a variety of speakers have come together with business and community participants to discuss the effects and results of globalization. During the conference last March, panel participants included consumer advocate Ralph Nader, Proctor & Gamble Chairman John Pepper, and Harvard theologian Lawrence Sullivan. The annual event brings together hundreds in the community for a frank discussion of global issues from all perspectives". Understanding the challenges of globalization is a trade education priority for the SODEC. Our town hall meetings mobilize the public concern, letting them listen critically, contribute thoughtfully, and take away a greater appreciation of the causes and issues that most deeply divide people. In a civil setting, town hall meetings allow contending sides be heard and acknowledged," says Dehner

The SODEC also organized and hosted an eight-state DEC meeting designed to allow members to share best practices,

Photo courtesy of U.S. Commercial Service.

A recent U.S. export regulations seminar, sponsored by the Southern Ohio DEC, draws 125 attendees, media, as well as Senator Voinovich.

collaborate where possible, and generally network to pull the nationwide DEC network closer together.

Dao Le of the U.S. Export Assistance Center in Cincinnati has worked closely with the SODEC for the last three years supporting its efforts. According to Le, the DECs are an integral part of bringing exporting to local communities, providing useful expertise and training to new exporters, and generally educating the public and Congress about the benefits of exporting.

"No one champions the Commercial Service's mission better than the Southern Ohio DEC. The members have effectively developed a variety of contacts in the community and identified areas to promote the common cause—be it trade education, legislative and media outreach, or fund-raising. Its mixture of tangible deliverables is truly impressive," says Le.

The Northern Ohio District Export Council is also focused on bringing the message and tools of exporting to local communities through outreach and education. Mike Miller, the executive secretary of the Northern Ohio DEC, reflects, "Both Ohio DECs have exhibited incredible creativity in promoting overseas markets to smaller firms. The leadership of each has worked closely with the U.S. Export Assistance Centers to keep the community informed of changing conditions in overseas markets." During several commercial briefings, visiting senior commercial officers spoke to a larger group of businesses, talking about the conditions in country and the prospects for trade. Upcoming Northern Ohio DEC events include a seminar on doing business in Russia, a transportation security workshop in partnership with Customs and the Maritime Academy, and training on European Union regulatory matters.

Miller also notes the exceptional efforts by DEC members to reach out to congressional representatives to spread the word about the U.S. Commercial Service as well as garner their assistance to promote exporting and U.S. Commercial Service products and services. "The Ohio DECs adopted a long-standing practice from the Boston USEAC: to have congressional representatives send letters to their constituents touting exporting and Commercial Service assistance available. This lends added punch in reaching potential exporters," says Miller of the effectiveness of partnering with congressional offices.

Photo courtesy of U.S. Commercial Service.

Members of the Northern Ohio DEC gather with Commerce Secretary Evans during a recent visit.

The membership of the Northern Ohio DEC includes a variety of companies, such as Lincoln Electric, a *Fortune* 500 company; Clauss Cutlery, a manufacturer of hand tools; and Hexon, a manufacturer of industrial doors. The members reflect the overall Ohio exporting community. There is a balanced representation of manufacturers and service providers as well as large and small companies.

Membership criteria, while somewhat flexible, mandate that prospects be exporters (goods or services). Ideally, the collective membership will represent a broad base of congressional representation, be geographically representative, and have strong ties to the community through other business groups. "It's our goal to strike a balance between community commitment and the commitment to the DEC," says Ken Lashutka, chairman of the NODEC.

Mr. Lashutka, a retired freight forwarder, has been involved in DEC activities for 15 years and has seen many changes in the organization. Lashutka is excited about the reinvigoration of the current membership. "There are so many opportunities for businesses of all sizes to find global partners, and the DECs are a practical way for us to share our expertise with them," says Lashutka. "It's exciting to see how comfortable more companies are becoming with the issues of global business, and I am a committed partner of the Commercial Service and appreciate its assistance to the exporting community." ■

Upcoming Trade Events

February–August 2003

DATES	EVENT	LOCATION
February 18–21	**Expo Comm Mexico 2003** Expo Comm Mexico is the largest telecommunications show in Mexico. Participating U.S. firms have an option to exhibit in the USA pavilion. The Commercial Service in Mexico will provide U.S. exhibitors with a commercial briefing and individual counseling.	Mexico City, Mexico
February 23–27	**SIMA 2003** SIMA is the largest agricultural trade show in the world; it is held in Paris every odd year. It features agricultural equipment, supplies, and services to the largest gathering of European farmers, importers, dealers, and agricultural decision makers.	Paris, France
February 26–March 2	**Aqua Expo 2003** The U.S. Commercial Service (CS) in France is pleased to invite U.S. firms to participate in the first CS-sponsored U.S. pavilion at Aqua Expo 2003, France's premier water resources and treatment trade show.	Paris, France
March 5–8	**Tau Expo 2003** Tau Expo is the most important trade show of this sector in Italy and in the Mediterranean area, and it is also one of the foremost environmental shows in the world. The show attracted some 25,000 attendees in 1999. Exhibits include fields such as water treatment and purification, waste disposal, secondary material recycling, air purification, land reclamation, biotechnology, energy reuse, and renewable sources of energy.	Milan, Italy
March 13–20	**Automation Alley CeBIT Mission** Automation Alley, of Pontiac, Michigan, in partnership with the U.S. Department of Commerce's Information Technology Industries group and Commercial Service office in Germany, will be taking American firms to CeBIT Hannover.	Hannover, Germany
March 17–21	**Automotive Parts and Services Matchmaker** This event offers one-on-one, pre-screened appointments at each stop. Briefings, logistical support, and hospitality events will be provided in each market.	Budapest, Hungary; Warsaw, Poland; Bratislava, Slovakia
March 23–25	**Expozoo 2003** This is the top show in Europe's largest market for pet products; France has more pets per capita than any other European country. The last show featured over 250 exhibitors representing more than 750 brands. The show confirmed its international reputation by attracting more than 16,000 pet trade professionals.	Paris, France
March 26–30	**Automotor 2003** Automotor 2003 is the 22nd international exhibition of components, spare parts, and accessories for motor vehicles. Automotor is the main event in this sector in Italy.	Turin, Italy
March 30–April 7	**Textiles Trade Mission** The Office of Textiles and Apparel (OTEXA) of the U.S. Department of Commerce will sponsor a textile trade mission to Mexico, Honduras, and Guatemala. U.S. companies selling apparel fabrics made from natural fibers and cotton blends of fibers and yarns in the better price and quality range are likely to have the best chance of success. Mission participants will meet individually with buyers, apparel producers and textile mills, and possibly agents and distributors pre-selected and qualified by the U.S. Commercial Service.	Guatemala, Honduras, and Mexico
April 4	**NAB 2003** NAB is the world's leading conference and exhibition for electronic media communications. This will be an excellent opportunity for U.S. suppliers to interact with foreign buyers.	Las Vegas, Nevada
April 7–15	**ACE Infrastructure** This mission will target all sectors of the architecture, construction and engineering/infrastructure industries and will focus on helping those industries expand in the Chinese market.	Beijing and Shanghai, China; Hong Kong
April 9–12	**Bologna Children's Book Fair** The Bologna Children's Book Fair is the largest such event in the world. It features both books and multimedia materials. There have been two U.S. pavilions for years—one in the book section of the fair and one in the multimedia section. The U.S. Book Display, organized by the U.S. Commerce Department's Office of Consumer Goods, is designed to provide small publishers who do not wish to attend in person an opportunity to exhibit their products.	Bologna, Italy
April 29–May 1	**AIEE 2003** Australia's International Engineering Exhibition (AIEE) is the largest trade show of its kind in Australia for the manufacturing and engineering sector. The product literature center provides a cost-effective method for U.S. companies to explore the Australian market.	Melbourne, Australia

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HIGHLIGHTED EVENTS

ARAB HEALTH 2003

JANUARY 26–29, 2003
DUBAI, UNITED ARAB EMIRATES

Arab Health is the premier medical device show in the Middle East. The show attracts visitors from the Middle East, North Africa, and the Indian subcontinent. Traditionally, the show features exhibitors from more than 75 countries and attracts 8,000–10,000 professional visitors. In 2002, the U.S. companies that attended the show reported that the business they got from the event was excellent.

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AUSTRALIAN INTERNATIONAL AIR SHOW

FEBRUARY 11–16, 2003
AVALON AIRPORT, AUSTRALIA

The Australian International Air Show, a biennial event, will be held in February 2003 at Avalon Airport, between Melbourne and Geelong, Victoria. It will be one of the world's most comprehensive air shows. It will also be a major showcase for marketing aerospace, defense technology, commercial aviation, airport equipment, and general aviation services and products to Australia and the Asia-Pacific region. With an extensive presentation of displays and exhibitions, a broad program of conferences, and a wealth of new marketing opportunities, the Australian International Air Show 2003 will provide an impressive arena for the world's aerospace and aviation industries. The show is a natural place to stage an Aerospace Executive Service program.

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BIT 2003

FEBRUARY 19–23, 2003
MILAN, ITALY

BIT 2003 includes a U.S. pavilion. U.S. Commercial Service (CS) personnel in Milan will recruit exhibitors and organize space. The CS will offer the following to exhibitors: market briefing and counseling, interpretation services, appointment scheduling with Italian tourism trade representatives, and a cocktail reception for the entire delegation.

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DATES	EVENT	LOCATION
May 15–17	**Health Care Show** This certified health care trade show has been held annually since 1996 and is exclusively for trade and professional visitors. It covers a broad range of products and services, including hospital equipment and supplies, electro-medical equipment, laboratory equipment, home care, and physiotherapy. It is considered the largest medical trade show in Southeast Asia and attracts exhibitors from around the world.	Kuala Lumpur, Malaysia
May 15–18	**CeBIT Australia** CeBIT Australia is one of Australia's premier trade events in the IT and telecommunications sector. It is a trade-only show and attracts good levels of attendees. In 2002, there were a number of international pavilions, including those representing the USA, Canada, China, and Germany. The post will be recruiting a product literature center (PLC) for inclusion in the U.S. pavilion at the show. The U.S. Commercial Service in Australia will represent U.S. companies at this PLC, and promote them to Australian importers and distributors in the sector.	Sydney, Australia
May 15–18	**SecurityWorld 2003** SecurityWorld is an annual event comprised of local manufacturers and foreign suppliers in the security/safety industry. The exhibition includes security equipment, access control solutions, CCTV and surveillance, home security, building management, and technology related to the industry.	Seoul, South Korea
May 19–21	**Hotel Show 2003** Hotel Show is an annual event. A trade-only attendance of over 3,500 targeted visitors from within the region visited last year. Most governments in the Middle East have identified tourism as a priority sector in their economic development and diversification strategies, giving rise to international chains wanting to own or manage properties within this region.	Dubai, UAE
May 19–23	**Electronic Americas** Electronic Americas is the largest event of its kind in South America for electronic components, assembly, and production. Electronic components is the best prospect for U.S. exports to Brazil. Participation in an event of this magnitude is an ideal venue for small and medium-sized U.S. companies to gain exposure or to expand their presence not only in the Brazilian market but also in the surrounding region.	Sao Paulo, Brazil
June 1–6	**Automotive Trade Mission** Costa Rica and Panama both rank the automotive parts and service equipment sector as the fourth-best prospect for U.S. exports. Guatemala ranks this sector as the number one prospect for U.S. exports.	Panama City, Panama; San Jose, Costa Rica; Guatemala City, Guatemala
June 13–16	**Exhibition on Environmental Technologies (ENVEX) 2003** Established in 1979, ENVEX is the premier environmental exhibition in South Korea. As the South Korean government has placed more emphasis on the environment, Korean companies are looking for the latest environmental technologies. ENVEX will display products from all environmental sectors.	Seoul, South Korea
June 18–20	**ISA Control Mexico 2003** The American Products Literature Center (APLC) at ISA Control Mexico 2003 offers small and medium-sized firms an opportunity to have their literature showcased at Mexico's largest trade show for process control and industrial instrumentation. The APLC is a cost-effective way to find agents and distributors in Mexico. Mexico is one of the largest importers of U.S. industrial instruments. The United States accounts for 85 percent of Mexico's imports of process controls and instrumentation.	Mexico City, Mexico
June 19–20	**APA Australian Book Fair** The fair is Australia's premier book industry event, attracting some 12,000 attendees from throughout the Asia-Pacific region.	Sydney, Australia
August 2–5	**IPSO International Trade Fair** Each year at the ISPO Summer in Munich, the sports equipment and fashion industry sets the tone for the following summer season. Exhibitors from over 40 countries present products for both summer and non-seasonal sports.	Munich, Germany
August 12–14	**Security 2003** Security 2003 is the 17th Annual Conference and Exhibition of the Australian Security Industry Association. This important event attracts more than 4,000 visitors, including the Australian security industry's key decision makers, suppliers, and customers.	Sydney, Australia

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TRADE EVENTS SCHEDULE

MICROELECTRONICS TRADE MISSION

MARCH 10–14, 2003
SHANGHAI, CHINA

The U.S. Department of Commerce, in conjunction with the Electronics Representatives Association (ERA), is organizing a trade mission to China for the microelectronics industry. The mission will center on the Shanghai exhibition, electronic China 2003, in conjunction with SEMICON China. Participating firms will have pre-arranged, one-on-one meetings scheduled for them by the U.S. Commercial Service in Shanghai. Firms will also have the opportunity to make additional business contacts at the exhibition.

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HEALTH CARE TECHNOLOGIES MATCHMAKER

MARCH 17–21, 2003
COPENHAGEN, DENMARK; STOCKHOLM, SWEDEN; OSLO, NORWAY

This is an excellent networking opportunity for health care and medical companies. There will be a special focus on the tele-health sector, which is experiencing strong growth in these markets.

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MEDICAL DEVICE TRADE MISSION

MARCH 23–APRIL 3, 2003
VIETNAM, THAILAND, MALAYSIA, SINGAPORE

This mission will focus on the medical/dental device and clinical laboratory equipment sectors. A limited number of firms from health care services as well as pharmaceutical and biotechnology industries could also participate. Companies are encouraged to participate in all four countries, but participants have the option of selecting stops from the itinerary.

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A full listing of upcoming trade events is available via http://export.gov.

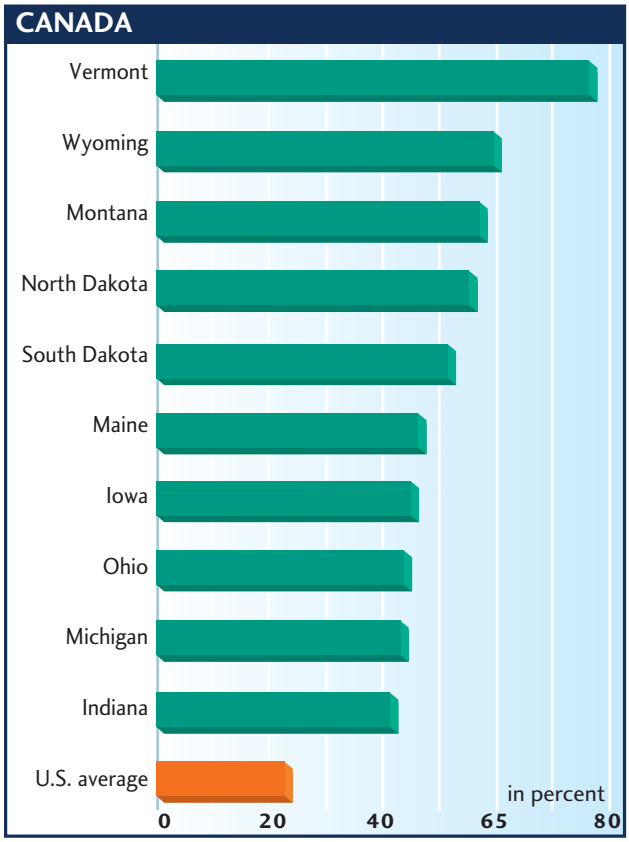
State Exports around the World

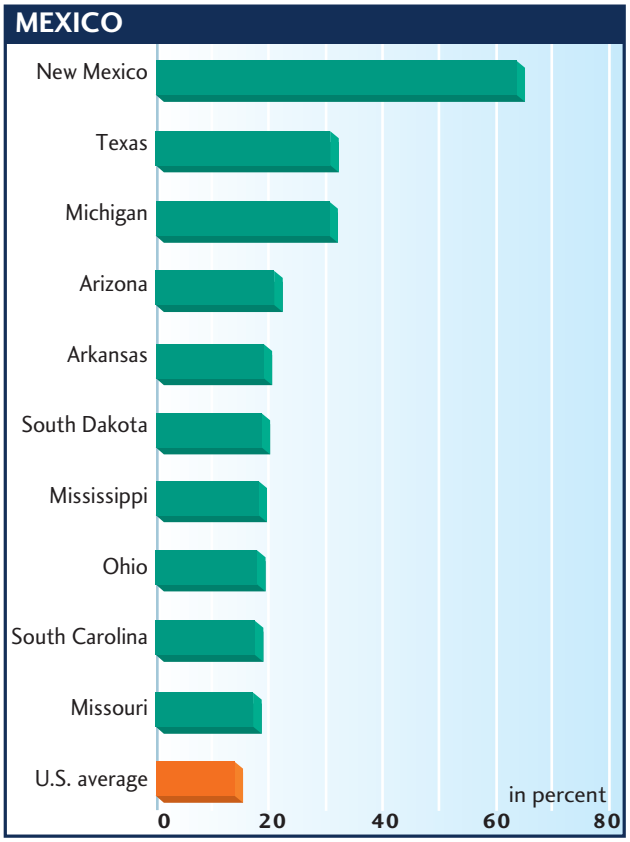
The charts presented here break down U.S. exports of goods by state and market (destination). For each of 15 national or regional markets, one can see the 10 states having the largest proportion of exports going to that market. For reference, the U.S. average (that is, the percentage of overall U.S. goods exports going to the country or region) is also shown.

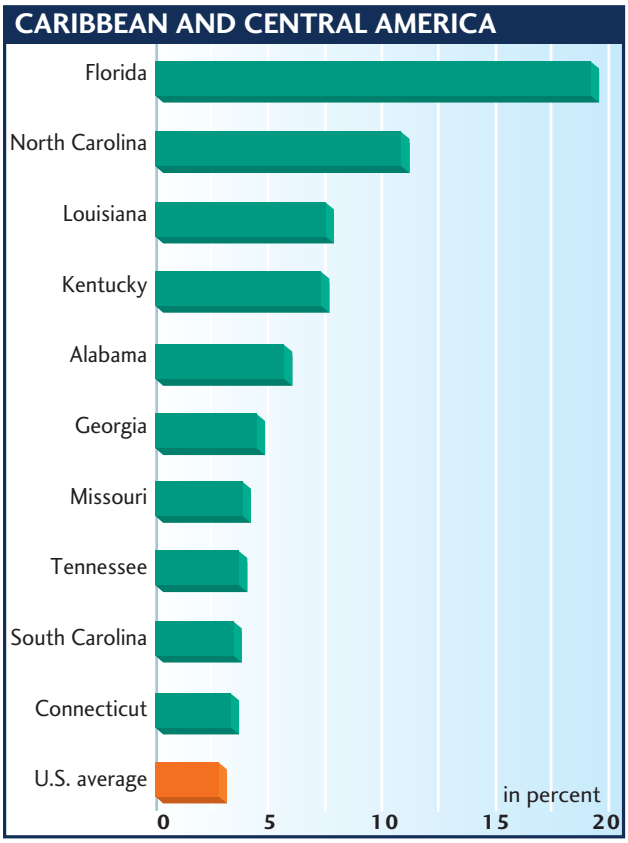
For example, the chart for Japan shows that more than a third of Hawaii's merchandise exports in 2001 went to Japan. Because the charts are based on percentages, they do not reflect the dollar values of the state-market export flows. To continue the example, California (which happens to be the leading state in terms of total value of exports to Japan), ranks only seventh among the states in terms of proportion.

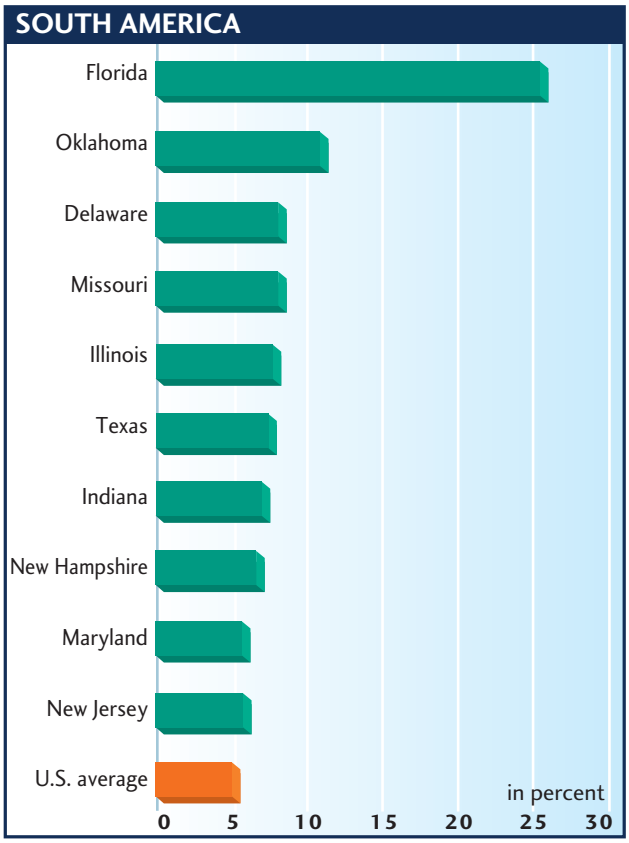
The charts are based on data for the calendar year 2001, tabulated on the basis of exporter location. Much more extensive state export data are available at http://ese.export.gov. More information on the methodology of the Exporter Location series is also available at that site.

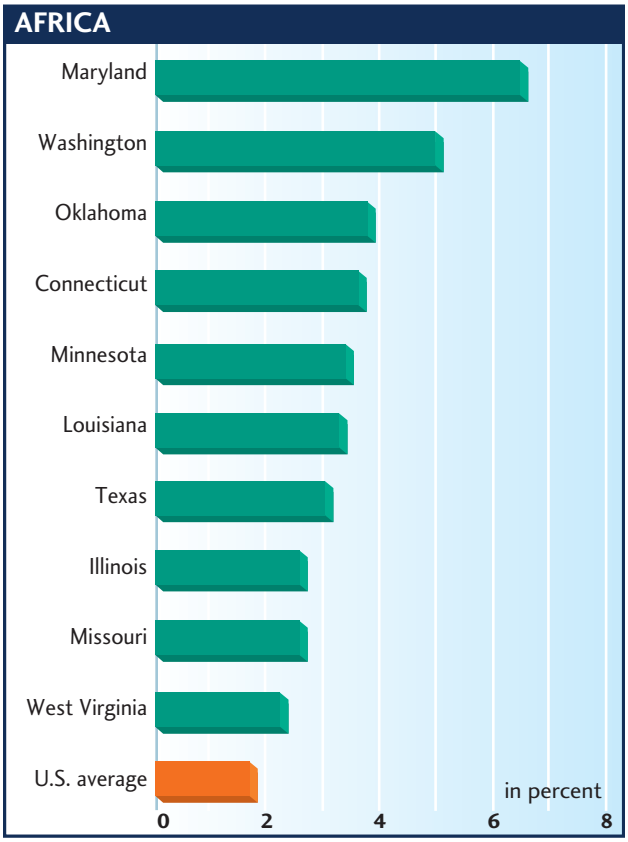
States with greatest fraction of their exports going to the named market.

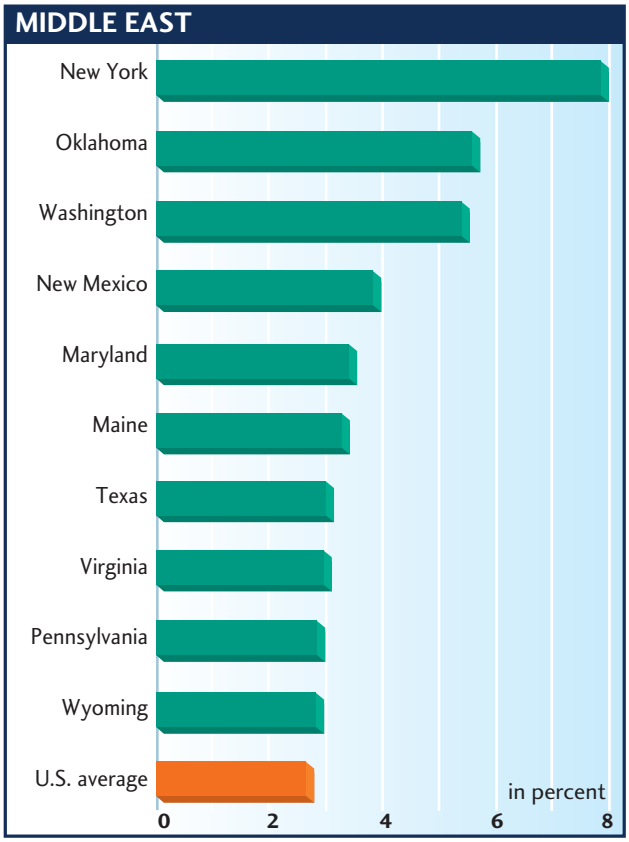


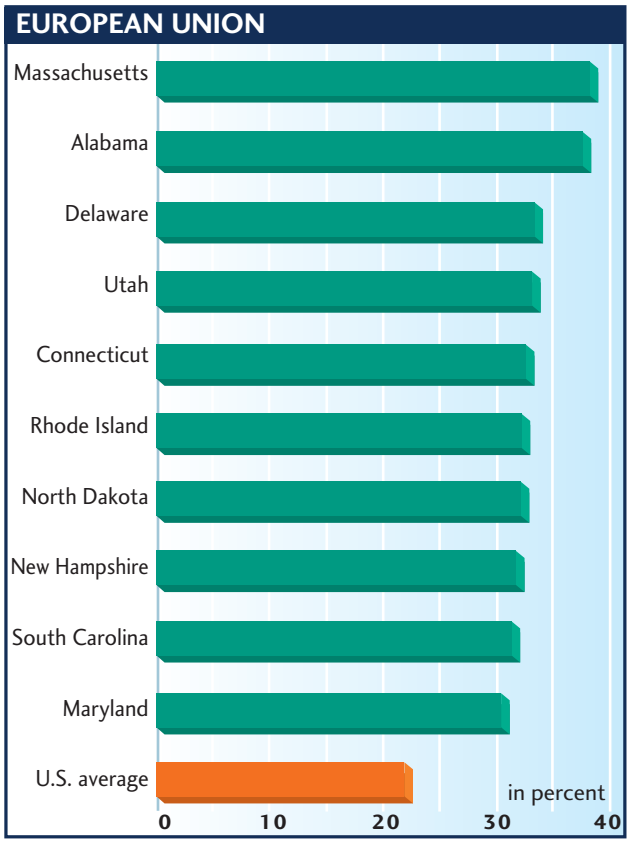


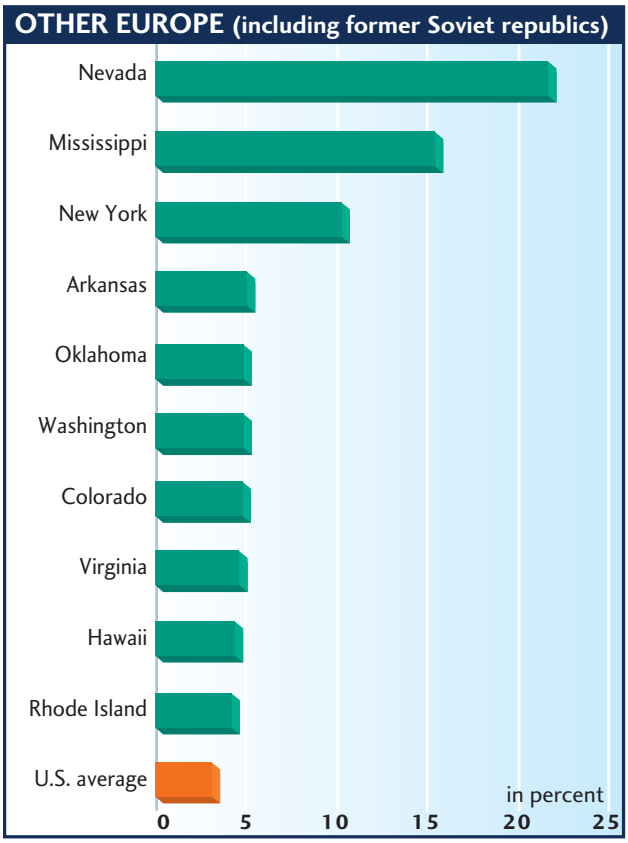

CARIBBEAN AND CENTRAL AMERICA
Florida
North Carolina
Louisiana
Kentucky
Alabama
Georgia
Missouri
Tennessee
South Carolina
Connecticut
U.S. average
in percent
0
5
10
15
20

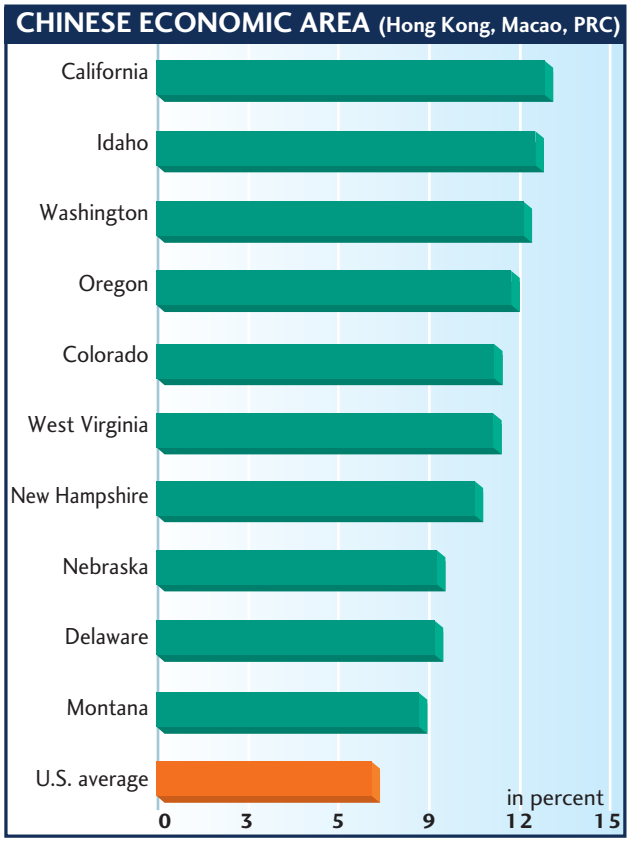

SOUTH AMERICA
Florida
Oklahoma
Delaware
Missouri
Illinois
Texas
Indiana
New Hampshire
Maryland
New Jersey
U.S. average
in percent
0
5
10
15
20
25
30

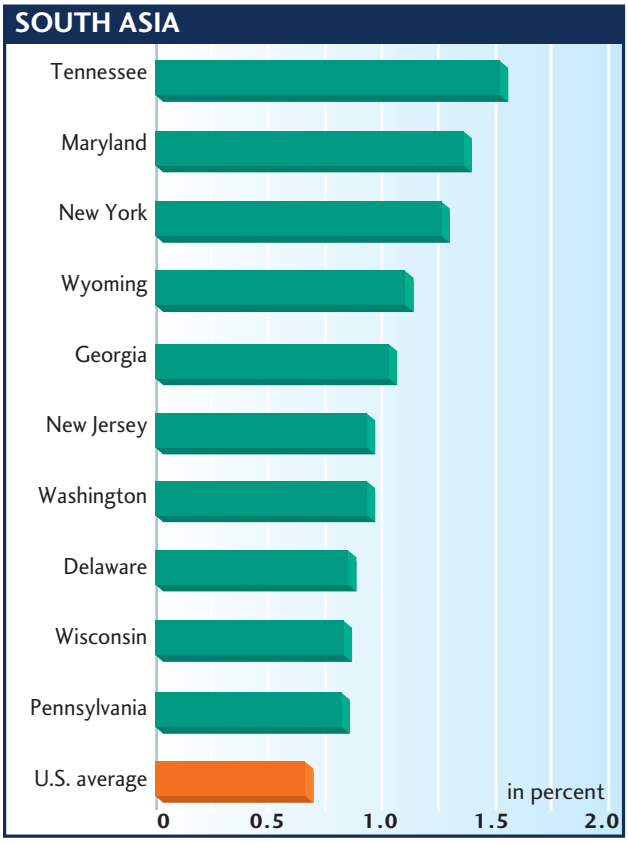

AFRICA
Maryland
Washington
Oklahoma
Connecticut
Minnesota
Louisiana
Texas
Illinois
Missouri
West Virginia
U.S. average
in percent
0
2
4
6
8

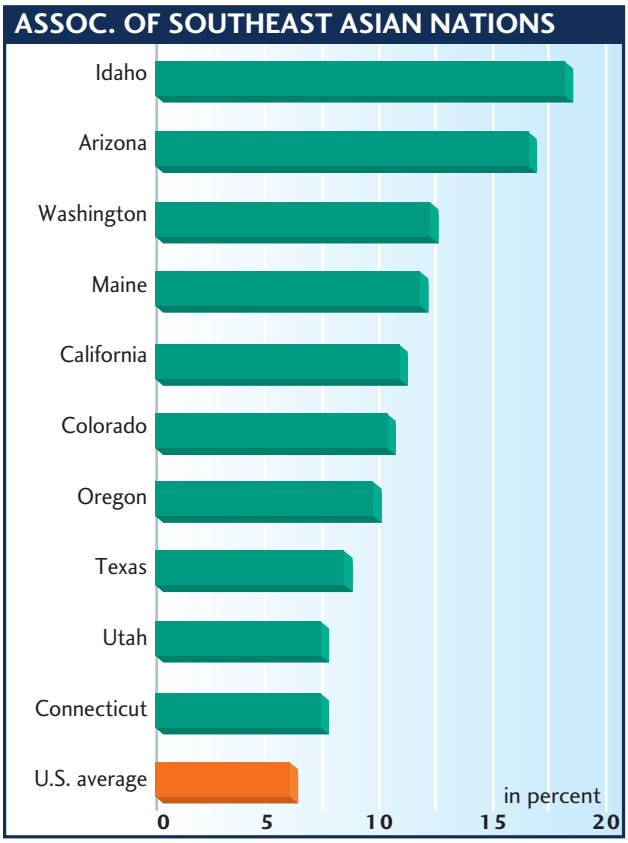

MIDDLE EAST
New York
Oklahoma
Washington
New Mexico
Maryland
Maine
Texas
Virginia
Pennsylvania
Wyoming
U.S. average
in percent
0
2
4
6
8

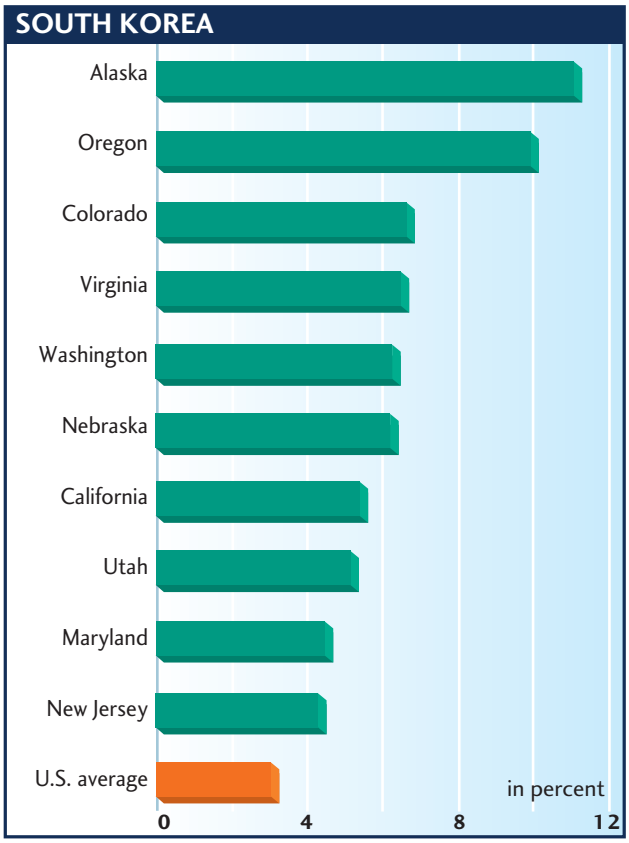

EUROPEAN UNION
Massachusetts
Alabama
Delaware
Utah
Connecticut
Rhode Island
North Dakota
New Hampshire
South Carolina
Maryland
U.S. average
in percent
0
10
20
30
40

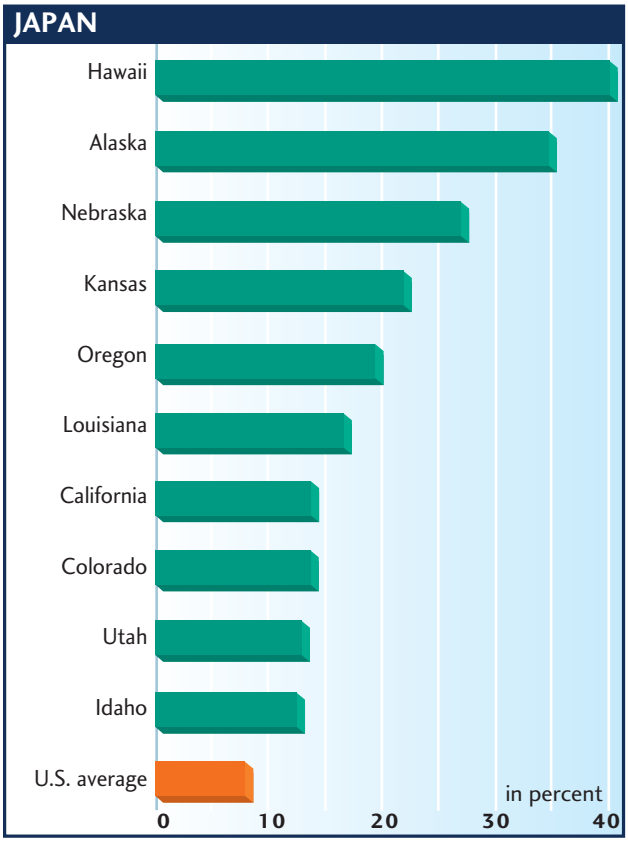

OTHER EUROPE (including former Soviet republics)
Nevada
Mississippi
New York
Arkansas
Oklahoma
Washington
Colorado
Virginia
Hawaii
Rhode Island
U.S. average
in percent
0
5
10
15
20
25

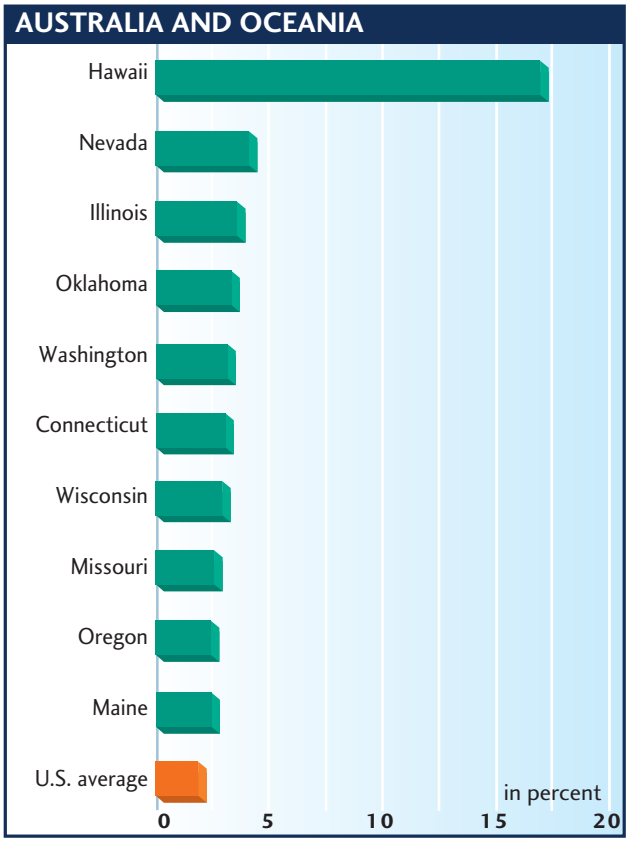

CHINESE ECONOMIC AREA (Hong Kong, Macao, PRC)
California
Idaho
Washington
Oregon
Colorado
West Virginia
New Hampshire
Nebraska
Delaware
Montana
U.S. average
in percent
0
3
5
9
12
15


SOUTH ASIA
Tennessee
Maryland
New York
Wyoming
Georgia
New Jersey
Washington
Delaware
Wisconsin
Pennsylvania
U.S. average
in percent
0
0.5
1.0
1.5
2.0


ASSOC. OF SOUTHEAST ASIAN NATIONS
Idaho
Arizona
Washington
Maine
California
Colorado
Oregon
Texas
Utah
Connecticut
U.S. average
in percent
0
5
10
15
20


SOUTH KOREA
Alaska
Oregon
Colorado
Virginia
Washington
Nebraska
California
Utah
Maryland
New Jersey
U.S. average
in percent
0
4
8
12


JAPAN
Hawaii
Alaska
Nebraska
Kansas
Oregon
Louisiana
California
Colorado
Utah
Idaho
U.S. average
in percent
0
10
20
30
40


AUSTRALIA AND OCEANIA
Hawaii
Nevada
Illinois
Oklahoma
Washington
Connecticut
Wisconsin
Missouri
Oregon
Maine
U.S. average
in percent
0
5
10
15
20

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