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February 2003
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Ensuring Better Global Conditions for U.S. Companies

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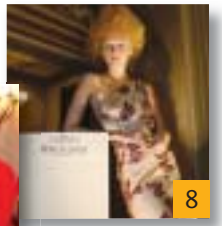

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EDITOR'S MEMO

A family in Guatemala receives sugar water to prevent dysentery.

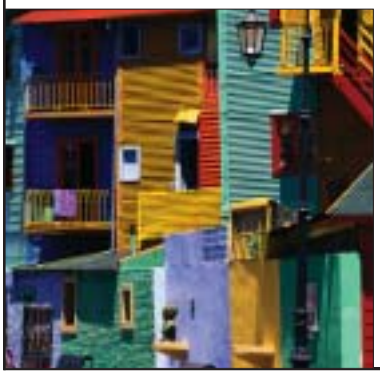
An entire village in the Philippines gains access to safe drinking water, thereby preventing common illnesses caused by drinking polluted ground water. A woman in Ghana makes use of a micro loan to purchase a sewing machine to start a small business and improve the conditions of her community. A family in Peru receives a llama from an international aid organization that will allow them to use the animal for milk, and wool, thereby giving them a chance to be economically self-sufficient. A remote community in Ethiopia purchases a solar powered generator, allowing them to have access to electricity for the first time.

All of these instances of improved access to basic resources are made possible through better access to simple technology. Closer trading relationships mean better access to U.S. technology and entrepreneurship by the more remote regions of the world. While the examples given may represent only a small fraction of the benefits to individual lives of people around the world, collectively they demonstrate how simple things can make a tremendous impact.

As more and more countries eliminate trade barriers to goods and services, the wealth and prosperity of each trading partner is improved. And trade policy advisors in Washington, D.C., and elsewhere recognize this: The World Trade Organization is now in the midst of a negotiating round, scheduled to be completed by 2005; the United States is in the final stages of free trade agreements with Chile and Singapore; four new free trade agreements between the United States and its trading partners are on the road to negotiation.

Our feature article this month examines the benefits of the Singapore and Chile free-trade agreements as well as the efforts underway to ensure that U.S. firms are receiving the benefits of existing agreements. There are also articles highlighting other efforts outside of formal negotiations—such as the U.S. Small Business Administration's efforts to form close ties with their Chilean counterpart and the U.S. Chamber of Commerce's training program—that help to bring the free trade message to small businesses around the country.

Expanding trade and opening opportunities for U.S. firms is a common theme around the International Trade Administration. Next month we will take an in-depth look at the implication of new countries acceding to the European Union and how U.S. firms will be impacted. Until then, send any comments and suggestions to our staff at export_america@ita.doc.gov.



Cory Churches
Editor

GLOBAL NEWS LINE

CANADA

The heavy-construction equipment sector in Canada will grow in the next three years. U.S. exports of heavy construction equipment to Canada will grow by 2 percent annually during the 2002–2005 period.

Confidence in the overall Canadian economy drives most spending decisions regarding heavy construction equipment. When the Canadian economy is strong, it increases business confidence, which in turn increases private sector investment in structures as well as public sector investment in capital works. The overall state of the Canadian construction industry improves, and this in turn increases investment in new equipment.

The gross output for the Canadian construction industry is projected to rise from $88 billion in 2002 to $91 billion in 2003, and then to $94 billion in 2004. Residential construction, which accounts for approximately 52 percent of total construction in Canada, reached a 12-year high in 2002. Total housing starts peaked at approximately 182,000 units last year, representing an increase of 18 percent over 2001. Rising sales and a low supply of new listings, moderate mortgage rates, and improved economic conditions should sustain a stable housing construction market through at least 2006.

The United States is the largest exporter of heavy construction equipment to Canada, followed by Japan and Germany. Equipment from the United States, valued at $1.1 billion, accounted for 64 percent of total imports of heavy construction equipment into Canada in 2001. Most Canadian imports from the United States consist of parts and attachments, mechanical front-end shovel loaders, mechanical excavators, and handling equipment.

The success of U.S. heavy construction equipment suppliers in Canada reflects the advantages that U.S. manufacturers enjoy over third-country suppliers, including common borders, similar quality demands, and comparable distribution channels. Canadian imports of heavy construction equipment from the United States totaled more than $1 billion in 2002, and such imports are expected to increase annually at a real rate of 2 percent through 2005.

COSTA RICA

Costa Rica has traditionally been one of the largest importers and consumers of paper and paperboard in Central America. However, the economic slowdown experienced by the country during the last two years has produced a decline in the overall market for paper and paperboard. The total market amounted to $340 million in 1999, $338 million in 2000, and $337 million in 2001. The expected annual growth rate for the next three years is 3–5 percent. The import market experienced a similar decline, mostly caused by price erosion. Costa Rica imported $238 million (357,988 tons) in 1999, $237 million (314,900 tons) in 2000, and $237 million (326,591 tons) in 2001. The United States is the largest supplier of paper and paperboard to Costa Rica. Imports from the United States totaled $170 million in 1999, $157 million in 2000, and $143 million in 2001. The market share of U.S. exports to Costa Rica averaged 66 percent for those three years. In 2001, the main third-country competitors of the United States were Mexico, with a market share of 11 percent, and Canada, with a market share of 8.7 percent. Local production of paper and paperboard is limited to the production of absorbent paper (toilet paper, cleaning tissues, towels, napkins, and diapers) and to the production of corrugated carton boxes from recycled kraft.

Kraft (paper and paperboard) is the product most frequently imported from the United States to Costa Rica. Kraft is used for the production of corrugated carton boxes and cement paper bags. Second after kraft paper is solid bleached surface paper and paperboard, coated on one or both sides, used in the production of folding cartons, posters, labels, books, and other items. Third after kraft paper is bond paper used for writing, press and computer printing, faxing, photocopying, and other office activities.

Due to the difficult economic environment in Costa Rica, the paper and paperboard market in Costa Rica is driven by two factors: price and sales terms. For local importers and distributors, the lowest price and the best supplier credit terms determines who will receive the order. International suppliers from almost every country traditionally grant 60–90 day credit to importers in Costa Rica. U.S. suppliers interested in participating in this market should be able to offer the same or better credit conditions to local importers.

PANAMA

The high-end furniture sector has developed into a promising and sophisticated market since 1990, when democracy was established in Panama. It is becoming more competitive, with the presence of exclusive furniture brand names from the United States and Europe, and it is expected to increase at a moderate rate of 8 percent during the next three years. The total market size is estimated at $8 million in 2002. The United States, with a market share of 50 percent, is the main competitor in the market. Asian countries (such as Malaysia and South Korea) and European countries (such as Spain, France, and Italy) are striving to increase their market shares.

U.S. furniture is in high demand in Central America, due to its design, durability, and quality, although it is considered a bit expensive compared with Asian and European furniture. Imports from the United States remain strong, especially living-room, bedroom, and dining-room sets, as well as decorative pieces.

Panama is a relatively sophisticated market in comparison with other countries in Central America. It has the highest per capita income (around $3,600), the U.S. dollar is

the legal currency, many Panamanians travel frequently to the United States, and many business executives have been educated in the United States. Additionally, imported and locally produced design magazines are increasingly available, which have an influence on the demand for high-end furniture. Moreover, rapid urban development, lower import duties, and aggressive marketing practices by major retailers have created dynamic opportunities for U.S. exporters.

BRAZIL

Although local and international economic and political factors are negatively affecting Brazil's ability to import, the pet food and accessories market presents great growth potential and opportunities for U.S. companies. This fast-growing sector is perfect for foreign companies with medium- and long-term plans to enter the Brazilian market. To address any import problems, U.S. firms may want to establish plants in Brazil, or set up joint ventures with local manufacturers.

Brazil has 27 million dogs and 11 million cats. They consume about 95 percent of Brazil's pet food and supplies. Only one-third of these pets eat processed pet food. The Commercial Service estimates that $55 is spent on each pet annually. If all pets were fed processed pet food, the market would total $2.1 billion. This does not include vaccines and veterinary services, which according to local experts would add $99 to the annual expenditure per pet, for a total of $154.

As in other sectors, the pet food and supply import segment has suffered from the devaluation of the Brazilian currency. This has led to substitution of imports by local production, which for the last eight years has grown an average of 26 percent annually. The turbulence from the recent presidential elections in Brazil has resulted in significant devaluation of the Brazilian currency.

Strong marketing campaigns by local manufacturers of pet food are changing the behavior of pet owners. While consumers in the upper income level are the main buyers of pet food and accessories, lower income groups present a great opportunity for growth. About 64 percent of middle-class homes have pets, and 55 percent in lower income homes. Lower income consumers are growing aware of the importance of treating pets properly.

NEW ZEALAND

New Zealanders enjoy traveling internationally. An unofficial estimate of the number of New Zealanders holding passports is 2 million, or 53 percent of the country's total population of 3.8 million people. New Zealand's remoteness from the rest of the world means air travel is the most popular way of leaving this country—99 percent of all departures are by air.

After the U.S.-based terrorist attacks on September 11, 2001, New Zealanders were generally anxious about traveling internationally, but most international travelers regained their confidence to travel within a few months of the attacks. However, the Bali bombings last October reinforced the notion that New Zealanders need to be more cautious about their personal safety overseas. Price-cutting on tickets has helped to keep people traveling. Last November, New Zealanders were told by the New Zealand government to take sensible precautions for their personal safety and be extra vigilant in public places in Europe, Australia, and North America.

For the year ending September 2002, short-term departures totaled 1.3 million, down 4 percent on the previous year. The decline is directly attributed to the terrorist attacks of September 11, 2001. Most short-term departures for the year ending September 2002 (more than 50 percent) are to New Zealand's nearest neighbor, Australia, followed by Fiji (5.3 percent), the United States (5 percent), and the United Kingdom (4.9 percent). Business is the main reason why New Zealanders travel to the United States. Compared with Australia and Asia, the United States is an expensive destination for New Zealanders.

HONG KONG

Hong Kong is a densely populated city of 6.8 million people living in a total area of 1,100 square kilometers. The conventional cut-and-cover method to install and repair underground infrastructure is becoming difficult to implement without negative effects on traffic, society, and the environment. Since 1998, when the Hong Kong government's Water Supplies Department (WSD) constructed a large-scale water main using trenchless technology, there has been increased usage of this technique. Industry contacts expect 20-percent growth in the coming years, due particularly to the demand in water rehabilitation and telecommunications market.

Hong Kong suffers water bursts and leakage of 25 percent due to aging water mains and the pressure capacity of pipes. At the suggestion of consultants, the WSD plans to rehabilitate 3,000 kilometers of water mains through 2020, at an estimated cost of $1.3 billion.

Although many trenchless technologies are in use, Hong Kong has been leaning towards pipe jacking in the past few years. Horizontal directional drilling has become popular recently. In the future, relining projects will increase significantly due to demand in water main work. Other products will also be in high demand, such as locators, radar equipment, closed-circuit televisions, robotic cutters, pipe cleaning equipment, rehabilitation design software, pipe supplies, drill rods, drill bits, and bentonite. There will also be strong demand for underground detection and trenchless consulting.

All trenchless equipment is imported, mostly through agents who sell to contractors. Timely delivery, availability of technical support, and durability of the equipment are the most important influences on purchasing decisions.

NEED MORE DETAIL?
Ask a commercial officer at one of the Department of Commerce 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).

Marinades Make the World Taste Better

Flavorful Rural Exports

by Dawn Bruno
U.S. Commercial Service

The French city of Paris may be the gourmet capital of the world, but another Paris is making its mark on food and flavor. Betsy and Dave Wilcox, recognizing a market for their homegrown marinades, founded Allegro Fine Foods in 1978 in Paris, Tennessee. They had developed their recipe in 1955, looking for an inexpensive and easy way to spice up their meals. It was not long before the recipe became popular in their hometown. Almost 50 years later, Allegro Fine Foods proudly distributes its marinades throughout the United States and has ventured into international markets as well.

The 25 employees of Allegro have applied creative strategies to make exporting easier. And they are not just doing it for themselves. "Exporting is good for our community," said International Marketing Director Rick Horiuchi recently. He understands what more jobs mean for Paris, a rural town with a population below 10,000. It is this community focus that has allowed Allegro to expand internationally while maintaining a small-town approach to building personal relationships and establishing trust among its clients and distributors.

As a small business, Allegro has had to work harder than larger companies to enter the global marketplace. Allegro has taken advantage of services and information offered through the U.S. Commercial Service, the Tennessee Department of Agriculture, the U.S. Foreign Agricultural Service, and the Southern United States Trade Association (SUSTA). Because Allegro does not have the resources of a large international marketing department, these services enable the company to compete globally.

"The exporting business is time-consuming and requires a lot of effort," said Horiuchi. "However, there are many services available to small exporters if they put forward the effort to find them."

Allegro exports to Singapore, Japan, and Hong Kong. Horiuchi explained that Allegro broke into Asian markets through hard work, persistence, and personal connections. The company now has a strong presence in Asia, with Washington-based distributors who export their marinades to the Pacific Rim. Horiuchi has recently started exploring the Mexican and Canadian markets as part of an aggressive export strategy. As Allegro widens its international reach, Horiuchi has found that creating personal relationships and understanding local business cultures are key to successful exporting. As Allegro's presence in Mexico grows, Horiuchi may even take a Spanish language course to communicate better with Mexican clients.

Photo courtesy of the University of Tennessee at Martin.

(L to R) Dr. Ernest Moser, Raul Urteaga Trani, Rick Horiuchi, Ree Russell, and Dr. Paul Crapo gather during a NAFTA conference at the University of Tennessee at Martin.

FROM PARIS TO MEXICO AND BEYOND

In the last three years, Allegro has actively targeted Mexican supermarkets to distribute its marinades, which are available in original, hot and spicy, and hickory smoke flavors. These products are kosher certified, with Mexican standard 051 English/Spanish labels. Allegro's main supermarket chain customer is HEB/Mexico, with 20 stores in northern Mexico. Allegro also distributes its products to Super Gigante in Baja California and Monterrey, Mexico, and the company plans to expand to southern Mexico.

Since 2000, Allegro has worked closely with the Memphis U.S. Export Assistance Center (USEAC), part of the global network of the U.S. Commercial Service. According to Horiuchi, USEAC Director Ree Russell and the rest of the Memphis office staff have been a tremendous help to Allegro. They provide market information, suggest trade events, and promote Allegro products in rural Tennessee as well as overseas. Horiuchi regularly attends conferences and other events in Tennessee that are sponsored or recommended by Russell and her staff. And at some events, like the North American Free Trade Agreement Conference in October 2002, Horiuchi has served as a panel speaker and met Canadian and Mexican government officials. This conference took place at the University of Tennessee in Martin, which is part of the rural community that includes Paris.

As part of Allegro's strategy to penetrate the Canadian market, Ree Russell put Horiuchi in touch with Crystal Roberts, a commercial specialist in the Calgary office of the Commercial Service. Roberts represented Allegro Fine Foods at the Red Deer Trade Show in November, and she is currently seeking Canadian distributors for Allegro's products.

"The Commercial Service has been very beneficial to us, and there are services offered to make everyone happy," said Horiuchi. "The resources and information are available, so why not use them?"

Photo courtesy of Allegro Fine Foods.

Allegro Fine Foods makes marinades with flavors such as teriyaki, hot and spicy, and hickory smoke, as well as mesquite and roasted garlic "flavor injectors" that can be inserted directly into meats.

SPICING UP EXPORTING OPPORTUNITIES

Not content to conquer Asian, Mexican, and Canadian markets, Allegro is exploring export opportunities in Australia, New Zealand, and various European countries. Allegro attributes its aggressive international expansion in part to its dedication to using the many resources that are available to small businesses.

Horiuchi's advice for other small or rural businesses includes maintaining a focus on exporting and consistently attending trade shows overseas. Allegro frequently uses the SUSTA market access program (MAP), which sponsors international activities by providing money for small and medium-sized businesses to travel to trade shows. Through MAP funds, Allegro has translated labels into Spanish and Japanese, as well as implemented direct mailings and other promotional campaigns. "The program has been very beneficial to Allegro, and I would recommend this for other small companies," said Horiuchi.

Horiuchi warns companies that they must be committed and focused if they are to be successful exporters. He stresses patience, diligence, and trust. "It is necessary for companies to have at least one or more people dedicated to international business and marketing," noted Horiuchi. "Plus, there must be an upper-management commitment to pursuing international business."

Exporting has enabled a family marinade recipe from Tennessee to span the globe. Marinades once enjoyed solely in a small, rural community are now internationally recognized. This success is not lost on Horiuchi: "With the rapid diffusion of technology, it is now possible for small businesses to reach the other side of the world in a way that they could not before." ■

Teamwork Lands Americans in Paris

ITA Program Assists Small and Medium-sized Companies

by Brad Hess
Market Development Cooperator Program, Trade Development

A recent fashion exhibition in Paris underscored the value added when non-profit groups work with the International Trade Administration (ITA) to benefit small and medium-sized enterprises. One way that the ITA teams up with non-profits is through the Market Development Cooperator Program. Through this program, the ITA provides both financial and program management assistance.

In October 2000, the ITA awarded the Garment Industry Development Corporation (GIDC) $375,000 to promote New York fashion in Europe. With its cooperator award and collaboration with ITA specialists, the GIDC is developing its New York Fashion International (NYFI) program through a virtual showroom on the Internet, support of exporters and foreign buyers, assistance to firms preparing for trade missions and fashion shows, and public relations.

Photo courtesy of GIDC.

Larry Brill, front, and Monica Montavon of the ITA meet regularly with Christophe Le Gorju of New York Fashion International.

Recipients of cooperator funds like the GIDC use regular meetings with the ITA to focus their efforts and explore opportunities. As part of its cooperator award, the GIDC coordinates regularly with ITA team leader Monica Montavon; Larry Brill, a textiles and apparel division director in the ITA Trade Development unit; and Anastasia Xenias. Unlike Montavon and Brill, who are based in Washington, D.C., Xenias works in Manhattan for the U.S. Commercial Service, another ITA unit. Coordination and cooperation among NYFI and ITA professionals in Washington, New York, and abroad helped NYFI put Americans in Paris.

Prior to receiving its cooperator funding, the GIDC had already developed a strong partnership with the ITA on its national textile and apparel team. Through this partnership, Christophe Le Gorju, head of NYFI, has often worked with Xenias, Brill, and others.

One idea discussed was a major GIDC fashion event abroad in 2002. Xenias worked with Commercial Service posts abroad exploring this possibility; but without funding, such an event could not happen.

PR TO PRÊT À PORTER

Le Gorju traveled to Washington to meet with Montavon and Brill to finalize plans for a September public relations campaign, as prescribed in the GIDC cooperator award. He left, instead, with the fashion event that the GIDC needed.

The ITA members of the GIDC cooperator team considered the fashion event idea. Working with U.S.

Photo courtesy of GIDC.

The Paris fashion world gets a peek at the creative designs of Victor de Souza.

Photo courtesy of GIDC.

Elegance is evident both in Victor de Souza's gown, foreground, and the bas-relief of the Hotel Talleyrand, background.

Commercial Service posts abroad, Xenias had already identified three possible cities, which the team whittled down to one: Paris.

The timing was right to do an event coinciding with a big "haute couture" show in Paris. However, Brill and Montavon advised that more appropriate exposure would occur during Prêt à Porter ("ready-to-wear") Fashion Week, a little later in the season. The small and medium-sized New York apparel firms likely to benefit from and participate in the event were those most interested in ready-to-wear fashion. With these parameters set, the ITA team agreed to redirect cooperator award funds from public relations to pay for the event.

The plan was not without risk. If it worked, NYFI would be able to attract a critical mass of New York designers to Paris. Having their own intimate exhibition in Paris during Prêt à Porter would be an opportunity that some New York designers would find hard to pass by despite travel concerns and a slow economy. If it flopped, however, they could find themselves alone in their exhibition space while Prêt à Porter Fashion Week went on elsewhere without them.

AMERICANS IN PARIS

Caroline de Villoutreys, commercial specialist of the U.S. Commercial Service in Paris, saw to many of the details and arranged an exhibition venue. Known as the Hotel Talleyrand, this centuries-old landmark is a former residence in the center of Paris on Place de la Concorde. Owned by the U.S. government, it is an elegant space, but very difficult to book.

With an unbeatable venue secured by the ITA, NYFI signed two exhibition co-sponsors: Gilles Bensimon, director of publications of Elle USA; and Didier Grumbach, president of the French Federation of Haute Couture and Prêt à Porter. The sponsors defrayed some of the expenses and added prestige.

The October exhibition, "Americans in Paris," featured Spring 2003 looks from Rubin Chapelle, Victor de Souza, Vilma Mare, David Rodriguez, Alice Roi, and Gaelyn & Cianfarani. NYFI secured models to showcase several outfits of these New York designers.

The one-and-a-half-day exhibition was a great success. More than 300 international buyers and media representatives attended the event. Le Gorju, who was born and raised in France, was more than happy to point out that "New York is home to some of the most inventive and creative designers." Although this may have been obvious to the visitors to the event, it was no accident that New York designers had the chance to let their clothes do the talking.

Many steps led to the success of "Americans in Paris": the partnership of the GIDC and the ITA national textile and apparel team, cooperator award funds, and coordination with the team of ITA specialists. ■

A more comprehensive view of the offerings of these and other New York designers is available at the NYFI virtual showroom: www.nyfi.org.

FUNDING COOPERATIVE PROJECTS

Each spring for the last 10 years, organizations seeking to develop foreign markets have competed for Market Development Cooperator Program awards. Applicants propose projects to increase U.S. exports. Winners enter into cooperative agreements with the International Trade Administration. The agreements confer special access to ITA trade specialists and financial assistance of up to $400,000.

These award winners, or "cooperators," contribute at least two-thirds of the cost of each project in matching funds and in-kind contributions. Since the program began in 1993, the ITA has awarded $20.8 million. The 70 cooperators selected during the past 10 years have matched this with $57.6 million.

The results have been impressive. For every federal dollar invested, cooperative projects have yielded $86 in exports. Each year, on average, cooperators help U.S. companies export $227 million in goods and services.

Cooperators make up a variety of organizations serving business communities. Their ranks include large industry organizations like the National Electrical Manufacturers Association (NEMA) as well as small organizations like the South Dakota International Business Institute (SDIBI). To increase exports to Brazil and Mexico, the NEMA has worked in these countries to promote the adoption of product standards used by most U.S. firms. Meanwhile, the SDIBI has helped some U.S. producers of industrial spray washers get established in Mexico by attending a trade show and securing an agent.

The competition for cooperator awards usually opens in late winter, with applications due in early spring. Eligible entities generally include trade associations, small business development centers, World Trade Centers, state trade agencies, chambers of commerce, and other nonprofit industry organizations. Private companies are generally not eligible.

Additional information on eligibility is available at www.export.gov/mdcp. This Web site is the best source for program information, including application dates and other details. Those interested in e-mail notification regarding the cooperator application deadline and related news can register on-line at the site.

TradeRoots

Public and Private Partnerships for Trade

by Leslie M. Schweitzer
National Chamber Foundation, U.S. Chamber of Commerce

In our current climate, it has become even more critical for Americans to understand that we must be competitive in the global economy. The fact of the matter is that trade helps America and the world grow. Most businesses—small and large—know this. The U.S. Chamber of Commerce TradeRoots program works with lawmakers in Washington, D.C., and the rest of the country to implement policies to help small and medium-sized businesses succeed. Recognizing the importance of the connection to the world of international trade and investment, education, and cultural affairs, TradeRoots helps communities throughout the country to better understand the vast role that international trade, both imports and exports, has in their everyday lives. It means jobs and prosperity, and it guarantees the future peace and welfare of our children. The challenge is to develop practical, grassroots means to enable more small and medium-sized businesses to enter the global marketplace. As the world's most open economy and the world's biggest trader, the United States has the most at stake in fostering an inclusive globalization process and a world trading system.

To that end, the U.S. Chamber of Commerce, the world's largest business organization with a federation of 3,000 chambers of commerce worldwide and nearly 3 million member businesses, is committed to TradeRoots, the purpose of which is to ensure prosperity from Portland to Poughkeepsie and Phoenix to Paducah. This sustained, national grassroots trade education program is dedicated to raising public awareness of international trade and assisting America's small and medium-sized businesses to be better able to prosper and to do business in the global marketplace. Small and medium-sized enterprises account for nearly 98 percent of the membership of the U.S. Chamber of Commerce, and international trade is the key to growth for many of these firms.

In 1999, the U.S. Chamber of Commerce committed to a long-term strategy to develop a local approach to comprehensive international trade education throughout America. Due in part to a partnership between the U.S. Chamber of Commerce and the International Trade Administration (ITA), under the auspices of a Market Development Cooperator Program (MDCP) grant, the U.S. Chamber of Commerce has created the only sustained national trade education program. This partnership with the ITA has been an important part of the success of the overall program.

In conjunction with the grant, TradeRoots organized four international trade leadership programs in Washington, D.C., to train 89 chamber professionals from 33 states in providing export assistance to their clients. The focus of these intense, multi-day training courses was to educate chamber executives to help their small and medium-sized company members to be better prepared to compete globally. The state, municipal, and local chambers were trained to respond to the needs of their members. Local chambers will now be able to assist their communities in acquiring valuable information, skills, and financing necessary to succeed in foreign markets, as well as tap into the vast array of local resources and the federal trade promotion services of the U.S. Department of Commerce, Small Business Administration, Export-Import Bank, and others. This group of 89 community-based trade organizations has helped to counsel and prepare thousands of small and medium-sized companies to enter the global marketplace.

> *"The TradeRoots program was critical to the success we are currently experiencing. The TradeRoots program enabled the Vermont Chamber to get up to speed quickly on all the available programs and services that exist statewide and nationally. The program served as a wonderful primer to learn how to make the most of our developing international program that is so critical to companies in our state."*
>
> *Curtis Picard*
> *Vermont Chamber of Commerce*

As a result of the TradeRoots international trade leadership programs, strong working relationships have developed between the local chamber network and U.S. Export Assistance Centers around the country. These relationships have enabled the chambers and the local offices of the ITA

to work simultaneously to assist small businesses to navigate through the various steps of export transactions.

"The TradeRoots program provides both training and guidance as the Winchester-Frederick County Chamber of Commerce expands its international program. Every contact the U.S. Chamber of Commerce had identified proved to be helpful and responsive. Our chamber also learned how to more effectively use the resources of the U.S. Department of Commerce, particularly the Commercial Service and Virginia's International Trade Division to help businesses in our region."

Suellen Knowles
Winchester-Frederick County
Chamber of Commerce

"Thanks to the introductions made by TradeRoots, Beverly Hills Global has been able to take advantage of the numerous resources and tap into the brainpower of the talented staff of the West Los Angeles Export Assistance Center. From 'The Basics of Exporting' to 'Trade Finance and Compliance' and 'Exporting Professional Services,' the workshops have increased in popularity and experience capacity attendance. In fact, several businesses have joined the chamber as a direct result of the workshop series."

Michael Robinson
Managing Director
Beverly Hills Global
Beverly Hills Chamber of Commerce

"I work closely with Roberta Brooke, executive director of the Spokane International Trade Alliance and an alumna of the TradeRoots International Trade Leadership Program. Our partnership has resulted in the development of highly innovative seminars and activities to assist businesses to export and to provide an effective counseling base. Together, we have counseled approximately 200 businesses a year."

Janet Daubel
Director
U.S. Export Assistance Center
Spokane, Washington

Photo courtesy of U.S. Chamber of Commerce.

Maria Cino (second from left), assistant commerce secretary and director general of the U.S. Commercial Service, and Leslie Schweitzer (left), U.S. Chamber of Commerce, with panelists at the Women and International Business Conference in Los Angeles.

In addition to the network of chambers in America, the U.S. Chamber of Commerce federation has 94 American chambers of commerce in 82 countries. These chambers provide vital "in country" resources for U.S. companies as they attempt to navigate the sometimes complex paths to business success around the world. The MDCP grant enabled the TradeRoots program to promote closer working relationships between the overseas offices of the U.S. Commercial Service, the chambers, and the state, city, and local chambers of commerce in the United States.

The TradeRoots Web site (www.traderoots.org) was launched in January 2002 as a virtual trade directory to state and local chambers as well as companies nationwide. The site enables small and medium-sized companies to access trade information that will help them enter the global marketplace. This site also gives chambers access to international trade information. Included on the site are country and industry reports, market reports, trade contacts, an export glossary, a trade library, and other useful information.

TradeRoots has also distributed approximately 600,000 pro-trade reports and publications nationwide during the two-year period of the grant. These publications include TradeRoots packets, newsletters, trade flashes, stories of successes of real companies engaged in trade, and legislative updates on trade agreements.

In 2003, TradeRoots continues to develop local support for international trade. After the successful passage of trade promotion authority, the American public needs to be even more aware of the vastly important free trade agreements on the horizon. TradeRoots will develop and execute a long-term grassroots program in support of the Free Trade Area of the Americas. TradeRoots will expand its governors' trade education tours and work closely with the state and local chamber network to further develop and strengthen support for free and fair trade initiatives. International trade leadership programs will continue throughout the country with a special emphasis on programs for female and Hispanic business owners. The U.S. Chamber of Commerce commitment to combat the fears of globalization at home through an aggressive grassroots trade education program remains strong. International trade is the key to increased prosperity and peace throughout the world.

For more information, contact Leslie M. Schweitzer, senior trade advisor of the U.S. Chamber of Commerce, at (202) 463-5511, or lschweit@uschamber.com. Visit www.traderoots.org.

Hong Kong

Gateway to China, and a Vibrant Market on its Own

by Dawn Bruno
U.S. Commercial Service

Hong Kong, one of the so-called Asian tigers of the 1990s, may have lost a step or two during the current slowdown, but no snaggle-toothed feline is this.

As one of the world's most open and dynamic economies, Hong Kong boasts the second-highest per capita income in Asia (at just over $23,000). The keys to Hong Kong's economic success lie in its liberal market philosophy, market transparency, free flow of information, and strong legal system. Hong Kong is a "free port," with virtually no duties or tariffs, allowing U.S. businesses to easily reach its 6.8 million consumers. U.S. exports to Hong Kong totaled $14.1 billion in 2001. Hong Kong is the world's largest transshipment center and is positioned to play an important role for U.S. businesses wishing to expand their exports to the biggest tiger of them all—China.

"For small and medium-sized companies, Hong Kong is the best route into China, providing effective and familiar business laws and practices," says Barry Friedman, senior commercial officer of the U.S. Commercial Service in Hong Kong. The main advantages to using Hong Kong to enter China include well-developed infrastructure, strong communication networks, and excellent rail and road links to the booming southern provinces. In addition, explains Friedman, "Hong Kong has an English-speaking, Western-oriented business culture."

FACTS AND FIGURES

Total area: 1,099 square km (six times the size of Washington, D.C.)

Population: 6.8 million (2002)

GDP: $176.1 billion (2001)

GDP Growth: 1.5% (2002)

Inflation: -3.0% (2002)

GDP by sector: services 85.6%, industry 14.3%, agriculture 0.1%

Currency: Hong Kong dollar

Exports: clothing, textiles, electrical machinery, jewelry

Imports: consumer goods, capital goods, machinery, raw materials, foodstuffs

Sources: U.S. Department of Commerce, CIA, EIU.

BUSINESS IN A HONG KONG MINUTE

But the Hong Kong market is well worth targeting on its own, never mind the allure of the mainland. The first thing a visitor notices is Hong Kong's fast-paced business climate. Because Hong Kong is among the most competitive markets in the world, U.S. companies need to make decisions quickly and respond to buyer inquiries immediately. According to Olivia Cheng, president of California-based World Medical Trade Organization (WMTO), "Business moves quickly, and you have to be ready to act fast in Hong Kong." One of the best ways to sell products and services in Hong Kong is through agents and distributors, which minimizes initial investment in the market. Hong Kong has an extensive network of agents and distributors who are eager to buy and sell competitively priced, quality U.S. products.

The Hong Kong government plans to spend $30 billion over the next five years to significantly improve infrastructure, including schools, roads, communication facilities, and government buildings. This activity will open many opportunities for U.S. companies.

Beyond bricks and mortar, Hong Kong is the world's most service-oriented economy, including financial, legal, and advertising services. The services sector grew at an annual rate of 6 percent between 1991 and 2000. After rebounding from the Asian financial crisis in 2000, the Hong Kong economy slowed in 2001, as a result of the

global economic downturn. However, this should not deter U.S. exporters, who will be well poised in the market as the economy strengthens.

FINDING BUYERS WITHOUT THE BOTHER

Hong Kong is a key Asian technology hub. Leading sectors include telecommunications and information technology products and services, electronics, medical equipment, and security products. The medical equipment industry provides multiple opportunities for U.S. companies. World Medical Trade Organization (WMTO), a U.S. company specializing in opening Asian markets for medical-related products, has used the U.S. Commercial Service in Hong Kong to locate distributors.

Based in Newport Beach, California, WMTO markets and distributes U.S. medical equipment throughout Asia. When WMTO decided to enter the Hong Kong market with PapSure, an early detection device for cervical cancer, it relied on the expertise of the U.S. Commercial Service, a division of the Commerce Department that helps small and medium-sized U.S. companies find new markets around the world. WMTO chose a distributor using a service called Gold Key, which matches U.S. exporters with prequalified distributors and agents, as well as arranges videoconferences and face-to-face meetings.

As part of the Gold Key, the U.S. Commercial Service arranged for WMTO to meet with seven companies in just two days, providing complete background information on each company. This significantly cut the time and cost of finding a distributor in Hong Kong, according to WMTO's Cheng: "Choosing a good distributor is important to us, since we are giving exclusive rights to this company. The Commercial Service staff was very experienced and well connected in the Hong Kong community. They understood the product, provided our criteria to medical distributors strong in the OB-GYN field, and arranged meetings, which we appreciated the most."

For more information about business opportunities in Hong Kong, call the U.S. Commercial Service at (800) USA-TRADE (872-8723), or visit www.export.gov/cntryind.html for Hong Kong market research.

U.S. COMMERCIAL SERVICE, HONG KONG

U.S. Consulate General, 26 Garden Road, Central, Hong Kong
Tel: +852-2521-1467
Fax: +852-2845-9800
E-mail: hong.kong.office.box@mail.doc.gov
Web site: www.buyusa.gov/hongkong

BEST PROSPECTS FOR NON-AGRICULTURAL EXPORTS TO HONG KONG

- Security and safety equipment
- Medical equipment
- Computers and peripherals
- Cosmetics and toiletries
- Air conditioning and parts
- Laboratory and scientific instruments
- Plastic materials and resins
- Building products
- Electronic parts and components
- Franchising

Source: *Country Commercial Guide: Hong Kong*, 2003.

BUSINESS HOLIDAYS, 2003

January 1
New Year's Day

February 1
Lunar New Year's Day

February 2
Second day of the Lunar New Year

February 3
Third day of the Lunar New Year

April 5
Ching Ming Festival

April 18
Good Friday

April 19
Day following Good Friday

April 21
Easter Monday

May 1
Labor Day

May 8
Buddha's Birthday

June 4
Tuen Ng Festival

July 1
Hong Kong Special Administrative Region Establishment Day

September 12
Day following Chinese Mid-Autumn Festival

October 1
National Day

October 4
Chung Yeung Festival

December 25
Christmas Day

December 26
First weekday after Christmas Day

Source: U.S. Consulate General, Hong Kong.

TIPS ON DOING BUSINESS IN HONG KONG

According to U.S. government statistics, Hong Kong was the United States' 15th-largest trading partner and 13th-largest export destination in 2001. U.S. exports to Hong Kong totaled $14.1 billion in 2001, and bilateral trade totaled $23.7 billion. U.S. exports to Hong Kong in the first quarter of 2002 were down 18.2 percent over the previous year due to sluggish domestic consumption and capital investment.

Reaching Customers in Hong Kong

For many American products and services, initial market penetration in Hong Kong does not require an investment of millions of dollars of company funds. Given that Hong Kong is a "free port" with virtually no duties or tariffs, and that it has a wide-ranging network of agents and distributors, a well-managed market penetration program with a moderate investment in market development is generally all that is required initially. Due to its open nature, however, Hong Kong is among the most competitive and price-sensitive markets in the world. Companies considering entering this market should be aware that the Hong Kong business climate is extremely fast-paced. Decisions are made quickly, and companies need to be able to respond to inquiries immediately or they risk losing the market to faster moving suppliers.

Numerous American products and services can be found in Hong Kong, and throughout China. Many excellent agents and distributors for China are located in Hong Kong, although given China's size and diversity, it is usually necessary to work with different agents for different regions of China. Hong Kong companies are eager to talk to potential exporters and have a strong interest in representing quality, competitively priced U.S. products from companies committed to the market. Commitment to the market is demonstrated in various ways but should include quoting in metric, providing Chinese language material, responding quickly to inquiries, meeting relevant standards, and visiting the market for first-hand understanding and relationship building.

Distribution and Sales Channels

One of the best ways to sell products in Hong Kong is through the use of agents or distributors. It is also an excellent way of minimizing the initial investment in the market. There is a wide range of companies that can serve as agents or distributors for U.S. firms. Other options for pursuing Hong Kong's market are establishing an office or partnering. Companies looking to sell equipment needing long-term maintenance, technical support or installation, or that are seeking to become involved in infrastructure projects, frequently seek to partner with local companies.

Direct Marketing

Hong Kong has a well-developed network of retail outlets. Supermarkets, department stores, convenience stores, and modern shopping malls have become increasingly popular, because of their easy access, convenient location, and seven-day availability. Consumers prefer buying products from retail outlets to buying products on-line, as they consider retail shopping a leisure activity. Direct marketing accounts for less than 1 percent of total retail sales, though it has increased in popularity following the economic slowdown in 1998. Many who lost their jobs turned to direct marketing while others who suffered pay cuts joined direct marketing companies to augment their incomes. Sales of direct marketing companies surged between 5 percent and 10 percent over the past few years. Many local companies, particularly Chinese herbal health supplement distributors, have adopted direct marketing.

The lack of homegrown e-commerce sites in the Chinese language in Hong Kong has limited the growth of on-line shopping. Because there is a well-developed retail distribution system and an abundance of conveniently located outlets, consumers in Hong Kong have no incentive to shop on-line; there is no price advantage and they cannot inspect products.

The major selling factors are the same as in the United States: price, quality, timeliness in delivery, and service. Initial sales require more face-to-face contact, as Asians generally place a premium on developing personal connections.

Pricing Products
If possible, quote in metric, on a deliverable basis to Hong Kong (e.g., CFR or CIF rather than FOB). Hong Kong companies have many options, so American companies must make it as easy as possible for customers to buy their products.

Sales Service/Customer Support
Some sort of local presence, whether it is a branch office or an agent or distributor, is very important in getting established in the market. Business in Hong Kong (and elsewhere in Asia) requires relationships that can only be developed with some kind of local presence. Prompt after-sales service is also crucial to succeeding in this very competitive market.

Source: *Country Commercial Guide: Hong Kong*, 2003.

WEB RESOURCES

U.S. Consulate General, Hong Kong and Macau
www.hongkong.usconsulate.gov

American Chamber of Commerce in Hong Kong
www.amcham.org.hk/home.html
E-mail: amcham@amcham.org.hk

Hong Kong Trade Development Council
www.tdctrade.com
E-mail: hktd@tdc.org.hk

Invest Hong Kong
www.investhk.gov.hk
E-mail: enq@investhk.gov.hk

Doing Business in Hong Kong
www.business.gov.hk

Hong Kong—Doing Business
Everything you need to know about doing business in Hong Kong: business hours, business contacts, temporary offices, courier services, and more.
www.worldroom.com/pages/wrnhk/business/hk_bus.phtml

Hong Kong Government Information
Information about Hong Kong, including government, services, and general "about Hong Kong" resources.
www.info.gov.hk/eindex.htm

Hong Kong Trade and Industry Department
The Trade and Industry Department is responsible for Hong Kong's international trade relations, implementing trade policies and agreements, as well as providing general support services for industries and small and medium-sized enterprises.
www.info.gov.hk/tid

Foreign Trade Zones

U.S. Customs Procedures and Requirements

by Dennis Puccinelli
Foreign-Trade Zones Board, Import Administration

Foreign trade zones (FTZs) are designated sites where special customs procedures apply. Foreign trade zones in the United States are comparable to so-called free trade zones in many countries, though procedures vary widely from country to country.

FTZs allow domestic activity involving foreign items to take place as if it were outside the customs territory of the United States for duty payment purposes, thus offsetting customs advantages available to overseas producers who export in competition with products made in the United States.

WHAT IS AN FTZ?

A foreign trade zone is a restricted-access site authorized by the Foreign-Trade Zones Board, which consists of the treasury and commerce secretaries (the secretary of commerce chairs the board). FTZs, upon activation under regulations of the U.S. Customs Service, are secure areas under U.S. Customs supervision. These zones are at or near U.S. Customs ports of entry. Formal customs entry procedures do not apply in these zones, although FTZs are within the territory and jurisdiction of the United States.

WHY WERE SUCH ZONES ESTABLISHED?

Congress established the Foreign-Trade Zones Board in 1934 to license and regulate FTZs in the United States. FTZs were established for a number of reasons, the primary being to encourage and expedite U.S. participation in international trade. Foreign goods may be admitted to an FTZ without being subject to customs duties and certain excise taxes.

FTZs allow deferred payment of duties until goods are entered into the commerce of the United States. Under zone procedures, the usual customs entry procedures and payment of duties are not required on foreign merchandise until it actually enters customs territory for domestic consumption. Foreign merchandise that is re-exported is not subject to U.S. customs duties. Domestic goods admitted into a zone, in zone-restricted status (for storage, destruction, or export), are considered exported when admitted to the zone for other government agency requirements, excise tax, and duty drawback.

The FTZ Board's criteria require that zone activity be consistent with U.S. trade policy and result in a net positive economic effect, taking into account potential impact on U.S. plants that are not located in zones.

WHAT ARE THE TYPES OF FTZs?

There are two types of foreign trade zones: general-purpose zones and subzones. General-purpose zones are usually located in industrial parks or in seaport and airport complexes with facilities available for use by the general public.

Subzones are sites sponsored by a general-purpose zone grantee on behalf of an individual firm or firms. Subzones are single-purpose sites for operations that cannot be feasibly moved to, or accommodated in, a general-purpose zone (for instance, oil refining and automobile manufacturing).

The Foreign-Trade Zones Board grants zones to qualified public and private entities (for instance, port authorities and city/county economic developers). In a general-purpose zone, the grantee usually has an operator to run the zone. Operators can sublet to tenants, called users. In a subzone environment, the user and operator are usually the same.

WHAT ARE SOME ADVANTAGES OF USING FTZs?

Duty Deferral

Customs duty and federal excise tax, if applicable, are paid only when merchandise is transferred from an FTZ to the customs territory of the United States, or transferred to Canada or Mexico.

Duty Elimination

Goods may be imported into, and then exported from, a zone without the payment of duties and excise taxes, except to certain countries subject to trade agreements, such as Canada and Mexico (in which case, any applicable duties and excise taxes are levied). Goods may also be imported into, and destroyed in, a zone without the payment of duty and excise taxes.

Inverted Tariff Relief
Inverted tariff relief occurs when imported parts are dutiable at higher rates than the finished product into which they are incorporated. For example, the duty rate on imported glass for automobiles is 5.5 percent if imported directly into the United States. However, if that auto glass is brought into a foreign trade zone and incorporated into an assembled automobile, the duty on the finished automobile, including the glass, is 2.5 percent.

Tax Exemption
Merchandise imported into the United States and held in a zone for the purpose of storage, sale, exhibition, repackaging, assembly, distribution, sorting, grading, cleaning, mixing, display, manufacturing, or processing, as well as merchandise produced in the United States and held in a zone for exportation, either in its original form or altered by any of the above methods, is exempt from state and local ad valorem taxes.

Storage
Merchandise may remain in a zone indefinitely, whether or not it is subject to duty. Other customs procedures, such as bonded warehouses and temporary import bonds, are subject to time limits.

Exportation
Merchandise brought into the United States on an entry for warehousing, temporary importation under bond, or for transportation and exportation may be transferred to a foreign trade zone from customs territory to satisfy a legal requirement to export the merchandise. For instance, merchandise may be taken into a zone in order to satisfy an exportation requirement of the Tariff Act of 1930, or an exportation requirement of any other federal law insofar as the agency charged with its enforcement deems it advisable. Exportation may also fulfill requirements of certain state laws. Items admitted to a zone to satisfy exportation requirements must be admitted in zone-restricted status (meaning they are only for direct export, immediate export, or transportation and export).

Security and Insurance
Customs security requirements and federal criminal sanctions deter theft. Deterrence may result in lower insurance costs and fewer incidents of loss for cargo imported into an FTZ.

HOW IS MERCHANDISE ADMITTED INTO A ZONE?

In order to admit merchandise into a zone, the zone operator must submit a request with appropriate documentation to the Customs Service port director. Merchandise does not achieve zone status until a port director issues a permit for its admission (except in the case of domestic status merchandise for which no permit is required) and the zone operator signs for receipt of the merchandise into the zone.

HOW DO U.S. COMMUNITIES BENEFIT FROM FTZs?

U.S. communities often have to compete globally for investment in local manufacturing and commerce. In some instances, locations overseas may offer more favorable customs environments for businesses. Therefore, U.S. foreign trade zones help level the playing field in terms of the business costs associated with importation and customs clearance. FTZs also assist state and local officials to develop their economies by attracting foreign commerce. And by helping U.S. companies improve their international competitiveness, FTZs can help retain local business and encourage the development of additional jobs. FTZs also facilitate international trade, as noted in the advantages above.

DO OTHER COUNTRIES HAVE FTZs?

Many other countries operate special customs areas, such as free trade zones (also referred to as FTZs) and export processing zones. U.S. exporters and other interested parties should contact the embassy or customs officials of individual countries for specific procedures, requirements, and arrangements. Although there may be several similarities, it should not be assumed that a free trade zone overseas operates under the same principles as a foreign trade zone in the United States.

Contact information for foreign embassies is available by calling the Trade Information Center at (800) USA-TRAD(E), or by visiting www.export.gov/tic. Many U.S. freight forwarders also have working relationships with trade zones overseas and can provide information on the documentation required to ship goods through them.

WHERE IS ADDITIONAL INFORMATION AVAILABLE?

For additional information about FTZs, including their benefits, contact the executive secretary of the Foreign-Trade Zones Board at the U.S. Department of Commerce: (202) 482-2862. The Web address is http://ia.ita.doc.gov/ftzpage.

For questions about a particular FTZ, contact the zone grantee using the list of zones on the FTZ Web page. For further information on customs procedures in zones, contact the U.S. Customs port director where the zone is located, or phone the Office of Field Operations, U.S. Customs Service: (202) 927-0300. ■

FTZ Statistics

U.S. communities with zones: 240

States with zone projects: 50

Pending cases for new zones and expansion: 60+

Value of merchandise handled by zones: $225 billion (2001)

Employment at active zone facilities: 330,000

Exports: $15 billion (2001)

Share of zone receipts in domestic status: 60%

Opening Markets and Bolstering Trade

Ensuring Better Global Conditions for U.S. Companies

by Market Access and Compliance

There is good news for U.S. businesses and workers. The U.S. government is liberalizing trade and opening markets through the passage of trade promotion authority and subsequently the negotiation of free trade agreements.

President George W. Bush has said, "We want to open global markets so that our farmers and ranchers and workers and service providers and high-tech entrepreneurs can enjoy the benefits of a more integrated world." President Bush is committed to free and fair trade, because international trade is an engine of economic growth. In the 1990s, exports accounted for roughly a quarter of all U.S. economic growth and some 12 million jobs for American workers.

Donald Evans, secretary of commerce, has taken the president's message to heart and has asked William H. Lash III, assistant secretary of commerce for market access and compliance, to ensure that foreign markets are open and free of trade barriers. Evans has emphasized that not only do we want markets to remain open, but we also need to ensure adherence of our counterparts to more than 260 existing U.S. trade agreements.

Assistant Secretary Lash heads the Market Access and Compliance unit within the International Trade Administration of the U.S. Commerce Department. Lash, along with a staff of foreign market experts, is charged with enforcing existing trade agreements as well as identifying and removing trade barriers and unfair trade practices in foreign markets. Since joining the ITA in August 2001, Lash has raised more than 450 market access and compliance issues with foreign counterparts.

"President Bush and Secretary Evans are businessmen, they understand the fine line between success and failure, and my office is aggressively engaging foreign governments to ensure we give U.S. businesses every opportunity to succeed," says Lash.

Grant Aldonas, under secretary of commerce for international trade, adds, "We must be willing to confront and dispute the trade barriers and other obstacles facing our workers and firms in the international marketplace, and we must ensure that the rules of the game are clear and that the players follow the rules."

Lash explains, "Through aggressive engagement, we will ensure a level playing field for American businesses."

More specifically, Lash has made reaching out to the business community a priority. In addition to tasking his team to travel to all 50 states, Lash himself has committed to travel to one state per month. The most effective way of assisting the business community is to ask the business community what problems it is experiencing. "It is as simple as that," says Lash. "We need businesses to tell us what their problems are overseas, so we are able to pinpoint areas where we should engage."

Lash and his staff have also significantly enhanced the Trade Compliance Center (part of Market Access and Compliance), adding business and congressional outreach to its portfolio, as well as creating a Web site (www.export.gov/tcc) at which businesspeople can report trade barriers encountered overseas.

Finally, Lash has created outreach task forces within the Market Access and Compliance offices for Europe and the Western Hemisphere. These task forces are designed to reach out to the U.S. business community to uncover barriers to doing trade within specific regions of the world.

U.S.-Chile Free Trade Agreement

Comprehensive Gains

by Dinah McDougall

Office of Latin America and the Caribbean, Market Access and Compliance

On December 11, 2002, U.S. Trade Representative Robert Zoellick and Chilean Foreign Minister Soledad Alvear announced the successful conclusion of negotiations for the U.S.-Chile Free Trade Agreement (FTA). The FTA will not only eliminate tariffs on goods, but also reduce barriers to services and investment, protect intellectual property, ensure regulatory transparency, and set parameters for the enforcement of labor and environmental standards.

Over the past two years, U.S. trade negotiators and agency specialists met with their counterparts during 14 rounds of official negotiations, as well as numerous related meetings and videoconferences. During the final round of negotiations in Washington, D.C., more than 230 negotiators from both countries worked for nine straight days to resolve outstanding issues.

Within the U.S. Department of Commerce, trade analysts from the International Trade Administration (ITA) addressed U.S. industry concerns throughout the negotiations and helped to ensure that U.S. industry received optimal benefits in the final agreement. During the negotiations, the ITA consulted with U.S. industry representatives on a variety of market access issues. Trade analysts collected advice from U.S. industry members, and they referred to this input while helping to develop U.S. positions at the negotiations. In addition, ITA staff worked with various industry advisory committees to gauge sectors' reactions to Chilean proposals. Although the overall negotiation process has ended, the ITA continues to consult with U.S. industry groups to review the final text.

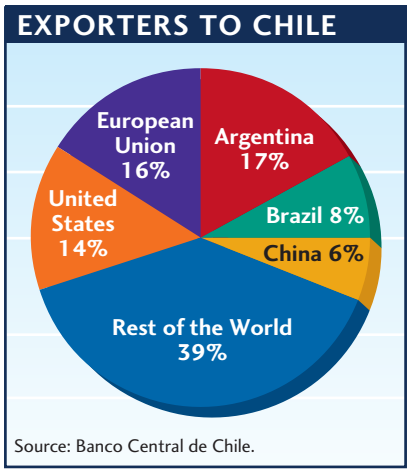
BENEFITS FOR U.S. EXPORTERS

One of the immediate benefits of the U.S.-Chile FTA will be the rapid elimination of tariffs on industrial goods. More than 85 percent of bilateral trade in industrial and consumer products will become duty-free immediately upon the entry into force of the FTA. The majority of remaining items will become duty-free within four years, and all tariffs will be phased out within 10 years. In addition, Chile's luxury tax on automobiles will be phased out over four years, while the number of vehicles subject to the tax will drop sharply upon implementation of the agreement. Sectors to benefit from immediate duty-free access include heavy machinery and equipment, automobiles and automotive parts, computers and other IT products, medical equipment, and wood and paper products.

Negotiators secured important benefits for agricultural goods, with more than 75 percent of agricultural tariffs to be eliminated within four years, and remaining tariffs to be phased out over 12 years. An additional bonus for U.S. exporters is the phaseout of Chile's price bands on staple goods such as wheat, wheat flour, edible vegetable oil, and sugar. Special provisions in the FTA will help protect U.S. farmers and ranchers from surges in imports from Chile that may result from the pact. Key farm products to benefit from improved market access include beef and beef products, pork and pork products, soybeans, durum wheat, potatoes, feed grains, and processed foods. Tariffs on wines will be equalized with the current U.S. tariff rates and then phased out.

Exporters will also benefit from simplified rules of origin, which establish whether a good contains enough regional value content to qualify for duty-free treatment. Exporters familiar with NAFTA rules of origin will find the rules under the U.S.-Chile FTA more clear-cut.

Service providers eager to expand in the Chilean market will also receive important benefits. In addition to



facilitating market access, the FTA includes provisions to ensure that regulatory authorities use open and transparent administrative procedures, consult with interested parties before issuing regulations, provide advance notice and comment periods for proposed rules, and publish all regulations. While commitments to improve market access apply to nearly every service sector, the FTA includes special provisions regarding financial services, telecommunications, and e-commerce.

The U.S.-Chile FTA will provide many other benefits, including government procurement guidelines, provisions for temporary entry of personnel, and protection of labor and environmental standards. The agreement contains high-level, state-of-the-art protection of intellectual property, such as copyrights, patents, trademarks, and trade secrets, as well as strong measures to counter piracy and counterfeiting. U.S. investors will be granted the right to make, acquire, and operate investments in Chile on equal footing with Chilean investors in almost all circumstances, in addition to receiving due process protection and expropriation rights.

BENEFITS FOR SMALL BUSINESSES

Emerging markets like Chile provide excellent opportunities for fast growth in exports, particularly for small and medium-sized enterprises. In 1999, 79 percent of all U.S. firms that exported to Chile were small businesses, according to the U.S. Small Business Administration. Unfortunately, many emerging markets are characterized by a lack of regulatory transparency and high trade barriers. Small businesses have taken advantage of previous trade agreements designed to eliminate trade barriers. For example, since the introduction of the North American Free Trade Agreement in 1994, exports to Canada and Mexico have accounted for nearly a third of all exports by small and medium-sized businesses.

Small and medium-sized enterprises will especially benefit from the tariff-eliminating provisions of the U.S.-Chile FTA. In recent years, several U.S. companies have faced competition from firms in Canada and Mexico who already enjoy the benefits of these countries' free trade agreements with Chile, signed in 1996 and 1998 respectively. For example, a 140-horsepower grader-tractor exported to Chile from the United States is currently subject to $13,090 in duties, while the same tractor made in and exported from Canada could enter Chile duty-free. Providing a level playing field is especially important for small and medium-sized firms, which generally cannot shift production facilities to countries that already enjoy the benefits of free trade with Chile. Anticipating the small-business benefits that the FTA would provide, the U.S. Small Business Administration (SBA), the Technical Cooperation Service of Chile, and the Chilean Economic Development Agency signed a memorandum of understanding on December 5, 2002, designed to promote linkages between Chilean and U.S. small businesses. See page 36 of this issue of *Export America* for details about SBA activities regarding Chile.

REGIONAL TRADE

The completion of the U.S.-Chile FTA emphasizes the Bush administration's intention to negotiate and conclude trade pacts in Latin America, and it opens the door for future trade agreements within the region. Currently, the United States is engaged in negotiations for the Free Trade Area of the Americas (FTAA); these talks are scheduled to conclude in January 2005. Last month, the administration began Central America Free Trade Agreement (CAFTA) negotiations. While the administration considers the unique circumstances of each economy with which it negotiates trade agreements, the broad scope and high standards of the U.S.-Chile FTA should spur

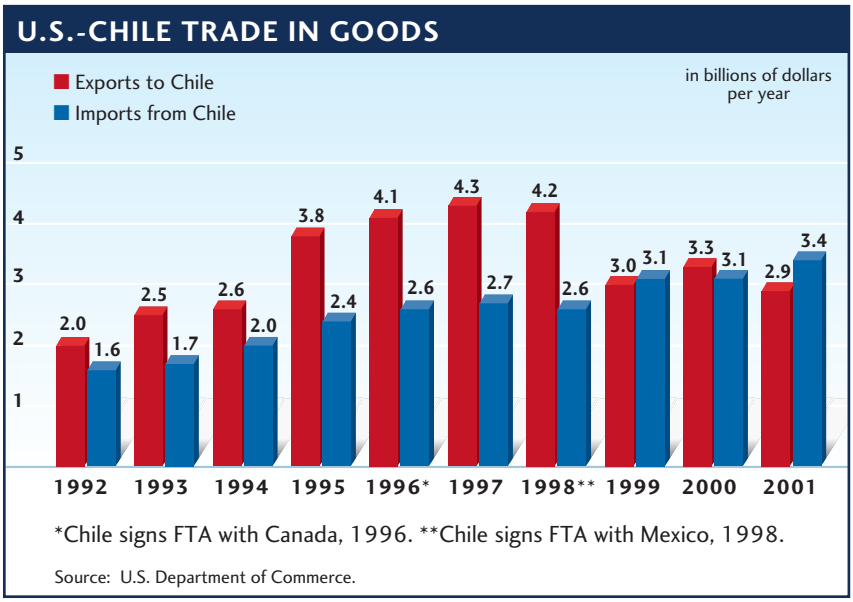


Photo courtesy of Embassy of Chile.

Santiago, with more than 5 million inhabitants, is the capital and heart of Chile.

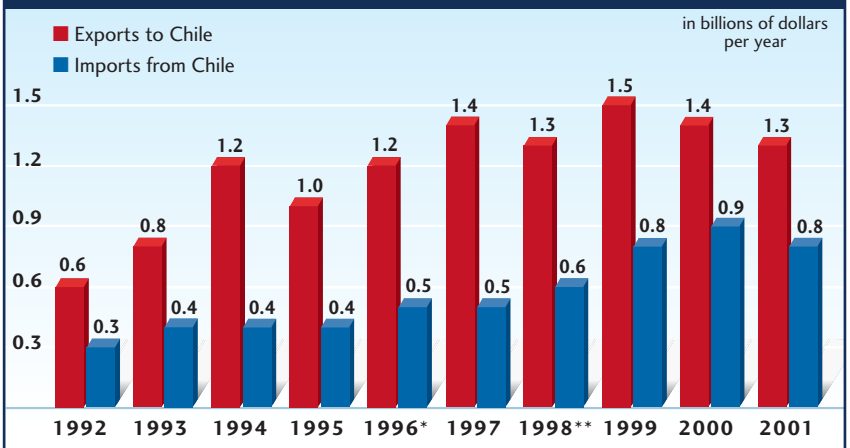
additional trade and investment liberalization in Latin America and help set the tone for future trade negotiations.

ON THE HORIZON

Under the Trade Act of 2002, the president must notify Congress at least 90 days before signing the agreement. The administration expects to notify Congress of its intent to sign the FTA early this year. After the final text is agreed and signed by both countries, Congress must approve implementing legislation before the FTA can enter into force.

In the meantime, the U.S. Department of Commerce provides a myriad of resources for firms interested in doing business with Chile. The main Commerce Department site for the U.S.-Chile FTA (www.export.gov/chilefta) provides a gateway through which interested parties can readily locate information on Chile provided by different ITA offices, as well as get specific information on the official text as it becomes available. In addition, businesses can contact their local U.S. Export Assistance Center to find out about upcoming events in their area that address the benefits of the U.S.-Chile FTA.

U.S.-CHILE TRADE IN SERVICES



*Chile signs FTA with Canada, 1996. **Chile signs FTA with Mexico, 1998.

Source: U.S. Department of Commerce.

ON-LINE INFORMATION

U.S. businesses that have questions regarding the U.S.-Chile FTA are encouraged to visit the International Trade Administration at the site listed below, or contact Dinah McDougall at (202) 482-0703. Other questions about doing business in Chile should be addressed to the Trade Information Center at (800) USA-TRAD(E). The following sites contain useful information about trading with and doing business in Chile:

International Trade Administration
www.export.gov/chilefta

Office of the U.S. Trade Representative
www.ustr.gov

U.S. Commercial Service in Chile
www.buyusa.gov/chile/en

Chilean-American Chamber of Commerce
www.amchamchile.cl

Chilean Trade Commission
www.chileinfo.com

Chile-U.S. Chamber of Commerce
www.chileus.org

U.S.-Singapore Free Trade Agreement

The First U.S. FTA in Asia

by Georgia Creech
Office of Asia and the Pacific, Market Access and Compliance

"It was a dark and stormy night" is not only the slogan for an annual contest celebrating bad writing. It also aptly describes the surroundings when the leaders of Singapore and the United States agreed to negotiate a bilateral free trade agreement (FTA). In the very early hours of November 16, 2000, they were playing golf on a well-lighted course in Brunei. Thunderstorms rumbled in the distance, and at some point during the round the two agreed that their nations should negotiate an FTA. Almost exactly two years later, negotiating teams in Singapore announced the near-completion of the agreement.

SINGAPORE AS A TRADING PARTNER

Singapore was the United States' 11th-largest trading partner in 2001, purchasing U.S. goods and services almost equal to that of China, three times more than India, and more than many European countries, including Italy and Spain. Singaporeans enjoy a high standard of living, which gives them purchasing power to buy U.S. goods and services. Singapore is also a business friendly and highly competitive environment. The World Economic Forum (an independent, international organization based in Switzerland) publishes an annual *Global Competitiveness Report*. Part of this report is an index that ranks a country's competitiveness in three broad categories: technology, public institutions, and macroeconomic environment. This year, Singapore ranked fourth in the world, as it did last year. In comparison, the United States ranked first this year, up from second place last year.

KEY PROVISIONS OF THE FTA

Services

Services were a priority for U.S. negotiators, as the vast majority of goods already enter Singapore duty-free. With a few exceptions, Singapore will improve market access to U.S. providers of professional services. Singapore will treat U.S. service providers in a broad range of sectors the same as it does its own providers. U.S. companies will find opportunities in a number of areas, such as legal, architectural, engineering, and surveying services. Express delivery services are differentiated from Singapore's postal monopoly, and these services will experience increased competition. The agreement also includes wording on regulatory transparency and expedited authorization procedures.

Similarly, in financial services, Singapore will now treat U.S. firms the same as local firms for the cross-border supply of financial information, advisory, and data-processing services. The current ban on new licenses for full-service banks will be lifted within 18 months, and within three years for wholesale banks. Singapore will provide U.S. banks access to the local ATM network within two and a half years, if they are locally incorporated, and within four years for all other banks. Qualified banks also can open 30 (up from 15) branches and service locations. Singapore will allow U.S. firms to provide asset and portfolio management and securities services in the country through the establishment of local offices, or through acquisition of local firms. U.S. firms may supply pension services under Singapore's privatized social security system, with more liberal requirements regarding the number of portfolio managers who must be located in Singapore.

ENTERPRISE FOR ASEAN INITIATIVE (EAI)

Last October, President Bush announced a new trade initiative with the Association of Southeast Asian Nations (ASEAN). This initiative was developed in response to discussions with ASEAN officials. It aims to enhance the United States' already close relations with ASEAN members. Under the EAI, the United States offers the prospect of free trade agreements with individual ASEAN members that are committed to economic reforms and commercial openness. Such bilateral agreements would be based upon the high standards set in the U.S.-Singapore FTA.

Goods

The U.S.-Singapore Free Trade Agreement will lock in Singapore's current duty-free treatment on almost all U.S. products. The agreement also includes strong provisions to ensure that businesses do not falsely claim Singaporean origin for goods. Singapore is required to penalize companies engaged in such circumvention, as well as to report such actions to the United States.

Investment

The FTA includes solid protection of U.S. investors and investments in Singapore by establishing a secure, predictable legal framework for U.S. investors operating there. U.S. investors will be provided treatment as favorable as Singaporean and third-country investors. Among the rights afforded are due process protection and the right to utilize a neutral forum to resolve disputes involving the agreement's investment protection or breaches of investment agreements. The FTA also prohibits certain performance-related restrictions on U.S. investors (for instance, the requirement to use local content in manufacturing operations).

E-Commerce

The two sides recognized at the beginning of negotiations that special provisions on electronic commerce would be needed. Consequently, this is one of the areas in which the agreement breaks new ground. A number of voluntary or temporary WTO commitments, including duty-free status for products delivered electronically, are binding and permanent in the U.S.-Singapore FTA. The commitments about services in this agreement also extend to the electronic delivery of these services.

Intellectual Property

Globally, U.S. firms lose billions of dollars every year to intellectual property piracy, and this agreement goes further than any previous FTA to protect intellectual property. The agreement provides protection of copyrights, patents, trademarks, and trade secrets. It contains breakthrough protection of digital products, such as software, music, text, and videos. Composers and copyright owners are the only parties with the right to make their works available on-line. Enforcement mechanisms are also stronger. For example, there are provisions to prohibit tampering with technologies designed to prevent piracy.

The aforementioned provisions, along with important stipulations regarding telecommunications, competition policy, government procurement, labor and the environment, capital controls, and other areas, are part of one of the most comprehensive trade agreements ever negotiated. The U.S.-Singapore FTA lays the groundwork for an expanded, mutually beneficial commercial relationship.

MAJOR PACTS ENVISIONED

Since the start of the current fiscal year, the Bush administration has officially notified Congress of its intent to initiate free trade negotiations with two groups: Central America (Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua) and sub-Saharan Africa (members of the Southern African Customs Union). In addition, the administration hopes to develop bilateral agreements with Morocco and Australia.

U.S. Trade Representative Robert Zoellick has sent letters to Congress notifying it of U.S. objectives and goals for negotiations for each free trade agreement. Negotiations can begin 90 days after each letter was sent to Congress. Not since the Uruguay round of WTO talks has any administration so aggressively promoted free trade with our major trading partners. Members of the Bush administration strive to advance the ideals of free and fair trade in order to ensure that American workers and consumers alike benefit from access to more diverse markets.

In every case, the objective of free trade negotiations is to reduce barriers to products, services, and investment; strengthen ties between the United States and the other party or parties; and encourage exports from the United States to each country or region.

Formal negotiations for the Central America Free Trade Agreement began on January 8, 2003. The first working-level round of negotiations took place January 27 in San Jose, Costa Rica.

In addition to these newly launched negotiations, the United States is pursuing an aggressive and positive set of objectives in the WTO Doha development agenda negotiations. The Doha agenda is to be completed by 2005, with a ministerial conference to review progress this September in Cancun, Mexico. Progress in these negotiations can be monitored on the U.S. Trade Representative site (www.ustr.gov) or the WTO site (www.wto.org).

The Free Trade Area of the Americas is another ongoing pursuit that the administration is committed to completing by 2005. Creation of a hemispheric free trade area will boost the collective economic and trade capacity of the region.

The importance of global trade is evident based on the number of planned and ongoing negotiations. The International Trade Administration serves as the principal advocate for U.S. enterprises doing business abroad. The recent passage of trade promotion authority is a significant step in advancing trade and economic recovery.

Western Europe

Advocacy and Outreach

by the Western Europe Task Force
Market Access and Compliance

The United States and Europe enjoy a dynamic and prosperous trading relationship. The United States has a number of current trade agreements with the countries of Western Europe, including bilateral agreements with individual countries, agreements with the European Union, and multilateral agreements under the WTO. The number and scope of these commitments warranted the creation of a task force or team of trade specialists to monitor them. The team currently covers Turkey, Cyprus, Malta, Norway, Iceland, Liechtenstein, Switzerland, and the 15 EU countries. As the European Union admits additional members, overseeing these agreements will be even more vital. The team is composed of international trade specialists, located in Washington, D.C., and abroad, who work aggressively to identify and solve a wide variety of trade problems. Team members work closely with U.S. companies, embassies, and other government agencies to tackle common barriers, such as standards issues, intellectual property rights, and government procurement disputes, among others. The primary purpose of the team is to ensure that the U.S. business community receives the full benefit of applicable trade agreements.

INFORMATION AND DISCOVERY

The U.S. exporting community must be made aware of the benefits of these trade agreements and how to notify the Commerce Department if adherence to them is inconsistent. A list of existing trade agreements between the United States and its trading partners is available on the Trade Compliance Center Web site: www.export.gov/tcc. Companies can search by country or view the entire list alphabetically. The Web site also allows firms to report a trade barrier through an on-line form.

To ensure that companies are aware of the benefits of existing trade agreements, the team visits venues around the country. Target cities are chosen by examining which have the highest percentages of exports to Western Europe, as well as the highest concentrations of small and medium-sized companies.

In 2002, the task force traveled to 23 cities in 11 states, reaching more than 500 companies, 16 congressional and state trade offices, and over 40 trade associations and education centers. The states selected account for more than half of U.S. exports to Western Europe. Team members tapped into the expertise of international trade associations, congressional offices, industry sector associations, state economic development organizations, local government offices, universities and other trade education centers, and the nationwide U.S. Export Assistance Center network.

In a typical outreach session, task force members present an overview of common trade barriers that companies face and, using case studies, explain how the Commerce Department's Market Access and Compliance unit provides assistance to resolve exporters' problems quickly. They also offer targeted assistance to individual companies during one-on-one consultation.

HELP IS IN YOUR REACH

The compliance team helps U.S. companies, regardless of size, overcome trade barriers that adversely affect their overseas operations. However, before the team can help, specific problems must be clarified. As a result of aggressive domestic outreach and networking efforts, the task force uncovered 37 new incidences of U.S. firms experiencing trade barriers. These cases were global in scope, and to resolve them, task force members worked closely with the Office of the U.S. Trade Representative, Department of State, and various domestic and foreign offices of the International Trade Administration. The team discovered 16 cases and resolved 14 cases. Of the new cases, task force members swiftly settled each issue in approximately eight weeks from the time a complaint was received to the time it was resolved.

The success of the team is based largely on its ability to quickly gather relevant data, determine the viability of complaints and, develop resolution strategies. The team relies on high-level Commerce Department assistance and the support of U.S. ambassadors posted in the countries where trade barriers exist. Issues that do not fall under the authority of the compliance team are forwarded to the appropriate offices for action, and members ensure appropriate follow-up.

The task force continues its aggressive campaign to acquaint the exporting community with Market Access and Compliance services. If your firm is experiencing difficulty trading with Western Europe or would like to resolve trade barriers in Western Europe, contact the task force leader, David De Falco, at (202) 482-2178, or visit the Trade Compliance Center Web site at www.export.gov/tcc.

Exporting to China

New Opportunities, New Resources

by Tim Wineland
Office of the Chinese Economic Area, Market Access and Compliance

On February 1, China celebrated the Chinese New Year: the Year of the Sheep. U.S. companies that export to China also had reasons to celebrate. In 2002—China's first full year as a member of the World Trade Organization—U.S. exports to China increased significantly. U.S. exports to China in 2002 rose 12 percent in comparison with the previous year. Since 1990, American exports to China have more than doubled to over $21 billion a year.

For U.S. manufacturers, there are more and more reasons to consider China a strong market. The dynamic and growing Chinese population, combined with the market access secured by China's WTO membership, is creating many opportunities for U.S. exporters. China is not just a market for the largest multinationals. In fact, 83 percent of all U.S. firms exporting to China in 1999 (the last period for which data are available) were small and medium-sized enterprises, and 46 percent were very small companies—each with fewer than 20 employees. As U.S. companies increasingly focus on China, the Commerce Department is strengthening its export services.

While the global economy grew less than 2 percent last year, the Chinese economy grew 8 percent, according to Chinese data. Since China's opening in 1979, gross domestic product growth has averaged 9 percent a year. Additionally, China has charted the fastest economic growth of any major economy since 1990.

While much of this growth is attributed to Chinese government spending and foreign direct investment, consumer demand in China is beginning to play a larger role in driving the economy. More cellular phones are in use in China than in any other country in the world. China is the second-largest personal computer market in Asia after Japan, and sales of PCs have risen at an annual average of 67 percent since 1993. Consumer purchases of automobiles have begun to take off. Motor vehicle demand in China is expected to grow from around 2 million units today to 10 million units within a decade.

CHINA IN THE WTO: A FIRST-YEAR REPORT CARD

Concurrent with the rise in consumer demand, China's WTO accession has created new opportunities for U.S. exporters. One example is the automotive sector. Substantial tariff reductions last year prompted a price war and a 34-percent jump in auto sales. In turn, U.S. auto parts exports increased more than 60 percent in the first three quarters of 2002, in comparison with the previous year.

As a new WTO member, China has begun to lower tariffs, create a more transparent investment environment, overhaul and publish its laws and regulations, strengthen intellectual property laws, and restructure standards and testing procedures. But many of these reforms are being phased in over several years, and many tasks remain undone. Market barriers remain, and China still faces challenges in such areas as enforcing intellectual property rights, further improving transparency and the rule of law, and ensuring that product standards are in line with international norms and are applied equally to domestic and imported goods.

NEW RESOURCES FOR U.S. EXPORTERS

The U.S. Department of Commerce closely monitors China's WTO implementation. Even before China's accession to the WTO, the department's International Trade Administration (ITA) offered exporters pursuing the Chinese market an array of trade tools and services. However, since the WTO accession of China in December 2001, the ITA has established several new resources for businesses interested in China.

China Team Outreach

Since December 2001, representatives from the ITA China Team in Washington, D.C., have traveled across the United States to meet with small companies, chambers of commerce, industry associations, and other groups at 19 events. The objective of these outreach activities has been to promote understanding of what China's WTO membership means for U.S. businesses, as well as to share

CHINA CONTACTS

U.S. GOVERNMENT RESOURCES

U.S. Department of Commerce
Office of the Chinese Economic Area
Tel: (202) 482-5527
www.export.gov/china

Trade Information Center
Tel: (800) USA-TRAD(E)
www.export.gov/tic

Import Administration
Tel: (202) 482-3415
www.trade.gov/ia

Trade Compliance Center
Tel: (202) 482-1191
www.export.gov/tcc

U.S. Commercial Service in China
www.buyusa.gov/china/en

Office of the U.S. Trade Representative
Office of China, Hong Kong, and Taiwan
Tel: (202) 395-3900

U.S. Department of State
Office of Chinese and Mongolian Affairs
Tel: (202) 647-6796

information on the many services that the Commerce Department offers exporters. In New York City, Omaha, Minneapolis, and Los Angeles, among others, ITA China specialists have participated in conferences, workshops, and briefings prior to trade missions for exporters interested in China.

Trade Facilitation Office in Beijing

In China, the ITA has expanded its staff and increased its focus on the WTO by inaugurating a Trade Facilitation Office (TFO) at the U.S. embassy in Beijing. TFO team members work closely with American businesses, Commerce Department trade and WTO specialists in Washington, and embassy staffers to ensure that U.S. companies enjoy the benefits of China's WTO accession.

The Trade Facilitation Office's mission is manifold. The TFO conducts outreach activities, working closely with the American business community in China to identify real and potential market access problems and issues as China implements its WTO obligations. The Facilitation Office also provides information to U.S. companies on what China's WTO accession means for their operations in China or exports to China. TFO staff also advocate on behalf of U.S. exporters to ensure that broad WTO compliance issues and specific WTO-related problems U.S. industries encounter in China are raised with Chinese authorities.

Additionally, the office organizes seminars in China on WTO-related issues for Chinese officials, as well as programs to familiarize Chinese businesses with international commercial practices and standards. The Trade Facilitation team also provides feedback to U.S.-based Commerce Department staff to share with American companies.

This is but a summary of Department of Commerce plans to ensure that the benefits of China's WTO accession reach every American exporter with an interest in China. The entire array of Commerce Department tools for U.S. firms exporting to China is available at www.export.gov/china.

NAFTA Compliance Initiatives

Ensuring Access to Our Most Important Export Markets

by the NAFTA Compliance Team
Market Access and Compliance

As the United States liberalizes trade and opens markets by negotiating free trade agreements, the Department of Commerce believes it is critical to ensure that our trading partners comply with the terms they have agreed upon to allow U.S. companies to enjoy the benefits negotiated on their behalf. Without compliance, there is no benefit.

The North American Free Trade Agreement (NAFTA) is a comprehensive commercial pact undertaken by the governments of the Canada, Mexico, and the United States to create one of the largest free trade areas in the world. Since the implementation of the agreement on January 1, 1994, North American trade has boomed (from $297 billion in 1993 to $622 billion in 2001). Nearly $2 billion worth of trade crosses our borders daily.

With such a significant amount of trade taking place, there are bound to be misunderstandings and problems. In keeping with the Commerce Department's commitment to ensure countries comply with their trade commitments, in addition to providing an avenue for U.S. firms to seek assistance when experiencing barriers to market access in North America, the department created the NAFTA Compliance Team in June 2002.

THE TEAM AND ITS MISSION

The NAFTA Compliance Team includes a Mexico desk officer, a Canada desk officer, and a team leader. These team is based in the Office of NAFTA and Inter-American Affairs, which is part of the International Trade Administration (ITA). The team combines an understanding NAFTA rules and regulations with specific country and regional expertise to support U.S. companies facing unfair trade barriers in Mexico and Canada. The team's mission is simple: to monitor the compliance of Canada and Mexico regarding their NAFTA commitments. This monitoring ensures that U.S. exporters receive fair treatment under the NAFTA, as well as ensures that U.S. industries gain and maintain access to Mexican and Canadian sectors. The team travels domestically and abroad to meet with U.S. companies and associations to identify industry concerns. In addition, the team meets with U.S. and foreign government officials to raise and address these concerns.

When a U.S. firm has a problem gaining or maintaining access to Mexican or Canadian markets due to perceived trade barriers, the NAFTA Compliance Team can help. Upon receiving a summary of the specific problem, the team determines the best means of assistance. The team works with other ITA staff from the Trade Compliance Center, Trade Information Center, Import Administration, Trade Development, and U.S. Commercial Service. The team also works with other federal agencies, such as the U.S. Customs Service, Food and Drug Administration, and Office of the U.S. Trade Representative.

ADVOCACY ON BEHALF OF U.S. EXPORTERS

The NAFTA Compliance Team has already helped several businesses during its brief tenure. Here are two examples of how the team has helped U.S. firms overcome impediments to trade:

- The team assisted U.S. companies with exports of beer stopped at the U.S.-Mexico border. The team determined that Mexican customs officials were enforcing changes to Mexican import permit requirements not previously enforced. After the U.S. companies submitted the correct documentation, they found it would take between 30 and 45 days to clear any of their shipments. The NAFTA Compliance Team intervened, contacting Mexican customs authorities. Shipments resumed within a week, preventing a significant loss of sales revenue.

- Canadian customs staff at a provincial level notified a U.S. firm that it would be charged a goods and services tax on its U.S. trailers entering Canada temporarily to deliver food products. After failed attempts by the company to resolve the issue at the provincial level, the company notified the NAFTA Compliance Team. The team contacted the head office of the Canada Customs and Revenue Agency, which in turn contacted the provincial authorities. The U.S. company ultimately did not have to pay the tax, which saved a tremendous amount of money.

For further information about the NAFTA Compliance Team, phone (202) 482-0393, or visit http://mac.doc.gov/nafta/compliance.

Upcoming Trade Events

March–October 2003

DATES	EVENT	LOCATION
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 last show attracted some 25,000 attendees. 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 12–19	**CeBIT 2003** CeBIT has become the unchallenged international showcase for information and telecommunications technology. CeBIT 2001 not only set a new record of 8,093 exhibiting companies, but also had the highest number of foreign firms in attendance (3,095 from 60 nations) of any trade show in the world.	Hannover, Germany
March 13–14	**Franchise India 2003** India is a huge and growing market for all types of goods and services. While a sizable proportion of the population still has limited purchasing power, there is an expanding middle class that is looking for international goods and services to fulfill its needs and changing lifestyle.	New Delhi, India
March 19–23	**Worldbex 2003** Worldbex is an annual building and construction event that brings together global market leaders and industry movers in a comprehensive exhibition of building and construction products, services, and technology. It aims to boost building and construction business in the country.	Manila, Philippines
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
April 1–3	**FIHT Comdex** As part of the SETI, the "European IT Week," FIHT Comdex represents Europe's third-largest IT event after CeBIT and SMAU. We anticipate 1,500 exhibitors and 120,000 trade professionals. The show will feature the whole computer and peripherals industry.	Paris, France
April 1–3	**Intersol 2003** Intersol 2003 is the first trade show and conference dedicated solely to contaminated soil and site remediation in Europe. Approximately 1,000 visitors from 30 countries are expected to attend this event.	Paris, France
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. 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 15–17	**Bangalore Bio 2003** This event will showcase the best products and services from leading companies in biotechnology. Eminent speakers will present a discussion on emerging trends, technologies, and research initiatives in biotech. This show will serve as a meeting point for investors, entrepreneurs, technologists, researchers, corporations, government, and the media.	Bangalore, India
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.	Kuala Lumpur, Malaysia
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, United Arab Emirates

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

INDUSTRY	CONTACT INFORMATION
Pollution Control/Water Resources Equipment	Nicoletta Postiglione Tel: +39-02-659-2260 E-mail: Nicoletta.Postiglione@mail.doc.gov
Information Services, Telecomm. Equip./Svcs.	Jennifer Harrington Tel: (202) 482-0595 E-mail: Jennifer.Harrington@mail.doc.gov
Franchising	Shantanu Mitra Tel: +91-11-331-6841 E-mail: Shantanu.Mitra@mail.doc.gov
Building Products	Bebe Montesines Tel: +632-888-6077 E-mail: Bebe.Montesines@mail.doc.gov
Pet Food and Supplies	Edward Kimmel Tel: (202) 482-3640 E-mail: Edward_Kimmel@ita.doc.gov
Computers, Software, Services, Telecomm. Eq.	Charles Defranchi Tel: +33-1-48-12-28-63 E-mail: Charles.Defranchi@mail.doc.gov
Lab Instruments, Pollution Control Eq., Water Resources Eq.	Everett Wakai Tel: +33-1-43-12-20-45 E-mail: Everett.Wakai@mail.doc.gov
Books and Periodicals	Edward Kimmel Tel: (202) 482-3640 E-mail: Edward_Kimmel@ita.doc.gov
Biotech, Drugs, Health Care Services	Leonard Roberts Tel: +91-80-2206401 E-mail: Leonard.Roberts@mail.doc.gov
Drugs/Pharmaceuticals, Medical Equip.	Natila Ahmad Tel: +60-3-2168-5101 E-mail: Natila.Ahmad@mail.doc.gov
Security/Safety Equipment	Greg O'Connor Tel: +82-2-397-4356 E-mail: Greg.O'Connor@mail.doc.gov
Architecture, Construction, and Engineering	Anne de Souza Tel: +971-4-311-6111 E-mail: Anne.deSouza@mail.doc.gov

HIGHLIGHTED EVENTS

ENVIRONMENTAL TECHNOLOGIES TRADE MISSION

MARCH 5–8, 2003
MILAN, ITALY

The U.S. Commercial Service will lead an environmental trade mission to Italy in March. In addition to receiving a personalized schedule of one-on-one appointments, mission members will participate in Tau Expo, one of the largest European environmental technology shows. This will include sectors such as air pollution, water/wastewater treatment, waste management, waste recycling, and soil remediation. A biannual event, Tau Expo attracted more than 500 exhibitors and 30,000 visitors in 2001.

Contact:
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AUTOMOTIVE PARTS AND SERVICES MATCHMAKER

MARCH 17–21, 2003
BUDAPEST, HUNGARY; WARSAW, POLAND; BRATISLAVA, SLOVAKIA

The Office of Export Promotion Services, U.S. Commerce Department, is organizing an automotive parts and services trade mission to Budapest and Warsaw, with an optional spin-off to Bratislava. This will target the U.S. automotive industry, including manufacturers of original equipment, aftermarket parts, composite materials, and electronic components. The focus of the trip will be to match U.S. companies with potential agents, distributors, representatives, licensees, and joint venture partners.

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TEXTILES TRADE MISSION

MARCH 30–APRIL 7, 2003
GUATEMALA, HONDURAS, AND MEXICO

The Office of Textiles and Apparel 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 prospects. 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.

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DATES	EVENT	LOCATION
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
May 22–25	**Total Construction Materials and Equip. Fair** This is the only major building products trade show in the Osaka-Kobe region. The show is held every other year and attracts more than 40,000 visitors. This fair will provide an excellent opportunity for U.S. building products companies to expand their business in Japan.	Osaka, Japan
June 13–16	**Exhibition on Environmental Technologies (ENVEX)** 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	**Natural Products Asia 2003** The product mix includes traditional Chinese medicine herbs, nutritional products, functional food products, and organic products. Very few of the natural products available in the United States are available in China, Taiwan, Hong Kong, Singapore, and Japan, primarily because U.S. companies have not yet had the opportunity to introduce their products and to establish relationships with Asian distributors.	Hong Kong
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
August 2–5	**ISPO 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
September 6–9	**Deco Contract** Deco Contract, organized in conjunction with Decosit, was held for the first time in 2001. It is an international textile contract furnishing show.	Brussels, Belgium
September 8–12	**ACE 2003** This a very important event for those involved in airline maintenance, engineering, and supply personnel, as well as for commercial, charter, and fixed-based operators. There will be conferences and seminars with sessions focused on current regulatory requirements and technical issues to improve safety, reliability, and productivity.	Montreal, Canada
September 9–12	**AIMEX 2003** AIMEX is an international mining exhibition. AIMEX has been a major event in Australia since the 1970s and is recognized as one of the most important mining shows in the world. The show used to focus heavily on Australia. Australia is now considered to be a regional center of excellence in mining, and the show is being redefined with an emphasis on the Asia-Pacific region.	Sydney, Australia
October 16–21	**EquipAuto 2003** EquipAuto is the world's most comprehensive exhibition for the automotive industry, covering new technologies in original equipment, spare parts, customer service, and garage equipment. There will be two specialized U.S. pavilions for which the Commercial Service in France will provide support. EquipAuto will offer workshops, conferences, and seminars to bring together engineers, managers, buyers, and sellers.	Paris, France

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TRADE EVENTS SCHEDULE

ACE/INFRASTRUCTURE TRADE MISSION

APRIL 7–15, 2003
BEIJING AND SHANGHAI, CHINA; HONG KONG

The U.S. Commercial Service will lead a trade mission this spring to Beijing, Shanghai, and Hong Kong. The mission will include all sectors of the architecture, construction, and engineering/infrastructure industries and will focus on helping U.S. companies in these industries expand in the Chinese market.

Infrastructure investment is a key element in the Chinese government's economic development plan. A number of projects have been envisioned for the next five to 10 years, including light-rail systems, motorways, traffic control facilities, railways, and ports, as well as various sectors in the telecommunications, oil and gas, and coal industries. There is a great need for infrastructure development in order to prepare for the 2008 Olympic Games in Beijing. There are plans to expand the airport, build sports facilities, construct a large stadium, and improve the general infrastructure of the city. Thirty-seven sports venues will be used for the Olympics. Twenty-two of these sites will be newly constructed, and 15 will be renovated. As these projects are being designed and implemented, the Chinese are emphasizing environmentally conscious construction as well as protection of natural resources, especially the water supply.

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EXECUTIVE AEROSPACE TRADE MISSION

APRIL 27–MAY 6, 2003
AUSTRALIA AND NEW ZEALAND

The deputy assistant secretary of commerce for transportation and machinery will lead an aerospace trade mission this spring to Australia and New Zealand. The mission will include representatives from a variety of U.S. aerospace service and manufacturing firms interested in expanding in the lucrative aerospace markets in these countries. The Commerce Department delegation will include staff from the Office of Aerospace (of the International Trade Administration) and the Office of Trade and Strategic Industries (of the Bureau of Industry and Security).

Both Australia and New Zealand have fast-growing demand for U.S. aerospace products. The primary goals of the mission are to gain first-hand market information and provide access to key government officials and potential business partners for U.S. aerospace firms interested in civil and military markets. New opportunities for U.S. firms are arising with the expansion of new low-cost carriers in Australia, as well as the potential for a new airport in Sydney. New Zealand offers opportunities for U.S. firms, as the government there plans to develop a new air traffic control system and expand its national aero-agribusinesses.

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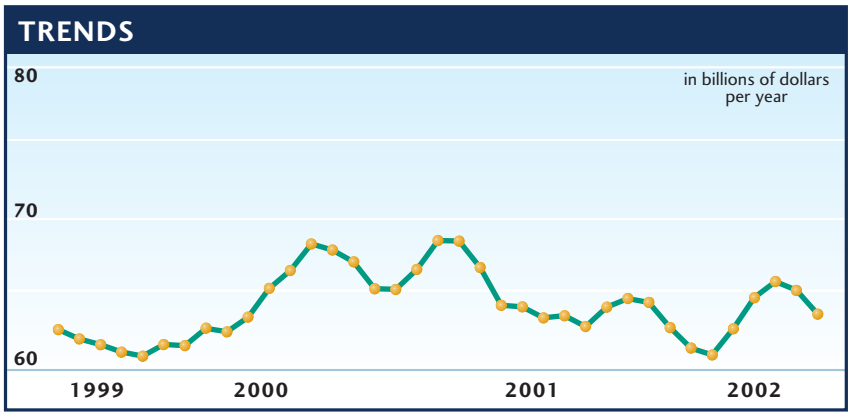
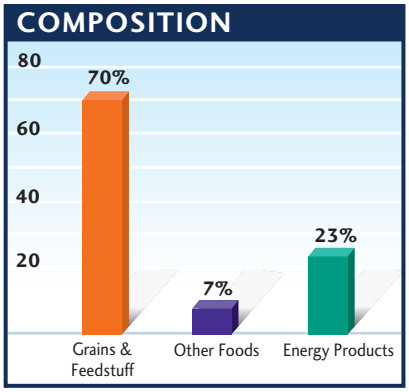
A LOOK AT U.S. EXPORTS

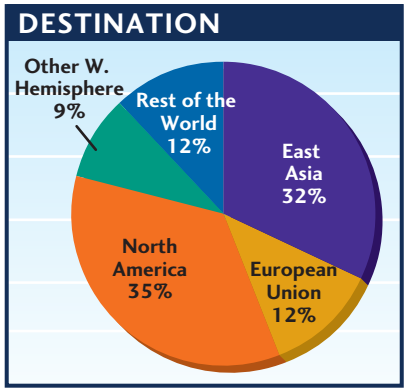
Quarterly Trade Data

As of Third Quarter 2002

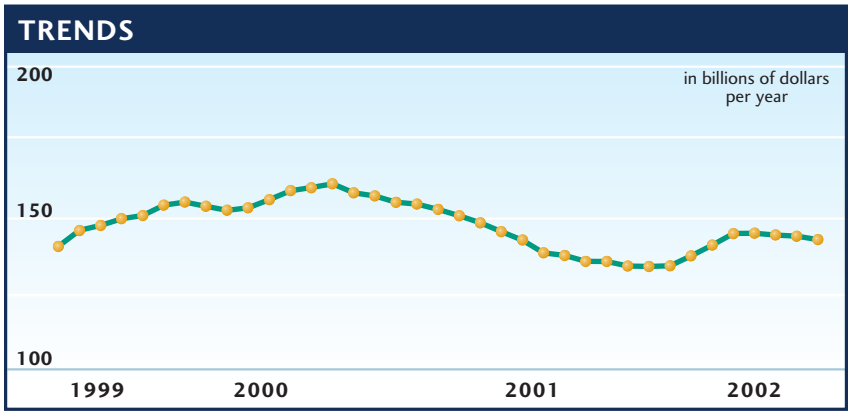
FOOD AND ENERGY

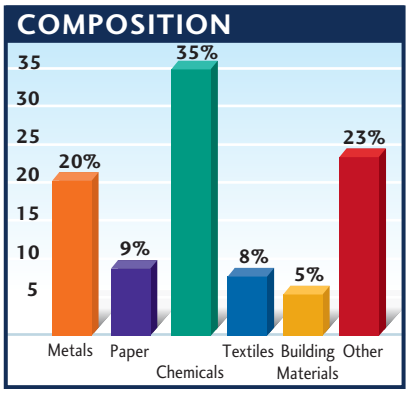


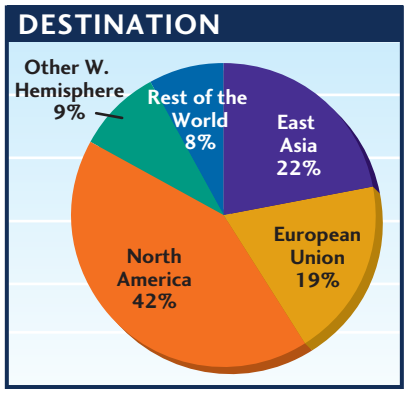




MATERIALS







Monthly data are centered three-month moving averages, based on seasonally adjusted figures and expressed as annual rates.

Product categories (except for services) are based on end-use classification. Commercial services include all private services.

North America: Canada and Mexico.

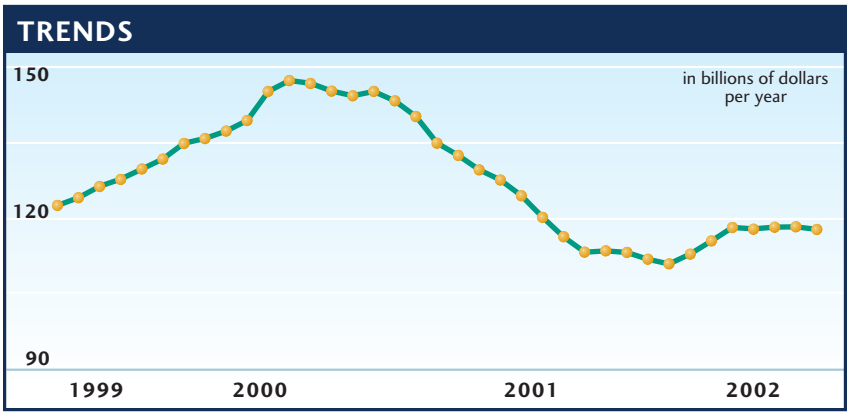
European Union: Austria, Belgium, Denmark, France, Finland, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom.

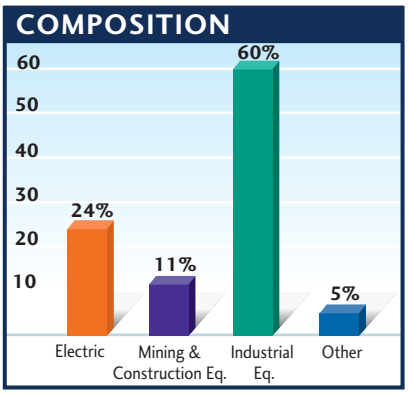
East Asia: China, Hong Kong, Indonesia, Japan, Malaysia, the Philippines, Singapore, South Korea, Taiwan, and Thailand.

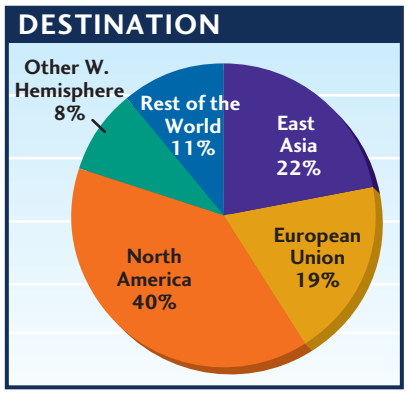
The chart showing exports of services by region is based on data for calendar year 2001. Other charts showing product mix and destination are based on data for the year ending October 2002.

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

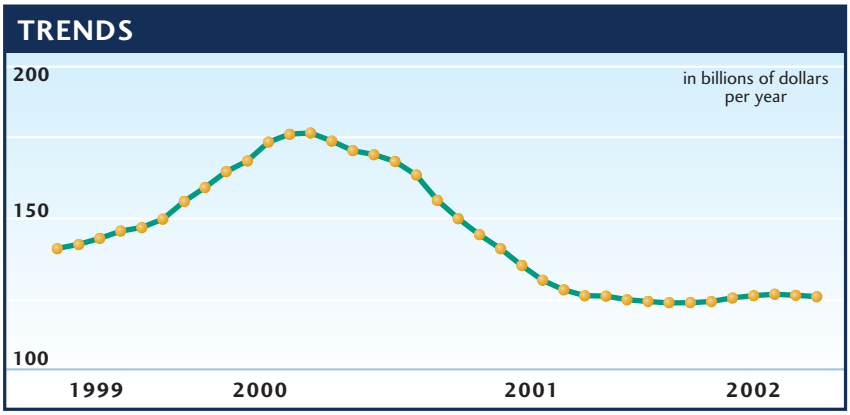
MACHINERY

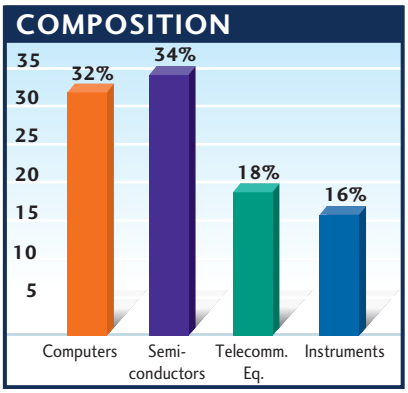


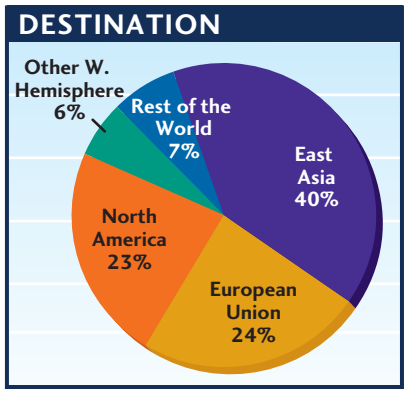




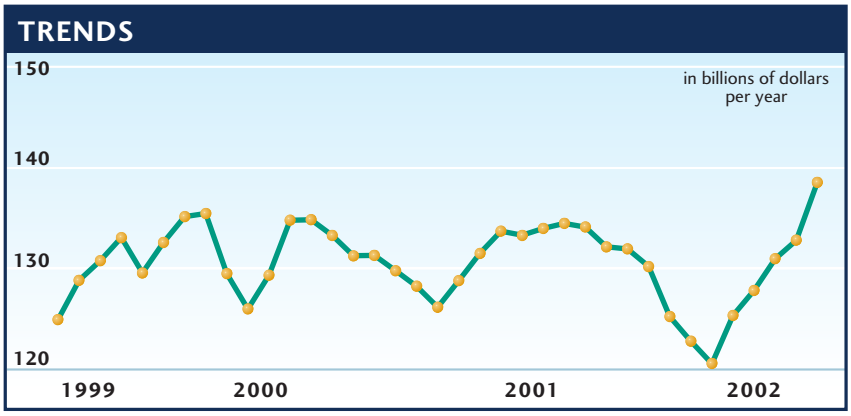
ELECTRONICS AND INSTRUMENTS

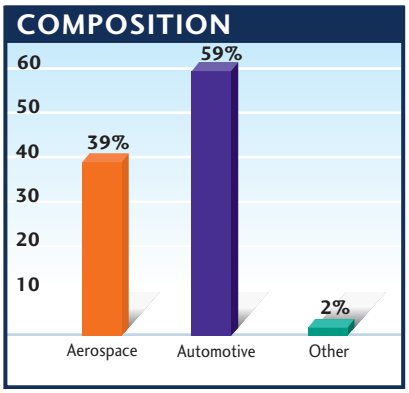


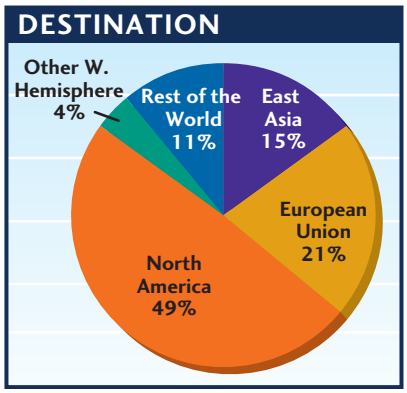




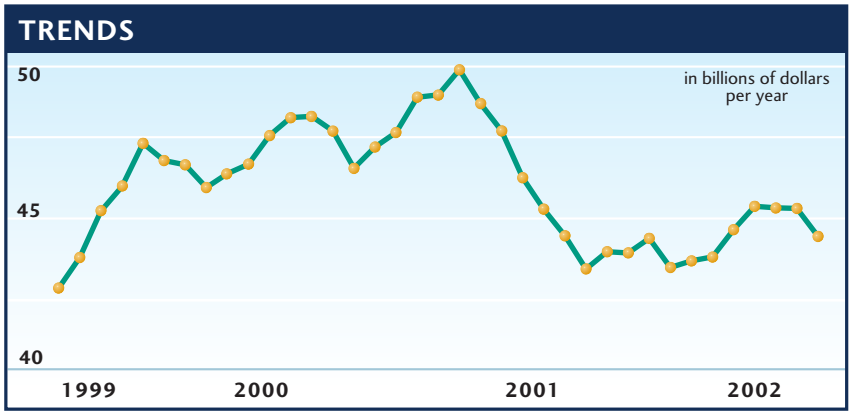
TRANSPORTATION EQUIPMENT (CIVILIAN)

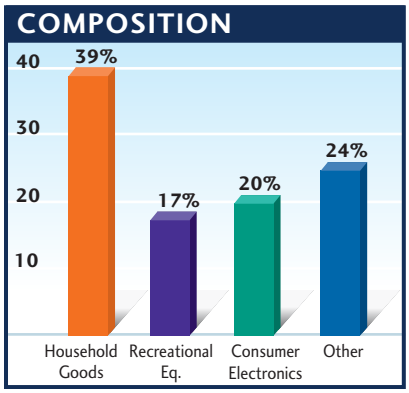


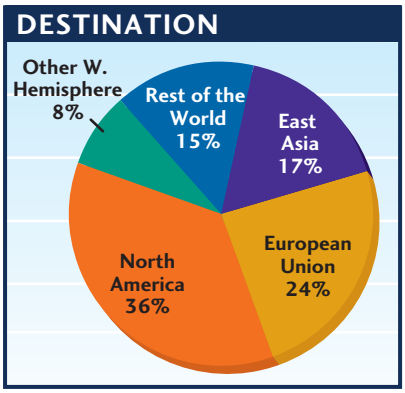




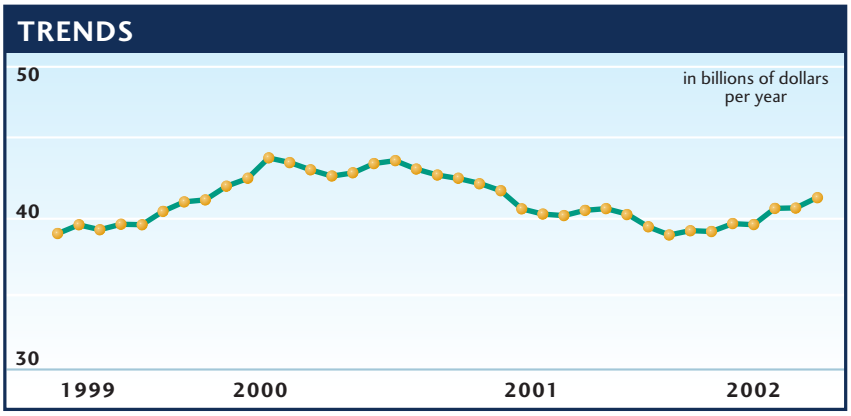
CONSUMER DURABLES

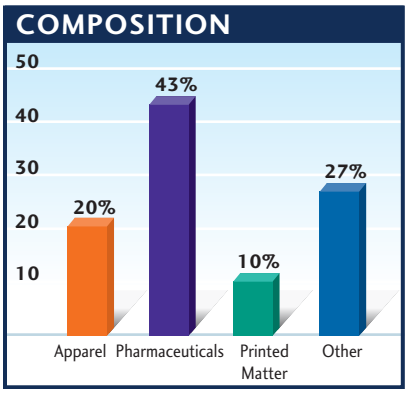


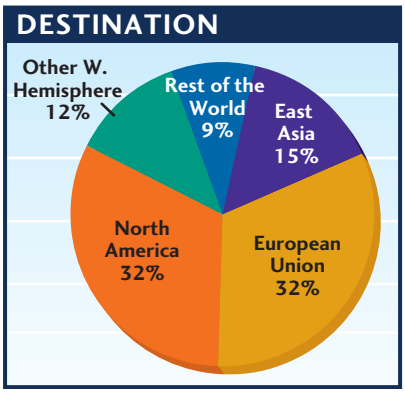




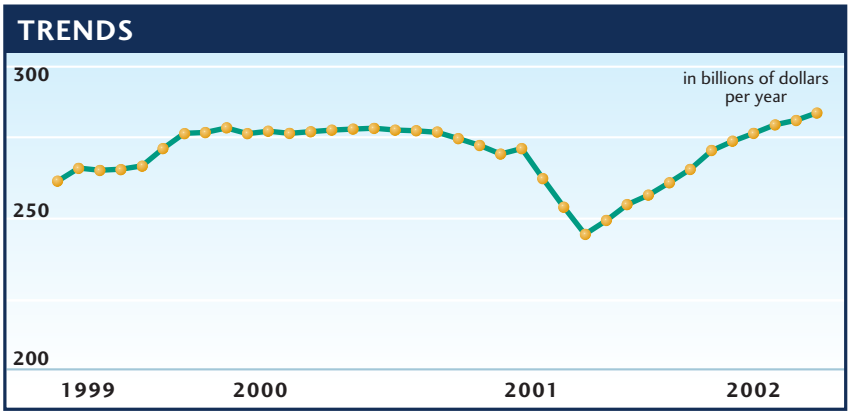
CONSUMER NON-DURABLES

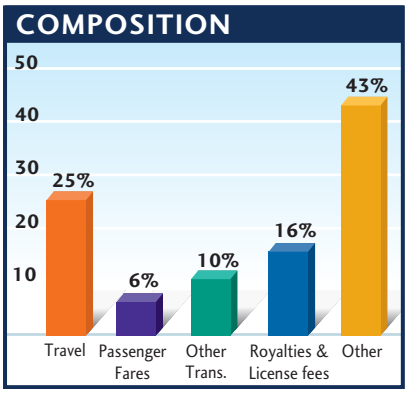


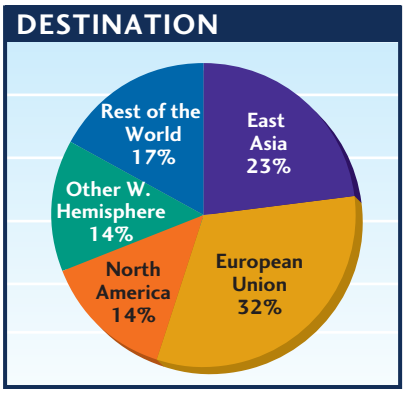




COMMERCIAL SERVICES







Additional information is available from the International Trade Administration (www.export.gov/tradestats),

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

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

U.S. and Chilean Agencies Formalize Cooperation

Supporting Small Business

by the Office of International Trade
U.S. Small Business Administration

Cooperation between the United States and Chile hit another high note on December 5, 2002, as the U.S. Small Business Administration (SBA) and two Chilean agencies formally agreed to promote programs to help small and medium-sized businesses in both countries develop their commercial interests and conduct international trade.

SBA Administrator Hector Barreto, Technical Cooperation Service of Chile (SERCOTEC) Deputy General Manager Raquel Alfaro, and Chilean Economic Development Agency (CORFO) CEO and Executive Vice President Bernardo Espinosa agreed by signing a memorandum of understanding in Santiago, Chile.

"This agreement further strengthens the traditionally strong commercial ties between our countries," said Barreto. "Chile is an important trading partner of the United States, and we are pleased to participate in this joint venture that will be mutually beneficial for economic development and job creation in both countries."

NEW RELATIONSHIPS

The SBA's relationship with its Chilean partners technically began in September 2000, with a visit by Patricio Fernandez, director of Chile's SBA equivalent, SERCOTEC, and Ricardo Pulgar, economic advisor to the Lagos administration. The two Chilean visitors received a briefing on SBA programs and services. Following these briefings, SERCOTEC invited a representative of the investment division of the SBA to Chile to participate in a conference and hold a number of meetings to discuss the possible establishment of a venture capital initiative in Chile. SERCOTEC subsequently expressed its interest, through the Chilean embassy in Washington, D.C., to enter into a cooperative agreement with the SBA.

As SBA leadership began to take shape during the change of U.S. presidents, the SBA Office of International Trade maintained contact with SERCOTEC and the embassy, well aware of the Bush administration's commitment to pursuing a free trade agreement (FTA) with Chile.

In April 2002, the U.S. Small Business Administration signed a letter of intent with the Chilean Micro and Small Business Support Service, to promote small-business relationships between the United States and Chile. SERCOTEC General Manager Patricio Fernandez and SBA Administrator Hector Barreto signed the resulting letter in simultaneous ceremonies in Santiago and Washington, D.C.

The agreement called for the development of a work plan identifying specific joint activities and potential timelines to promote and reinforce the economic bonds between Chile and the United States. That work plan evolved into the memorandum of understanding that was signed on December 5, 2002, less than a week before the successful closing of the FTA negotiations.

In general form, the provisions of the memorandum of understanding include:

- Establishment of a cooperative program to promote and support the development, growth, stability, and global competitiveness of small and medium-sized businesses, as well as trade opportunities in each country.
- Exchange of information on commercial and investment legislation, tariffs, taxes, trade law, and access to capital and government loan guarantee programs.
- Facilitation of linkages between U.S. and Chilean small and

medium-sized businesses to promote bilateral trade.

- Working together with other organizations in the Western Hemisphere to spur the creation of a network of small business providers to strengthen the voice of small business and expand opportunities for trade linkages in the Americas.

SOLIDIFYING A VALUABLE TRADING RELATIONSHIP

Chile has served as the role model for privatization and market reforms in Latin America over the past two decades. The recent completion of the U.S.-Chile FTA stresses the importance of trade between the two countries. The FTA with Chile was among President Bush's top international trade priorities. By formalizing cooperation with Chilean organizations, the SBA has clearly demonstrated support for the administration's agenda. At the same time, by creating strong ties to Chilean agencies, the SBA is able to help U.S. small businesses reap the rewards of the agreement with Chile.

Cooperation with Chile in the small business sector may provide an excellent model for cooperation throughout the region and help create closer economic and commercial ties. Additionally, it may position the SBA to generate small business support for free trade in the Western Hemisphere. This could be extremely helpful to the Bush administration as it continues to move towards the successful implementation of a Free Trade Area of the Americas by 2005.

COOPERATION AND COLLABORATION

A primary goal of the SBA-Chilean agreement is to help small businesses understand the importance of free trade as well as profit from it. As such, the SBA is working closely with other U.S. government agencies to promote and support the FTA negotiations. For instance, the U.S. Trade Representative was able to point to the memorandum of understanding between the SBA and the Chileans as an example of goodwill and commitment to cooperate on procurement issues, which helped to finalize negotiations.

All three agencies, in the United States and Chile, will exchange technical expertise on support for small businesses. This will help both countries improve service offerings to their respective small business clients as well as increase the availability of information about doing business between the two countries. This information can be shared with clients through training and counseling. The objective will be to provide the best services available to strengthen the respective small business communities, thereby increasing the potential for bilateral business-to-business trade.

The ultimate goal of all these efforts is to facilitate small-business relationships between the two countries. This may be done through joint coordination of small business matchmaking, sharing of information, and through initiatives to promote e-commerce.

SBA Administrator Barreto believes this cooperation can serve as an excellent model for the region: "Small business development cooperation provides a formula for economic success that translates across the hemisphere. Small business ownership encourages personal freedom, individual empowerment, and social stability. It empowers individuals, spreads wealth, and helps protect and preserve democracy. Cooperation on the small business front can help create a more vibrant regional market with increased opportunities for stronger and more lucrative commercial linkages for our small business clients." ■

Stephen Sullivan, Chile project coordinator in the SBA Office of International Trade, and David J. Hall, public affairs specialist in the SBA Office of Communications, contributed to this article.

U.S. AND CHILEAN AGENCIES

U.S. Small Business Administration

The U.S. Small Business Administration, established in 1953, provides financial, technical, and management assistance to help Americans start, run, and develop their businesses. With a portfolio of business loans, loan guarantees, and disaster loans worth more than $45 billion, in addition to a venture capital portfolio of $13 billion, the SBA is the nation's largest financial backer of small businesses. In 2002, the SBA offered management and technical assistance to more than 1 million small business owners.

The SBA Office of International Trade provides export information and development assistance to help small businesses take advantage of export markets, including trade counseling, training, legal assistance, and publications. For more information, visit www.sba.gov/oit.

Technical Cooperation Service of Chile

The Chilean government created the Technical Cooperation Service of Chile in 1952 as the agency responsible for providing services to micro and small enterprises. Its mission is to promote the development of micro and small businesses and to strengthen the competitive abilities of their entrepreneurs. Additional information is available at www.sercotec.cl.

Chilean Economic Development Agency

The Chilean Economic Development Agency was created in 1939 as the official state agency charged with advancing productivity in Chile. It fosters economic development through the promotion of competitiveness and investment, contributing to the creation of more and better jobs and equal opportunities for productive modernization of Chilean businesses. See www.corfo.cl/index.asp for further information.

U.S. DEPARTMENT OF COMMERCE
INTERNATIONAL TRADE ADMINISTRATION
Room 3414
1401 Constitution Avenue, NW
Washington, DC 20230

U.S. COMMERCIAL SERVICE
United States of America
Department of Commerce

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Little Rock (501) 324-5794

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Inland Empire
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Downtown Los Angeles
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West Los Angeles
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Monterey (831) 641-9850
North Bay (415) 492-4546
Oakland (510) 273-7350
Orange County
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San Diego (619) 557-5395
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