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EDITOR'S MEMO

How do we communicate? Humans use various gestures, facial expressions, as well as language, both written and spoken, to communicate ideas, concepts, the past, present, and future.

Communication includes writing and talking, as well as nonverbal communication, visual communication, and electronic communication. The various modes of communication allow us to convey ideas across long distances as well as face-to-face.

From the earliest times, people have needed to communicate across distance or over time. Early societies developed systems for sending simple messages or signals that could be seen or heard over a short distance, such as drumbeats, fire and smoke signals, or lantern beacons. Semaphore systems (visual codes) of flags or flashing lights were used to send messages over relatively short but difficult-to-cross distances, such as from hilltop to hilltop, or between ships at sea. Later, postal services and the telegraph allowed communication at much greater distances and reduced the time delay for conveying more complex information.

In 1876 Scottish-born American inventor Alexander Graham Bell was the first to patent and produce a telephone. His patent was titled Improvement in Telegraphy, and contained the design of a device that would transmit the human voice over wires instead of electrical clicks or other signals, like the telegraph. Between the 1880s and the 1980s the telephone system in the United States had an enormous effect on the quality of life and work. In rural communities, telephone service meant an end to the isolation and loneliness experienced by many farm and ranch families. Families whose members moved away to school or new jobs could stay in contact with each other over the phone. For ill or disabled people, the telephone became an indispensable link to the outside world. Telephone service also enabled immediate contact with emergency services, such as the police, fire department, or emergency medical services.

In the same way telecommunication technology improved the lives of rural communities in the United States, developing nations are now able to implement wireless communication systems in both rural and urban areas to achieve the same benefits. Global telecommunications is the topic of our feature this month and includes an outlook for mobile services, equipment, and trends for the industry as a whole. Additional articles include a look at payment methods for international sales, and opportunities for U.S. companies created by the Turin 2006 Winter Olympics.

Next month we will feature the manufacturing sector and look at how U.S. manufacturing firms can compete globally. Until then, feel free to drop us a line at export_america@ita.doc.gov and good luck in your exporting endeavors.

Cory Churches

Cory Churches
Editor

GLOBAL NEWS LINE

SPAIN

The Spanish telecommunications sector offers opportunities to U.S. service providers and equipment manufacturers. Although the sector is far from its peak at present, it is one of the most advanced markets in Europe, as well as the fifth largest overall, and it is a liberalized market.

While Spain has implemented deregulation guidelines set by the European Union in order to increase competition in telecommunications, Telefónica (the incumbent operator) maintains its dominance in all market segments.

The new telecommunications regulation that is being drafted and planned for approval this year will increase competition in the market and provide companies with a better regulatory environment in which to do business.

GERMANY

The German golf equipment market reached $1.5 billion in 2002, and steady growth is expected over the next few years in this market of 82 million people. German exports in the golf equipment sector totaled $7.5 million, while German imports were a steady $135.5 million, with 22 percent of that coming from the United States. The market is expected to grow over the next few years, despite the lingering economic recession. U.S. products continue to be the trendsetters in the sporting goods field, as "American lifestyle" products, including golf equipment, are winning ever more popularity.

With 2.8 million active golfers in Europe and an annual 10 to 15 percent growth rate in the number of players in recent years, Germany is assuming a strong position on the European golf scene. According to a survey by the German Leisure Industry Institute, as many as 400,000 Germans will be playing golf by 2004, and far more would be on the links if more public golf courses existed.

As golf becomes increasingly popular, U.S. suppliers of golf equipment are well situated to build on their position as Germany's leading source for imports. The domestic German market for golf equipment is currently $150 million, and it is experiencing annual growth of approximately 2 percent. After fitness equipment, bicycles, and cycling accessories, golf equipment is the fastest-growing segment of the German sporting goods market. Now is an ideal time for U.S. suppliers who are not yet represented in the German market to "hit the long ball."

American-made golf equipment, especially club sets, enjoys very good brand recognition and, in the near absence of local production (except in apparel), the upscale German market offers excellent sales opportunities. Golf Europe, October 5–7, 2003, an international trade fair in Munich, Germany, should provide an excellent and timely trade promotion venue.

CZECH REPUBLIC

The Czech Republic is expected to become a member of the European Union in May 2004. In the renewable energy sector, there is a great gap between the Czech Republic and EU countries. The EU goal is to supply 12 percent of gross energy consumption from renewable sources by 2010. The

Czech level is about 2 percent now. New laws are being prepared to support renewable sources, so the Czech Republic should be able to reach its goal of 6 to 7 percent by 2010.

In the European Union, wind and biomass are expected to be the largest sources of renewable energy. In the Czech Republic, biomass has the best prospects for growth. Wind and water energy projects are also important these days. Solar projects are limited by the high cost of initial investment, although the price of maintaining them is low.

EU directives and objectives are the main market drivers for the renewable energy sector in the Czech Republic. State support of alternative sources of energy, together with new legislation, makes for very good prospects for investment and export in this sector.

MEXICO

Mexico has developed a strong electronic consumer goods industry due to government support, and it exports electronics worldwide. The Mexican electronics market totaled $700 million in 2000, with imports counting for $402 million. After a slowdown in 2003, the market should expand at an annual rate of 2 to 4 percent. Imports hold the upper end of the market due to image, quality, and service. Mexican brands are making inroads with innovations suited to local tastes and needs. U.S. production dominates the import market in most areas, followed by Asian brands. Typical distribution channels run from manufacturers through exclusive distributors to retail outlets, such as department stores, appliance stores, and discount clubs.

TAIWAN

Taiwan's demand for imported power tools is poised for 2 to 3 percent annual growth in the next three years, according to the Taiwan Hand Tools Association. Continued consumer spending, growing demand for small service providers in the decoration and remodeling segments, and popularity of do-it-yourself solutions all concur with growth rate forecasts. Taiwan's economy has faced severe challenges over the past several years. Fortunately for the power tool industry, investor confidence has gradually recovered and domestic economic activity shows signs of turning upward. Import figures in 2002 reflected this upward trend, with imports up approximately 2 percent from 2001. Taiwan produces large quantities of power tools; however, many manufacturers rely heavily on imports for high-end, sophisticated power tools. U.S. producers can increase their market presence by meeting growing demand for new, innovative, and easy-to-use products such as cordless and pneumatic power tools.

AUSTRALIA

Australia's health care sector is addressing the aging of the Australian population. Most Australians prefer to remain in their own homes as they grow older. The desire to remain at home has been reflected in the shift in the balance of care and the amount of funding provided to residential and community care. As the wealth of older Australians increases, there will be greater demand for a wider range of products and services related to health care and in particular care for the aged, and an increasing ability to make a contribution towards these costs, either directly or through private health insurance.

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).

Flavoring the World

Exporter Has Customers Sipping Syrups

by Curt Cultice
ITA Office of Public Affairs

Calvin Coolidge could have been the first sitting president to sip on this syrupy delight, but as history would have it, he probably just missed out. The year was 1925, when Rinaldo and Ezilda Torre began blending flavorings made from recipes that they brought to the United States from their home in Lucca, Italy.

Fortunately for the Torres, the syrups soon caught on and became all the rage in North Beach, a flourishing Italian community in San Francisco. Here, the Torres worked feverishly to mix the rich, flavorful syrups with sparkling water and ice in the back room of their grocery store. And the outcome? Why, Italian soda, of course! Today, these syrups are branded Torani, and are being stirred and sipped in everything from espressos and lattes to specialty beverages such as iced teas and lemonades.

"Our products add something special to what otherwise might be an ordinary beverage," says Paul Lucheta, one of the principals of R. Torre & Company. He and his father, Harry, and sister, Lisa, work with 80 employees to produce and market Torani syrups. "We offer more than 55 flavors, ranging from tiramisu and hazelnut to pink grapefruit and strawberry, and we now offer a complete sugar-free line as well."

Delicious. But just how might one enjoy a Torani? "Offer his-and-her chocolate and vanilla martinis at a wedding shower, or provide the mom-to-be at a baby shower with a non-alcoholic version of a Torani Sparkler," says Torani's literature. "Silly games are a lot more bearable with a delicious Torani beverage in hand."

PERCOLATING PARTNERSHIPS

Over the years, R. Torre & Company has expanded its line of products, which are sold or used in soda shops, restaurants, cafes, and grocery stores, with considerable success.

"What we do best is continually redefine the specialty syrup industry by creating distinctive flavors and innovative uses," Lucheta says. "For example, our partnership with renowned coffee and confectionery leader Brown & Haley led us to develop the first and only co-branded syrup in the industry: Torani Almond Roca Buttercrunch."

Buttercrunch or not, the folks at R. Torre & Company thrive on their ability to build and nurture multiple successful business relationships.

"Our coffee-roaster partners talk with cafe owners and show them all the new drinks they can make with their coffees and Torani syrups," says Lucheta. "They might prepare a butterscotch latte or a new flavor that could appeal to their customers."

Photo courtesy of R. Torre & Company.

Cafe owners would do well to heed these words of wisdom from Torani: "Keep your coffeeholics smiling all month long. Offer delicious, frosty Torani Caffioco coffee drinks…. Your customers will love the opportunity to cool down with their coffee—morning, noon, or night."

Yes, indeed. But good sales also result from good product research—like that day in the early 1980s, when Torani associate "Brandy" Brandenburger was looking to build on the popularity of coffee. Experimenting with Torani syrups, espresso, and steamed milk, he took a refreshing sip and was captivated: "Eureka, a flavored latte!"

Taking a last chug, Brandenburger excitedly contacted his colleagues managing the Nordstrom Espresso Cart at the flagship store in downtown Seattle. Soon, the Nordstrom Espresso Cart began making flavored lattes and its business flourished, expanding from two to 25 carts in less than two years. Shortly thereafter, street vendors across the globe were carting around this Torani creation, launching Torani's international market expansion.

TORANI AROUND THE WORLD

Thanks to Brandenburger, the flavored latte is the cornerstone of good conversation and coffeehouse gatherings everywhere from Texas to Timbuktu. Safe to say, R. Torre & Company and its customers know a good thing when they drink one.

"We took his invention and combined it with great business partnering to develop our product line," Lucheta says. "We like to think our strategy of establishing dedicated business partners in a country has proven to be a catalyst for our international growth."

Refill, please. This strategy has "percolated" to annual export sales growth of about 60 percent, with a distribution network in more than 35 countries, featuring famous brand-name partners, including Matthew Algie Co., United Kingdom; Gustav Paulig, Ltd., Finland; and Boncafé International Pte., Ltd., Singapore and Thailand. The company also has a very strong partner in Japan, Toyo Beverage, K.K., which has developed partnerships with major coffee companies and cafes.

This proactive approach has made Torani's unique red, yellow, and blue labels recognizable in some of the most remote markets. In fact, exports, which now account for about 10 percent of R. Torre's total sales, continue to grow.

"Our fruit flavors, especially pink grapefruit, are very popular in Japan for sparkling sodas and specialty beverages," Lucheta says. "We have done a special blueberry promotion in China for the past three years, and in Mexico, they love our Irish cream in cappuccinos or lattes."

Well, how about enjoying a hot chocolate? Torani's literature makes it easy: "In a 12 oz. glass, stir together Torani chocolate sauce, raspberry syrup and milk. Heat in the microwave on medium setting for one minute, or to your liking." Gulp.

The syrup-maker has also benefited from business counseling provided by the U.S. Commerce Department's San Francisco U.S. Export Assistance Center, and its partner, the Center for International Trade Development. "Our office helped Torre obtain health certificates from California for several Torani shipments that were being held at customs in Indonesia and the United Arab Emirates," says Stephen Johnson of the San Francisco Export Assistance Center. "We were able to help move these products on their way."

Lucheta says its been a productive partnership: "We've found the export counseling and market research provided by Commerce and its partners to be extremely helpful in opening new markets for our Torani syrups," he says. "We were thrilled to be presented this year with the department's Presidential E-Award for our exporting success."

Photo courtesy of R. Torre & Company.

Lucheta says R. Torre also works through distribution channels in several countries to advertise its products internationally. One example is a special beverage menu that was generated with Hilton Hotels in Japan, for use in hotel bars and restaurants. In fact, Lucheta says the firm's first export was to Japan in 1994. A round of sushi and Torani, please.

A GLASS HALF FULL

While Torani's focus is on the cafe market, the firm sees huge potential in expanding its presence in the restaurant industry through specialty drinks.

"What we want to do more is educate the restaurant industry about the great potential for serving specialty beverages, such as flavored iced teas, lemonade, milkshakes, and fruit-flavored drinks," Lucheta says. "Right now we are working with Red Robin restaurants, and we also hope to do this internationally."

The firm is also involved in its share of creative advertising. "We've had Torani used in television shows such as 'Friends' and 'Frazier,'" Lucheta says. "The television shows have contacted us, asking about having our products on the set."

Lucheta says he also wants to expand R. Torre's presence into various food categories: "We want to promote pioneering culinary uses, and inspire creativity in kitchens worldwide with recipes for salsas, sauces, sodas, coffees, and desserts. As we move forward, my sister will be focusing on this aspect of the business."

"Hey, have your tried our peppermint Torani coffeecake?" ■

The 2006 Winter Olympics in Italy

U.S. Firms Find Gold

by Federico Bevini
U.S. Commercial Service, Italy

The 2006 Winter Games, to be hosted by the city of Turin, Italy, are less than 1,000 days away. When we think of sporting competition, we immediately imagine athletes standing atop the winners' podium, the ultimate reward for hard work. However, it is not only the athletes who have the opportunity to be rewarded during these events. Companies are discovering new markets and profitable opportunities for supplying goods and services to major international sporting events. Someone has to supply the food, the equipment, the buildings, and the venues. Additionally, thousands of spectators and tourists generate strong demand for products and services.

The XX Olympic Winter Games will take place February 10–26, 2006. The Paralympic Winter Games (for athletes with physical disabilities) will take place March 10–19, 2006. Many of the opportunities to supply products or services in preparation for or during the games are available and open to U.S. firms.

INTERNATIONAL AMBITION

Turin is the fourth-largest city in Italy; it is located in the northwest corner of the country. The city was the capital of the Kingdom of Italy, after reunification in March 1861, and it is rich in history and architecture. Many beautiful churches, palaces, boulevards, and gardens grace the downtown area of Turin. Turin is also a major European hub for technology and industry (and it is Italy's automotive capital and headquarters to Fiat). Turin is also the political capital of the Piedmont region and, as the name of the region suggests, the mountains are never far away. Most of the events of the 2006 Winter Olympics will take place in the mountainous areas west of the city, which are part of the Alps, as well as in sports arenas in the city.

Following the example of Salt Lake City, which hosted the XIX Olympic Winter Games, Turin wants to benefit from the games by achieving world recognition. It also would like to position itself as an "Alpine city," creating a stronger connection with the nearby mountains, site of many winter sports venues. Infrastructure is being planned and built accordingly. The regional government of Piedmont is using Italian government financing to make infrastructure improvements that will benefit the tourism sector long after the Olympics have ended.

BUILDING VENUES FOR THE GAMES

The venues for the games are going to be distributed as follows. Ice sports (ice hockey, figure skating, speed skating, and short-track racing) will take place in the city of Turin. Mountain sports (Alpine skiing, biathlon, bobsleigh, luge, skeleton, curling, snowboarding, ski jumping, cross-country skiing, Nordic combined, and freestyle skiing) will take place in the mountains west of Turin. Three Olympic villages and seven media villages are also planned. The Olympic villages will provide lodging for athletes, and the largest one will be located in downtown Turin. All of the media villages will be located in the Turin metropolitan area.

BIDDING ON OLYMPIC CONTRACTS

Two separate organizations are involved in the organization of the XX Winter Games: the Turin Olympics Organizing Committee and Agenzia Torino 2006. U.S. firms interested in supplying goods and services to the Olympics, or in related infrastructure projects, should be aware of the main purpose of each organization.

The Turin Olympics Organizing Committee (TOROC) is a private, non-profit foundation. TOROC's mission is to organize the XX Olympic Winter Games and Paralympic Winter Games, using resources such as sponsorships, TV broadcasting rights, and ticket sales. Simply put, TOROC is responsible for managing all the resources required for ensuring optimal performance from the athletes, the Olympic personnel, and the media. Specifically, TOROC will organize all the sports events and the opening and closing ceremonies, set up and manage the temporary structures needed for athletes and spectators, and be responsible for broadcasting and media-related matters. TOROC will coordinate transportation and medical services,

and it has the final word on all marketing and promotional items. TOROC intends to make the 2006 Winter Olympics the "best ever," and it is already planning for the legacy that the games will leave the city of Turin and the region of Piedmont in terms of infrastructure development and international recognition.

The government of Italy established Agenzia Torino 2006 as the agency responsible for the construction of permanent Olympic infrastructure and related projects, using Italian government funds. It has a budget of about 1 billion euros ($1.1 billion). TOROC and Agenzia Torino are separate entities that work together, and their relationship is governed by contract. Agenzia Torino essentially receives direction from TOROC. TOROC determines the location of the infrastructure to be built, the technical and functional requirements, the timing, and the costs. Agenzia Torino has responsibility for carrying out plans. It makes tenders for both the planning and building phases of infrastructure projects and is ultimately responsible for their delivery. It is important to note that all projects are subject to final approval from TOROC.

Aside from the Italian government funds used by Agenzia Torino, private investments are welcome for the building of the Olympic and media villages and of some roads, construction of hotels and restaurants, and renovation of existing hotels.

PROCUREMENT VIA THE INTERNET

While it is correct to assume that many major contracts for Olympics-related projects will be awarded to Italian companies, it is also true that U.S. companies can participate—as partners, investors, or suppliers—in the major infrastructure projects of the games. Construction and investment in northwestern Italy over the next four years could present many opportunities for U.S. firms. Already the London office of U.S. architectural company HOK Sports has partnered with Studio Zoppini of Milan to design the speed ice rink. The U.S. Commercial Service in Italy is committed to helping U.S. companies identify and pursue all opportunities related to the Turin 2006 Winter Olympics.

The Internet will be the main channel of communication for tenders, from both TOROC and Agenzia Torino 2006. TOROC has already identified the product categories for which it anticipates having requirements. In order of importance, the categories include professional services, construction of temporary structures, telecommunications and other communications, electrical equipment, office automation, hotels and restaurants, utilities, clothing, and office equipment. TOROC operates under private Italian law, and in stipulating contracts with suppliers it applies principles of transparency and does not discriminate on the basis of national origin. Because of this, TOROC carries out "market research" procedures on its Web site to ensure respect for the above principles.

Web site "market research" to select qualified bidders functions as follows. In the case of projects whose value exceeds 5 million euros (approximately $5.7 million) or of supplies of goods and services whose value exceeds 200,000 euros (approximately $228,000), TOROC publishes, on www.torino2006.org, an "informative notice" of its requirements.

The bidding process is straightforward. The potential supplier must submit details about its operations, including balance sheets from the past three years. TOROC makes a selection of bidders. Actual bids are then accepted for consideration.

Firms interested in temporary infrastructure projects, or in the supply of goods and services, are encouraged to check both the English language (www.torino2006.org/eng/toroc_193.htm) and Italian language (www.torino2006.org/ita/toroc_173.htm) versions of the "agreements negotiations" page of the TOROC Web site periodically. More information about "market research for the negotiation of contracts" can also be found on the same pages.

Large, permanent infrastructure projects, whose implementation is the responsibility of Agenzia Torino (such as the building of roads and sports venues), are generally open to U.S. firms as well. In publishing tenders, Agenzia Torino follows EU procedures. Agenzia Torino has already contracted out the initial stages of the work necessary for the construction of the hockey stadium, for the restructuring of the arena that will host the figure skating and short-track competitions, for the construction of the ice sports training venue, and for one of the media villages. The Web site for Agenzia Torino 2006 (www.agenziatorino2006.it) lists all tenders, including those for which bids have been already successfully submitted. The Web site is updated every Monday. The Web site is in Italian and the official language of the tenders is also Italian, but that should not deter U.S. firms interested bidding on projects. The "Amministrazione Appalti" (tender administration) office of Agenzia Torino 2006 and the offices of the U.S. Commercial Service in Italy are always available for further details. ■

Federico Bevini works for the U.S. Commercial Service in Milan, Italy. Albina Parente, U.S. Commercial Service in Naples, Italy, contributed to this article.

For more information about the U.S. Commercial Service in Italy, visit www.buyusa.gov/italy/en.

Show Me the Money

International Methods of Payment

by Dennis R. Chrisbaum
U.S. Small Business Administration

Ultimately, any sale is a gift until payment is received. Understanding how to get paid for export transactions is especially crucial, since your buyer could be 10,000 miles away. There are four basic ways to get paid internationally. From the most to the least secure for the exporter, these payment methods are:

CASH IN ADVANCE

New exporters who may be unfamiliar with international payment options most frequently request this method. Their attitude is usually, "I don't know you very well, but if you send me the money, I'll send you the goods." From a buyer's point of view, however, when the money is sent, it is gone and there is no guarantee that the goods will ever be shipped. At that point, the importer has no leverage with the seller, relying totally on the good faith of the exporter. If the importer does not know the exporter well, there will be no basis for such trust. Whether the goods are shipped on time, and to specifications, will depend totally on the integrity of the exporter, so this method is a big risk to the importer.

As you can imagine, by quoting such payment terms, the exporter limits his international sales potential, since competitors might be offering significantly better terms. Are there any risks from an exporter's point of view? One is that "cash in advance" *should only mean* 1) that the exporter will pull stock out of inventory and ship it when money is received, *or* 2) the exporter will *begin* producing the order, if it is not inventory, when money is received. Exporters have been "burned" when they have agreed to these payment terms without having inventory in stock. They would use their own working capital to build an order (perhaps over several weeks or months), only to have the order cancelled. The result is excess inventory, no money, and creditors knocking on the door.

A very popular subset of this method of payment, especially for small commercial orders (generally under $20,000) or direct consumer sales, is the use of credit cards. An advantage is that you can still price your products, and get paid, in dollars; the credit card company will bill your buyer in his local currency, converting the amount into dollars to pay you. Of course, you must be alert to the potential fraudulent use of credit cards. According to a recent survey, 42 percent of all fraudulent orders were international. Obviously, orders originating in some countries present greater risk than others. Several companies sell fraud-screening software, which you may want to investigate on-line.

LETTER OF CREDIT (L/C)

Letters of credit have been instrumental in facilitating international trade for decades, because they replace the creditworthiness of the exporter and importer with that of their respective banks. The parties might not know one another, but they know and trust their own banks. The exporter knows that, when his bank confirms a letter of credit opened abroad, his bank will pay him if the specified documents are in order. The importer opening the letter of credit has confidence that his bank will only make payment when the required documents are presented. One of the required documents usually is a transportation document saying that the purchased goods have been put on board a truck, ship, or plane. Letters of credit are thus paid only when the specified documents have been examined and are found in order. That is why they are called *documentary* letters of credit.

Other normally required documents are a packing list, a bill of lading, an insurance certificate, and a commercial invoice, although other documents such as a certificate of origin or an inspection certificate may be required. One advantage of a letter of credit is that it cannot be amended or cancelled unless all parties agree. In addition, having a U.S. bank add its confirmation, meaning that the U.S. bank agrees to pay if the documents are in order, can reduce the risk under a letter of credit. Always make sure that your buyer sends your L/C through the international banking system. Banks have a process called "advising" letters of credit. This checks the authenticity of letters of credit. Occasionally, a letter of credit will look letter-perfect but in

fact will be fraudulent. Never ship a product until your banker has authenticated your L/C.

The upside to this payment method is that the buyer is more comfortable that the specified goods will be shipped as required, and the seller is more confident that payment will be received as agreed. The downside is that this method will tie up either the buyer's cash or credit line and that competing firms might offer more favorable payment terms.

DOCUMENTARY COLLECTIONS

In this case, the exporter sends the required documents (including the bill of lading, which serves as a title document) through his bank to the importer's bank. The importer must come into the bank and either pay cash (cash against documents) or agree to pay (documents against acceptance) before the bank will release the documents so that the importer can pick up the goods at customs. Under documentary collections, the exporter maintains control of the title document by using the banking system. So, if the importer changes his mind and never shows up at the bank, the exporter can sell the goods to a third party in the importer's country or bring the goods back to the United States.

OPEN ACCOUNT

International open account terms are similar to domestic open account terms. The product is shipped and the buyer agrees to pay in a set number of days (for instance, 30, 60, or 90) from the invoice or shipment date. In this case, the buyer has the goods and the exporter has a promise. If a large multinational company makes the promise, it is probably good. However, if the exporter does not know the importer well—and wants to sleep at night—he can buy credit insurance on the overseas accounts receivable. These policies normally will insure the accounts receivable 90 to 95 percent against commercial risk (that the buyer won't pay) and 95 to 100 percent against political risk (that nonpayment will be the result of some foreign government action).

Insurance is available either through private sector insurance companies or the U.S. Export-Import Bank. To insure your accounts receivable worldwide could cost less than three-quarters of 1 percent of the invoiced amount, depending on the quality of buyers and country risk involved. By insuring overseas accounts receivable, an exporter might be able accept orders that normally would have been turned down because of the overseas risk—which would be passed on to the insurer. Such insurance would also allow the exporter to borrow against the insured accounts receivable since, from a lender's point of view, the risk has moved from a foreign country to a major insurance company or the U.S. government.

As an exporter you always quote price, delivery or ship date, and a method of payment. While letters of credit are used extensively in Asia, Africa, the Middle East, and Latin America, especially when the relationship is new or the commercial, economic, or political risks might be relatively high, they are used less frequently in Europe. In Europe, documentary collections is a more acceptable method to use in the early stages of a relationship, and a request for a letter of credit from a reputable buyer might be taken as an insult. Open account terms can be used for well-established customers in low risk countries, or in situations where there is a great deal of competition but credit insurance is available.

It is very important to know your customer, and what terms are commonly used in a target country, before you begin negotiating the method of payment. Being aware of these options, and when to use them, could make a big difference in your international sales success. ■

Speaking Globally

Move over Mr. Bell, Make Room for Mobile Access

by the Office of Telecommunications Industries, Trade Development

U.S. telecommunications equipment and service providers have traditionally been very competitive in the world market. The boom in the global telecommunications market in the 1990s was in part attributed to the realization of the fundamental role of telecommunications in the operations of businesses and in promoting the economic stability of countries. A significant impetus to developing viable networks is the growing trend of privatization and liberalization over the last two decades. However, excess capacity stemming from a buying binge in the late 1990s and in 2000, and inflated estimates of consumer demand have plagued the global telecommunications market since early 2001. Market forces have led to global rationalization and restructuring characterized by significant downsizing and consolidation. Although difficult market conditions are persisting well into 2003, several factors suggest that there will be an upturn in the industry by the second half of 2003. These factors include the fundamental role of telecommunications, the restructuring that has occurred, as well as continued liberalization and privatization in foreign markets.

OUTLOOK

At Supercomm, the industry's largest annual conference, held in Atlanta in June 2003, the Telecommunications Industry Association (TIA) forecast that the global telecommunications industry would see a 9-percent increase in compound annual growth between 2003 and 2006. The sectors that TIA believes will do particularly well in the next few years include enterprise services, wireless services, and broadband. In its annual *Market Review and Forecast,* TIA predicts that overall telecommunications spending in the United States will jump 8 percent in 2003, compared with a 3.5-percent increase in 2002. Total U.S. telecommunications market spending is expected to reach $763 billion this year and $963 billion by the end of 2006. In the wireless communications sector, spending is expected to grow by 8.3 percent in 2003, to $123.4 billion, and continue to grow at 9.6 percent annually through 2006, reaching $164.5 billion. The number of wireless Internet users in the United States is anticipated to rise to 64 million by 2006, while the number of high-speed wired Internet subscribers is expected to triple, from 15 million in 2002, to more than 40 million in 2006.

At Supercomm, several industry leaders addressed the outlook for the industry. For example, Bell South CEO Duane Ackerman appealed for changes that would lead to a resumption of capital flows into this capital-intensive industry. Ackerman believes further consolidation is needed to solve overcapacity problems, and that bringing capacity in line with market levels will lead to lower costs and will create an environment in which investors will regain confidence in the sector. Equipment manufacturer Nortel believes that perhaps the most vital lesson learned over the last several years is that companies must ultimately have viable business models for the services they are providing and the networks they are building. Companies cannot ignore those models and invest speculatively in networks assuming that a return will eventually appear; they must proceed in parallel to be successful.

WIRELESS TECHNOLOGY

There seems to be a consensus that the wireless segment of the industry, including wireless LANs, is a bright spot. For example, technology research firm Gartner, Inc., recently reported that the worldwide mobile phone industry exceeded expectations in the first quarter of 2003, rising 18 percent compared with the same period a year ago. This is largely attributed to robust demand for replacement devices, with significant demand recorded across all regions. Global wireless subscribers surpassed 1.1 billion at the end of 2002. Leading handset manufacturer Nokia estimates that wireless handset sales will increase by approximately 10 percent in 2003, to 445 million units, and that the total number of wireless subscribers will reach 1.6 billion by the end of 2005. Although commercialization of many third generation, or 3G, wireless networks in Europe and Asia has been postponed due to a variety of technical and marketing issues, there has been a wave of announcements in the last several months that projects are moving

forward. Interestingly, many 3G licensees that had signed letters of intent with vendors several years ago are now renegotiating or rebidding those contracts now that prices are lower. As a result, Lucent Technologies secured a contract with mm02, a leading European wireless service-provider, for networks in several European countries.

WIRELESS NETWORKS

Wireless LANs (local area networks), also known as "Wi-Fi," or "hotspots," are both complementary and competitive with next-generation wireless systems. The technology is relatively simple and cheap to deploy, and is capable of transmitting data at far higher speeds than current wireless networks. The momentum around Wi-Fi continues to grow, with a recent surge in operators deploying Wi-Fi networks. The challenge for cellular carriers moving to deploy 3G wireless networks that offer high-speed Internet services is that they usually make most of their money from heavily used parts of their networks—usually in city centers, exactly where Wi-Fi providers are deploying their services. Cellular networks currently have two advantages—ubiquity and mobility. Wi-Fi networks do not typically work when users are in motion (driving, for example). However, innovations in Wi-Fi technology also are occurring at an impressive pace. For example, new products have been developed for wireless billing and receipt printing by commercial businesses and retail outlets. These products will enable small businesses to easily and cost-effectively install hotspot access points for wireless connectivity and tie multiple Wi-Fi access points together into workable systems with authentication, billing, pre- and post-paid billing, and credit card management. Many other countries are watching developments in the United States with great interest.

Many wireless operators in the United States are recognizing the advantages of using public Wi-Fi access to complement their wireless data offerings and see hotspots as an immediate revenue generator for data service. For example, T-Mobile, a nationwide wireless operator in the United States, has been promoting Wi-Fi access through Starbucks. Verizon Wireless is converting payphones in New York City to wireless hotspots. In Europe, the European Commission is calling for a simplification of EU regulations governing wireless LANs in order to promote the proliferation of hotspot services to further the Information Society initiative by increasing the availability of broadband services. The European Commission has recommended lifting country-specific restrictions on wireless LANs and introducing an EU-wide general license. The next step toward large-scale hotspot deployment will be to harmonize spectrum allocation for wireless LANs, expected following the World Radiocommunications Conference 2003, which took place in June. Several 3G operators in Europe are now adopting hotspots to complement 2.5G and future 3G services. For example, pan-European operators T-Mobile, Orange, mmO2, and Vodafone are all deploying hotspots in one or more of their markets. The use of Wi-Fi wireless access to the Internet is also growing rapidly in Asia, where there are about 10,000 hotspots. Globally, Wi-Fi equipment and support services are expected to reach $4 billion in revenue by 2008, according to a recent report by Telecom Trends International. The report also forecasts that revenue will grow at a compound annual growth rate of 18 percent through 2008.

TELECOMMUNICATIONS EQUIPMENT TRADE

In 2002, the United States registered a record deficit in telecommunications equipment trade. The deficit in 2002 of $14.1 billion was up sharply from $9.7 billion in 2001, reflecting the continuing downturn in demand both in the United States and abroad since 1999. Exports of U.S. telecommunications equipment declined by 28 percent to $14.5 billion in 2002, down from $20.2 billion in 2001. Imports of telecommunications equipment fell 4.5 percent, from $30 billion in 2001 to $28.6 billion in 2002.

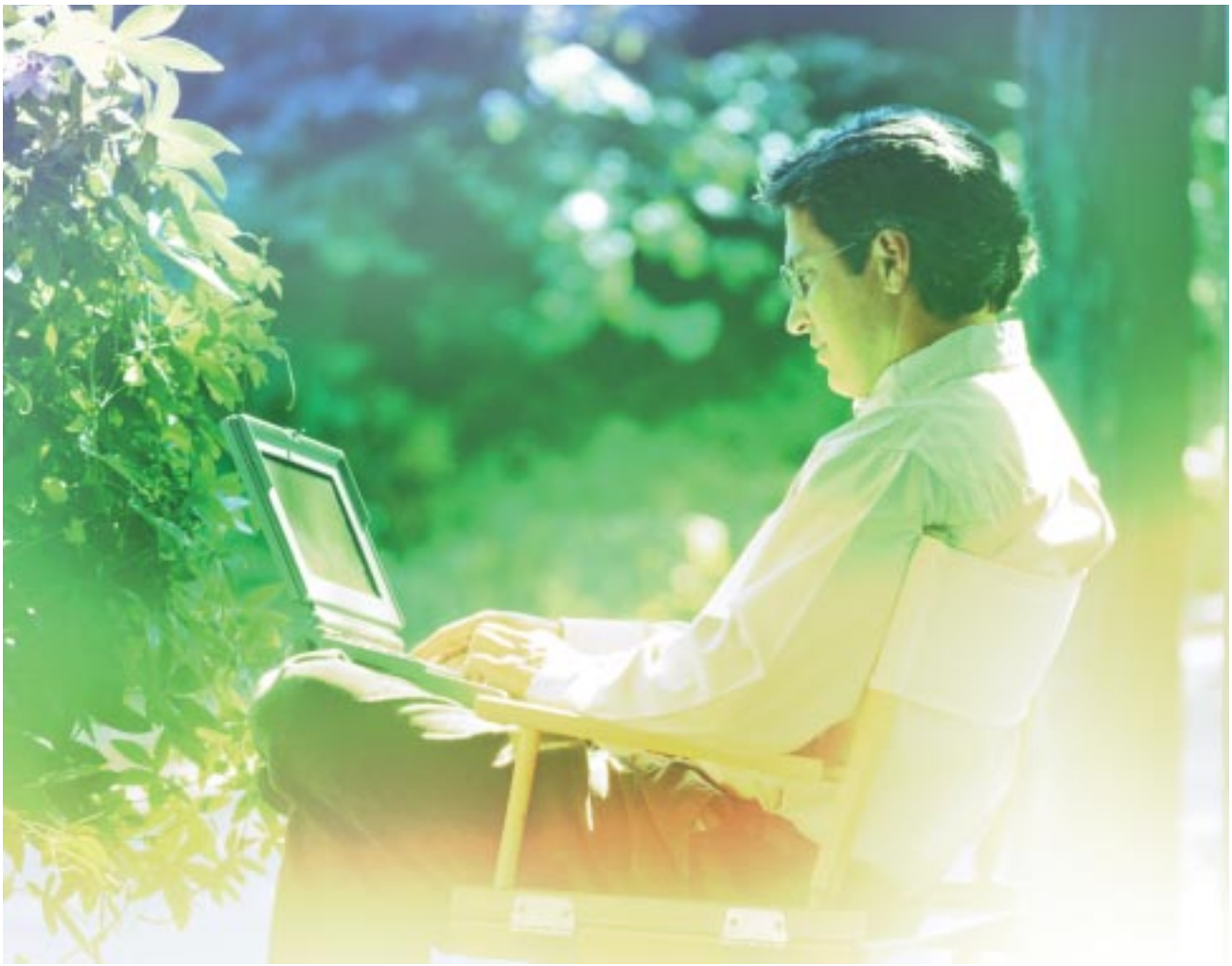
The largest export markets were Canada, Mexico, Japan, the Netherlands, China, and the United Kingdom, although exports declined to virtually every country in 2002. By region, Asia surpassed the European Union and Latin America with $4.2 billion, $3.5 billion, and $3.3 billion in U.S. exports, respectively. Equipment exporters enjoyed steady growth throughout the 1990s (with the exception of 1998). However, imports also began to increase, finally surpassing exports in 1999, as manufacturing of low-end, customer-owned equipment shifted to Asian suppliers. For example, cellular phones accounted for the largest telecommunications import category, reaching $9.5 billion in 2002.

LEADING FOREIGN MARKETS

China

China has been the fastest-growing telecommunications market in the world in the past few years, even as the global market for telecommunications products has been slumping. In January 2003, China's Ministry of Information Industry (MII) reported that capital expenditures on telecommunications equipment amounted to $25.5 billion in 2002, and predicted that expenditures would amount to $25.4 billion in 2003.

Despite the projected slowdown in 2003, MII reported in May that capital expenditures on telecommunications equipment in the first quarter of 2003 actually increased 13.5 percent compared with the first quarter of 2002. MII said that China added 11.4 million new wireline subscribers and 15.5 million wireless subscribers in the first quarter of 2003. China already had the world's largest number of both wireline and wireless subscribers, with 214.4 million wireline subscribers and 206.6 mobile subscribers at the end of 2002.



At the end of 2002, China also had a telephone penetration ratio (telephone lines per 100 people) of approximately 16 percent for wireline and 15.5 percent for wireless, although these figures can be misleading since teledensity rates tend to be much higher in urban areas of China and significantly lower in rural areas. There is also a disparity between the more densely populated eastern part of the country and the less densely populated western provinces.

China's telecommunications equipment market has exhibited strong growth despite a pause in capital spending associated with a major restructuring of the telecommunications market in 2002. The Chinese government ordered the country's dominant telecommunications service provider, China Telecom, to be divided into two separate entities, and the uncertainties caused by the terms of the separation led the company to suspend major capital outlays. Now that the restructuring has been completed, it is expected that the two "new" carriers will accelerate their capital investment spending to compete in each other's territory.

Although travel has been curtailed and several trade events have been postponed or canceled, it is not yet clear what effect the SARS outbreak will have on overall capital expenditures in the telecommunications sector in 2003. Most industry analysts have predicted that, if SARS is brought under control by July or August, the disruption will be minimal.

While China offers tremendous market opportunities to U.S. exporters, it also presents some serious challenges. For many years, the Chinese government has maintained economic, political, and national security policies designed to promote the development of an indigenous telecommunications manufacturing industry and minimize the reliance on foreign vendors.

Foreign companies that wanted to sell telecommunications equipment in China were usually obliged to form joint ventures with Chinese partners, transfer technology, and comply with a variety of other regulations governing domestic content, currency controls, export performance, and standards. In its WTO accession commitments, China pledged to eliminate many of these policies, but the effects of the policies are likely to linger even after the regulations disappear.

U.S. companies seeking to do business in China may still find it advantageous to have an experienced local partner to enter the Chinese marketplace. Companies should be thorough in their due diligence, and pay careful attention to protecting their intellectual property.

The best opportunities for U.S. telecommunications equipment companies interested in exporting to China are likely to be in advanced networking and wireless technologies. Some of the best opportunities for foreign suppliers are likely to be in emerging technologies like 3G wireless, broadband wireless applications like Wi-Fi, and cost-effective solutions for rural service delivery.

China's telecommunications equipment market is characterized by rapid growth, intense competition, and a multitude of complex, multilayered, political and economic factors that must be carefully and successfully evaluated in order to achieve success.

India

With the announcement of a telecommunications policy in 1994, India took its first significant steps to liberalize its telecommunications services market. Unfortunately, for a variety of reasons, large-scale foreign investments were not realized, and private sector participation in the market did not develop as anticipated. Seeking to address many of the unresolved problems in the sector, a new telecommunications policy was set forth in 1999 that has been implemented more successfully. In the past two to three years, however, the pace of reforms has quickened, and the growth of the industry has been impressive. The value of India's telecommunications equipment market is estimated at $3.5 billion. Indian consumers have greatly benefited as rates for domestic and international calls have dropped while competition has spread to all sectors of the market. U.S. telecommunications firms should take a fresh look at the Indian market and the commercial opportunities now available.

India's wireless communications market has become a big success story. The number of cellular subscribers is growing 85 percent annually and is approaching 15 million. Over the next five years, the total number of global system for mobile communications (GSM) subscribers may reach 100 million. Leading wireless manufacturers plan to leverage India's IT capabilities to create software applications for such new technologies as general packet radio service (GPRS) and enhanced data rate for GSM evolution (EDGE). Some companies are installing code division multiple access (CDMA) technology to support wireless local-loop services, and at least one company intends to offer time division multiple access (TDMA)-based voice and data services in some rural and semi-urban areas of the country this summer.

India's teledensity reached 5 percent earlier this year, still one of the lowest rates for a major country. The government has set a goal to reach a national 7-percent rate (75 million access lines) by 2005 and 15 percent (150 million access lines) by 2010. The government-owned fixed line provider, BSNL, will shoulder a large responsibility in meeting these targets, particularly in meeting infrastructure development commitments in India's 660,000 villages, many of which still lack direct access to the communications network. There also are alternative communications networks being developed by the railway, the power grid and the gas authority of India, although none is viable as an existing alternative nationwide network. Two private companies (Reliance and Bharti) are working on a national broadband network connecting 115 cities and a 25,000-meter fiber network, respectively.

Issues involving telecommunications will also be a part of the agenda for the High Technology Cooperation Group (HTCG) established by the United States and India in November 2002. The HTCG will serve as a framework for the discussion of issues related to bilateral high-technology commerce, such as dual-use export control issues and Indian barriers to high-tech trade. The HTCG is coordinating a forum on financing innovation on July 1 in Washington, D.C., at which U.S. and Indian private sector representatives will discuss investment and venture finance in India. The first full meeting of the government-to-government portion of the HTCG will take place on July 2.

European Union

The telecommunications market in the European Union is the second largest in the world, after North America. Despite considerable turbulence in this sector, the EU market for telecommunications services has been more resistant to the global economic downturn than it has been for the information technology sector. The value of the EU market for telecommunications services was $238 billion in 2002, and it is expected to increase at the same 5-percent rate in 2003 as it did during 2002. This growth is driven primarily by efforts of the European Union to catch up with the United States in Internet protocol applications and Internet deployment, especially using broadband access technologies like asymmetrical digital subscriber line (ADSL), and to maintain the EU lead in mobile communications. However, the value of the EU market for telecommunications equipment decreased by 9 percent in 2002, to $54 billion, and it is expected to remain at the same level in 2003. The unusually sharp decline in 2002 was primarily due to a 27-percent decrease in cellular operators' expenditures on infrastructure, which is expected to increase by 4 percent in 2003.

A report on the European market for telecommunications, information technology, and electronic commerce, highlighting the Italian and Spanish markets, will soon be published and

available at www.export.gov/infotech. Italy has the third-largest market for telecommunications services in the European Union, valued at $33 billion in 2002, and it is expected to grow by 3 percent in 2003. This growth is paced by Internet and on-line services, the value of which is expected to increase by 36 percent in 2003, to a level of $2 billion, due primarily to accelerating broadband penetration, which currently stands at only 1.6 percent of households. Italy has the fourth-largest telecommunications equipment market in the European Union, valued at $7 billion in 2002, and it is expected to grow by 1.4 percent in 2003, due primarily to a resumption in expenditures on cellular infrastructure.

Spain has the fifth-largest market for telecommunications services in the European Union, valued at $19 billion in 2002, and expected to grow by 5 percent in 2003. This growth is paced by 31-percent growth in the value of Internet and on-line services and 23-percent growth in the value of switched data and leased line services. Although Spain already has broadband Internet access in 3 percent of households, the highest in the European Union after Germany, Internet services continue to be the fastest-growing telecommunications service in Spain. The value of the Spanish market for telecommunications equipment was $4.4 billion in 2002, and it is expected to decrease by less than 1 percent in 2003, due primarily to a decline in sales of cellular phones.

The European Union has reached a turning point in mobile communications, because the EU mobile penetration rate per capita has reached 77 percent. With a mobile penetration rate of 92 percent, Italy demonstrates the trend in Europe, where mobile operators are shifting their focus from increasing market share to maximizing revenue. As throughout the European Union, Italian mobile operators are now innovating with data communications applications, such as messaging and Internet access over existing GSM networks that are enabled by GPRS technology. GPRS is known as a 2.5G wireless technology because it enables faster transmission speeds, while still falling short of the speeds possible using 3G wireless technology. Meanwhile, 3G wireless was launched in Italy and the United Kingdom by the subsidiaries of Hutchison Whampoa, Hong Kong, during the first quarter of 2003. The three incumbent Italian mobile operators are expected to launch 3G wireless services by 2004. The *ExportIT* report highlighting Spain and Italy is part of a series posted on the Web site of the ITA Information Technologies Division (www.export.gov/infotech), where a similar report highlighting Germany and France is already posted.

Mexico

With a population of more than 100 million, Mexico has considerable opportunities for growth in the telecommunications equipment and services markets. Privatization and pro-competitive measures first announced in 1989 significantly pared back the Mexican government's role in the telecommunications sector. Many of these measures were codified in the federal telecommunications law of 1995. The law allowed new entrants into the market to compete with the former state-run monopoly telecommunications provider, Telefonos de Mexico, or Telmex. The law opened up every telecommunications service to competition, allowed higher levels of foreign participation, and mandated interconnection and transparent, non-discriminatory processes for licensing.

Despite numerous advances made on paper, the regulatory environment in Mexico remains a drag on the telecommunications sector. In the late 1990s, the Mexican government moved haltingly to implement competitive measures and, despite commitments from the Fox administration, regulators from the Comisión Federal de Telecomunicaciones (Coftel), have taken few steps over the past years to

U.S. Government Resources

The International Trade Administration's industry, export, and financing specialists, both in Washington, D.C., and the U.S. Export Assistance Center network across the United States, are key resources for American telecommunications firms as they evaluate projects and markets abroad. The following is a sample of the services offered to U.S. firms.

The ITA **Office of Telecommunications Technologies**, (202) 482-4466, monitors and evaluates global market conditions, participates in international market-opening negotiations, and provides links to industry specialists at U.S. Commercial Service offices worldwide (www.export.gov/infotech). Several market research tools are available on this Web site, including a series of *ExportIT* reports and "Telecom and IT Trends Mexico 2004," which is a group of frequently updated market reports and opportunities for Mexico.

U.S. Commercial Service offices at U.S. embassies worldwide can evaluate prospective local partners, markets, and projects; arrange meetings with key foreign officials and executives; and research local sources of funding (www.buyusa.gov).

U.S. Export Assistance Center specialists provide export counseling and information on federal export promotion programs and services, identify export regulations affecting U.S. industry, coordinate with finance specialists in Washington, D.C., and in embassies worldwide, and help U.S. firms identify projects of interest through market research reports prepared by Commercial Service posts around the world.

Specialists at the **Advocacy Center**, (202) 482-3896, arrange high-level advocacy on behalf of U.S. firms that face formal or informal trade barriers or arbitrary government decisions abroad (www.export.gov/advocacy).

Additional information on markets and projects abroad, export requirements, and U.S. government export assistance programs can be found at www.export.gov, as well as individual U.S. embassy Web sites.

rein in Telmex. Industry observers note that most Cofetel officials have not taken public positions against Telmex or attempted to use regulatory tools at their disposal. Even when, in late 2000, Cofetel found Telmex to be in violation of certain requirements outlined in the existing regulations, Telmex challenged the regulator's authority in court and won an indefinite suspension of Cofetel's asymmetric regulations.

Mexico's Congress has been debating an updated telecommunications act for the last two years. Discussions have stalled on some of the more divisive proposals, such as increasing the autonomy of Cofetel and establishing and enforcing dominant carrier regulations on Telmex. The national election scheduled for July 2003 is significant, as Mexico's one-term limit means that all seats in the Chamber of Deputies will be filled with new legislators. What impact will all of this have on telecommunications reform? Most industry analysts predict the Mexican Congress will have trouble passing anything of substance in 2003.

Despite the regulatory and commercial challenges, the Mexican telecommunications market has great potential for growth. Cofetel reported that at the end of 2002, fixed-line penetration was 14.6 percent, and mobile density reached 25 percent. In 2002, mobile operators added 3.8 million subscribers, increasing the total to 25.4 million, up 18 percent from 21.6 million in 2001. Rapid growth in the wireless market is expected during the coming year as competition heats up and operators consolidate their holdings in the market. In addition to targeting lower income segments of the population with prepaid and calling party pays plans, wireless operators are expected to target corporate segments with high-end, high-tech applications as the development of advanced technology spurs the introduction of new mobile services.

The service with the greatest growth potential in the next several years will likely be data communications, as corporate customers' data transmission requirements become increasingly crucial to the bottom line. This should increase demand for bundled packages of services and spur investment in end-to-end technologies that enhance the competitiveness of new entrants' offerings.

In 2002, Mexico ranked as the third-largest importer of telecommunications equipment from the United States

(behind Canada and Japan). Demand is expected to increase as both residential and corporate clients drive operators to upgrade their networks in order to take advantage of higher speed technologies that maximize the potential of the Internet. Mobile network development will most likely offer the greatest opportunities for equipment vendors. For example, the dominant player Telcel has invested in an upgrade to GSM/GPRS technologies. In addition, the government's "e-Mexico" initiative to promote digital connectivity in rural areas will offer numerous procurement opportunities as well.

TRADE NEGOTIATIONS

For the past 15 years, the United States has been actively engaged in trade negotiations affecting telecommunications equipment and services. In the North American Free Trade Agreement with Canada and Mexico, ground rules were set for access to telecommunications networks, the provision of value-added services, and the adoption of telecommunications standards.

The new round of WTO services negotiations, known as the Doha development agenda, includes telecommunications services. The round began in 2000, and it is scheduled to conclude by the end of 2004. Last summer, the United States made formal requests of more than 100 WTO member countries. It asked trading partners to remove all existing market access and national treatment barriers or limitations, for all telecommunications services (basic and value-added), as well as to adopt, if not already done so, a wide range regulatory principles set forth in WTO negotiations over the last several years. Negotiating sessions will be held in Geneva every two or three months until the conclusion of the Doha round.

More recently, the United States has concluded free trade agreements (FTAs) with Jordan, Chile, and Singapore. Each agreement includes a section that promotes liberalization of the telecommunications sector. Currently, the United States is actively negotiating FTAs with a number of countries. Each will promote greater market access for U.S. products and services and seek to ensure fair and non-discriminatory treatment for all market participants while promoting a transparent regulatory process. Negotiations for a Free Trade Area of the Americas among 34 nations in the Western Hemisphere began at the Summit of the Americas in 1994, and the goal is to complete negotiations for the elimination of barriers to trade and investment by January 2005. Meanwhile, the Central America Free Trade Agreement would include the United States, Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua; it may be completed early next year. Negotiations for a free trade agreement between the United States and the Southern African Customs Union (Botswana, Lesotho, Namibia, South Africa, and Swaziland) began in June 2003. Negotiations for FTAs with Morocco and Australia also began in 2003, with hopes of completion by mid-2004.

These multilateral and bilateral FTAs are negotiated to enhance trade and investment flows by providing lower tariffs for exports of goods, easier customs procedures, improved market access for various commercial and professional services, easier entry for U.S. businessmen into other countries, and better terms for investment in foreign countries. FTAs create a framework for businesses to prosper globally, which in turn encourages stability and expansion of economies. ■

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Major Exhibitions and Conferences

ITU TELECOM WORLD 2003

October 12–18, 2003
Geneva, Switzerland

This quadrennial event sponsored by the International Telecommunication Union is the largest telecommunications trade exhibition and conference in the world, typically attracting over 1,000 exhibitors and close to 200,000 attendees, including service providers and operators, governments, and leaders in manufacturing and industry. The event covers the entire converging communications industry, from telecommunications and computers to broadcasting and Internet applications.
www.itu.int/world2003

PT/WIRELESS AND NETWORKS COMM CHINA 2003

November 12–16, 2003
Beijing, China

This trade show focuses on wireless and next generation technologies.
www.adsale.com.hk/aes/en/shows

EXPO COMM CHINA SOUTH 2003

November 18–21, 2003
Guangzhou, China

This is the leading event for telecommunications, networking, IT, enterprise networking, and wireless technology in southern China.
www.ejkrause.com/events/5903.html

EXPO COMM MEXICO 2004

February 10–13, 2004
Mexico City, Mexico

The U.S. Department of Commerce encourages U.S. companies interested in developing telecommunications opportunities in Mexico to participate in the USA pavilion and product literature center at this certified trade event.

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TRADE EVENTS

Annual District Export Council Conference

Exporting in the 21st Century

by Lauree Valverde
U.S. Commercial Service

Opening on a naval vessel off the coast of San Diego and ending with a tour of manufacturing facilities in Tijuana, this year's District Export Council (DEC) Conference has adopted a fitting theme: "New Directions in Exporting in the 21st Century." Taking place in San Diego, one of the liveliest export areas in the country, the conference in September focuses on providing key information to help exporters navigate current and future international challenges. The conference is open to members of the exporting community as well as the nationwide DEC network. Companies interested in learning about the latest in export opportunities, and meeting with U.S. Commercial Service officers from around the world, should plan to attend this conference.

THE CITY OF TRADE

The site for the 2003 conference could not be a better location to demonstrate the effects of international trade. The second-largest city in California is the fastest-growing export district in the United States. Equidistant from Europe and Asia, San Diego considers itself a gateway to Latin America and the Pacific Rim.

"San Diego is the perfect example of how international trade can affect a city—from population growth to the way that it does business," says Luis Eternod, chairman of the San Diego DEC. During the last four years, San Diego's exports have doubled, with electronics and information technology as the leading industries.

Not only has San Diego increased its export sales, but it has also embraced changes affecting international trade. "We've changed the way we do business over the past several years," says Eternod. "Now, with the click of a mouse, a million-dollar application can be attached to an e-mail and sold overseas."

This ease of selling includes the responsibility to authenticate buyers and know the intended use of the products they purchase. Add these security concerns to the list of new U.S. trade agreements, reconstruction opportunities in Iraq and Afghanistan, as well as the ever-growing export of services, and U.S. exporters will find much to learn at the 2003 DEC Conference.

Focusing on subjects that will help exporters most is important to the

organizers of the conference. "Our speakers are living it, doing it," Eternod says. From security of technology transfers to marketing your company on a shoestring budget, this year's conference covers a wide variety of pertinent issues.

The conference offers participants a choice of 18 different topics within seven breakout sessions. Some of the highlights include:

Overcoming Foreign Competition: What is our government doing to aid U.S. companies in combating foreign competition? How are the newly imposed tax laws on U.S. companies affecting our ability to compete?

Transacting Business over the Internet in Foreign Currencies: One of the challenges of global e-commerce is accepting payment in foreign currencies. Learn how painless it can be by partnering with companies that provide this service.

Industrial Espionage—It's Not about Hackers: A discussion of the risks of industrial espionage, citing real cases prosecuted under the Industrial Espionage Act of 1996. How can you protect your company from domestic and international espionage?

Licensing Your Medical Technologies Overseas: What should you be aware of when licensing your technologies abroad? Which organizations can assist you with information? This session is useful for any industry, not just medical technology.

International Reconstruction Opportunities: U.S. companies will find new business in the reconstruction of Iraq and Afghanistan. Hear from the director of the U.S. Commerce Department's Iraq and Afghanistan reconstruction task forces about how you can participate in this growth.

Other sessions address offshore manufacturing, inexpensive international marketing, and free trade agreements in Latin America.

MEXICO BUSINESS EDUCATION

DEC members may also choose to travel to nearby Baja California to visit *maquiladoras* (special in-bond manufacturing facilities) as well as Porto Nuevo. San Diego's closest international market holds opportunities for U.S. companies in infrastructure development as well as the electronics, automotive, tourism, and agribusiness industries. Due to the proximity of Baja California to other Mexican industrial centers, the state's *maquiladoras* look to nearby U.S. cities for parts and supplies.

DEC members participating in the tour will visit an electronics *maquiladora* and meet with Baja government officials to receive briefings on the local industry and opportunities for U.S. exporters. The tour includes a traditional Baja lobster luncheon and visits to Rosarito and Fox Studios, where the movie *Titanic* was filmed. Early registrants are eligible for a companion ticket for the Mexico day trip for only $15.

REGISTER FOR THE CONFERENCE

Following its own example in promoting new directions in exporting, the 2003 DEC Conference is using on-line technology for all registration and conference information.

The conference's Web site, www.2003decconference.com, includes the conference agenda, speakers' biographies, registration details, and San Diego tourism information.

The Southern California DEC has reserved 200 rooms at the Coronado Island Marriott Resort. These rooms will get booked fast. Register now for this important exporters' event. ■

Trade Events

August 2003–January 2004

DATES	EVENT	LOCATION
August 11–19	**Food Processing and Packaging Equipment Trade Mission** This mission will target the U.S. food processing and packaging equipment industry. The focus of the mission will be to match U.S. companies with potential agents, distributors, representatives, and joint venture partners.	Vietnam; Thailand; the Philippines
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 8–12	**ACE 2003** This is 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
September 9–12	**Chinaplas 2003** Chinaplas was launched in 1983 as an international exhibition for the plastics and rubber industries in China. Held annually, it rotates among the cities of Beijing, Shanghai, and Guangzhou.	Beijing, China
September 11–21	**IAA International Motor Show** This major international trade fair covers assembly engineering, CAD/CAM, factory automation, flexible production, industrial robots, machine tools, manipulation, engineering precision tools, and tools.	Hanover, Germany
September 15–19	**Health Care Technologies Mission** This matchmaker to Ireland and the United Kingdom will assist U.S. health care and medical companies, with a potential focus on the tele-health and biotechnology industries.	Ireland and the United Kingdom
September 18–21	**Expopharm 2003** Expopharm is the only major pharmaceutical industry event in Germany. The annual trade event usually counts over 500 exhibitors and roughly 20,000 strictly trade-only visitors. American manufacturers, wholesalers and exporters of pharmaceuticals, OTC products, health supplements, and cosmetics get a chance to present their products on the exhibition floor of this large international trade show.	Dusseldorf, Germany
September 21–23	**Franchising Trade Mission** The Commercial Service is organizing a franchising trade mission to Singapore and Shanghai, China. In Singapore, the mission will coincide with the largest franchising show in Asia, Global Franchising 2003.	Singapore and Shanghai, China
September 23–26	**U.S. Building Products Trade Mission** Sales of building products and construction materials will continue to flourish during the next five years in Canada's buoyant residential and renovation construction market. U.S. exporters, can profit from Canada's booming residential construction/renovation markets by participating in this event.	Toronto and Montreal, Canada
September 24–27	**Edifica 2003** This regional trade show includes building materials, construction equipment, and related services.	Santiago, Chile
October 2–10	**Oil and Gas Equipment Trade Mission** The mission will include representatives from U.S. oil and gas equipment and service companies interested in entering or expanding their presence in Kazakhstan. While in Almaty, the mission participants will visit the Kazakhstan International Oil and Gas Exhibition.	Almaty, Kazakhstan

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HIGHLIGHTED EVENTS

MEDICAL DEVICE TRADE MISSION

SEPTEMBER 21–OCTOBER 3, 2003
VIETNAM, THAILAND, MALAYSIA, AND SINGAPORE

Southeast Asia is an often-overlooked market for U.S. products. To take advantage of the opportunities in this region, however, companies want solid distributors who know how to navigate the regulatory and purchasing systems. By meeting with major end users, distributors, and suppliers of medical devices, U.S. participants will gain firsthand knowledge of these markets and make contacts with decision-makers in medical equipment procurement.

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WORLD CUSTOMS FORUM AND EXHIBITION

SEPTEMBER 22–25, 2003
BUDAPEST, HUNGARY

The first annual exhibition of technology for the work of customs and transportation security agencies will be held at the Hunexpo Fair Center, adjacent to the meeting of the World Customs Forum, which is a professional exchange program organized by the 161 member countries of the World Customs Organization. More than 300 professional participants are expected. The show presents a unique opportunity for access to official customs and security agencies for such technologies as test and detection equipment, non-intrusive inspection equipment, information technology, and other technology to enhance the security of multimodal transportation.

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DATES	EVENT	LOCATION
October 5–7	**Golf Europe** The Office of Consumer Goods, in conjunction with the U.S. Commercial Service in Munich, is sponsoring a U.S. product sample and literature center at Golf Europe. This promotion should help U.S. companies that are looking for distributors, joint venture partners, or new sales opportunities. Golf Europe is Europe's leading golf equipment trade show.	Munich, Germany
October 6–10	**Electronic Americas** Electronic Americas, a biennial international trade fair, is the largest event of its kind in South America for electronic components, assemblies, and electronics production. Electronic components constitute the best prospect for U.S. exports to Brazil.	São Paulo, Brazil
October 7–12	**TIB 2003** The Bucharest International Fair is the leading commercial event in Romania and one of the most prominent trade fairs in Eastern Europe. It is a general technical fair, with strong emphasis on industrial equipment and industrial consumer goods. The fair consists of 41 separate pavilions and includes 55,000 square meters of indoor space and 45,000 square meters of outdoor space.	Bucharest, Romania
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
November 12–14	**Cosmoprof Asia 2003** This event is the Asia-Pacific region's largest showcase for products and services in cosmetics, toiletry, perfume, hairdressing, spa, and beauty sectors. Celebrating its eighth year in Asia, Cosmoprof will feature more than 600 exhibitors and a large-scale U.S. pavilion.	Hong Kong
November 13–17	**InterCHARM 2003** The cosmetics market in Russia has great potential for U.S. companies. InterCHARM is the largest beauty and health products exhibition in Eastern Europe. In 2002, more than 600 companies from 23 countries participated, along with 65,000 visitors. The cosmetics and health products market is one of the fastest-growing markets in Russia.	St. Petersburg, Russia
November 20–22	**Expo Pesca 2003** Expo Pesca 2003 is an international trade show of equipment, supplies, and services for the fishing and fish farming industries. The U.S. Commercial Service in Lima will have a booth at the show and will host a catalog exhibition for U.S. firms unable to exhibit directly. Fishing is the second-largest industry in Peru, representing more than 5 percent of the GDP and over 10 percent of total exports.	Lima, Peru
November 26– December 6	**Essen Motor Show** This show features automotive tuning and racing equipment and accessories, as well as classic and antique vehicles. In addition, a wide range of customizing items are displayed, and part of the show concentrates on auto high-fidelity equipment and related products.	Essen, Germany
December 3–5	**Natural Products Asia 2003** This show features all products, edible and non-edible, related to healthy lifestyles and developing a healthy planet. It includes 200 exhibitors and 5,000 professional buyers. This fair will allow U.S. companies in the natural products industry to establish ties, and demonstrate their products to buyers, in Asia.	Hong Kong
December 7–11	**USA Trade Week Russia** This is a comprehensive exhibition of U.S. products and services. The exhibition will be preceded by a two-day conference with workshops featuring an "A to Z" approach to doing business in Russia, as well as discussion of all aspects of trade between Russia and the United States. This is the only exhibition of its type for U.S. firms interested in Russia. It will attract qualified business visitors from all parts of Russia.	Moscow, Russia
January 9–11, 2004	**Reisemarkt Rhein-Neckar-Pflaz** This regional consumer travel show attracts approximately 22,000 visitors from the Rhein-Neckar region of Germany (2 million inhabitants). In 2002, there were 240 exhibitors from 18 countries. U.S. tourism firms can benefit from increased exposure through a unified U.S. tourism presence. Literature should be in German if possible.	Mannheim, Germany

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TRADE EVENTS SCHEDULE

AUTOMOTIVE SUPPLY CHAIN TRADE MISSION

SEPTEMBER 22–25, 2003
MEXICO

Mexico is considered one of the most important manufacturing areas for the automotive industry in the Western Hemisphere. With an impressive double-digit annual growth rate in total units manufactured of automobiles, trucks and buses, Mexico is becoming a target market for automotive industries, including parts sub-assemblies, consumables, and services. A number of automobile companies have set up manufacturing plants in small and medium-sized cities in Mexico to serve the export and local markets. Nissan established its main manufacturing facility in Aguascalientes, investing more than $1 billion. General Motors established a large award-winning operation of light trucks and SUVs in Silao, Guanajuato, and has plans for an 11-percent increase in production over the next year.

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BUILDING PRODUCTS TRADE MISSION

SEPTEMBER 23–24, 2003
CANADA

Sales of building products and construction materials will continue to flourish during the next five years in Canada's buoyant residential and renovation construction market. New residential construction in Canada is set to reach a 12-year high in 2002, and it is expected to prosper for the next four years. A booming home renovation market in Canada is being fueled by the continued strength of the resale home market, growth in disposable income, and a rising trend in renovations by renters. Spending on renovation is expected to reach $18 billion in 2002, up from $17.2 billion in 2001. U.S. exporters, with building products for the housing and renovation sectors, can profit from Canada's booming residential construction and renovation markets and increase their export sales in Canada by participating in this mission.

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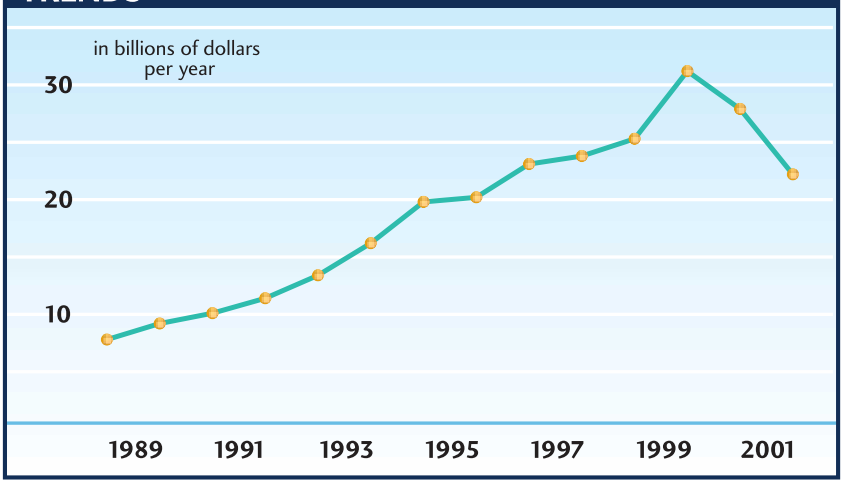
A full listing of upcoming trade events is available via www.export.gov.

TELECOMM STATS

Telecommunications Trade Statistics

EQUIPMENT EXPORTS

TRENDS



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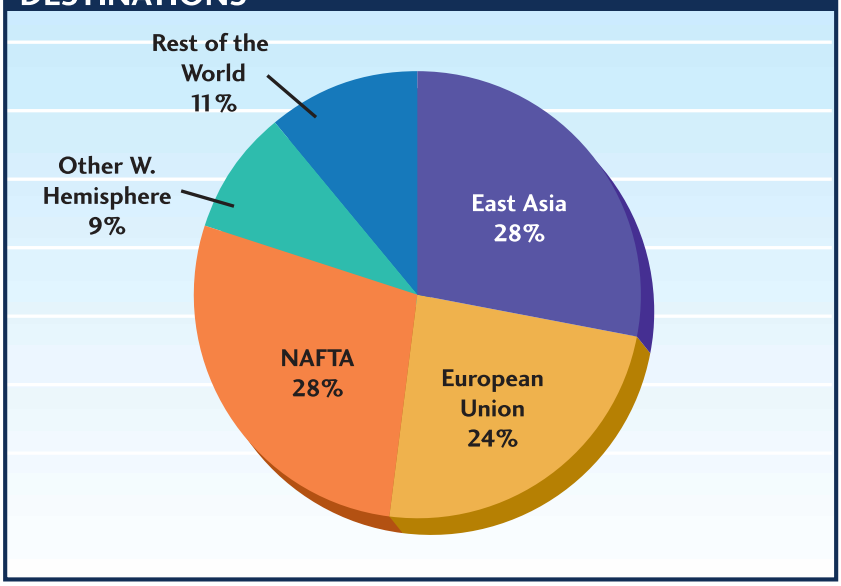
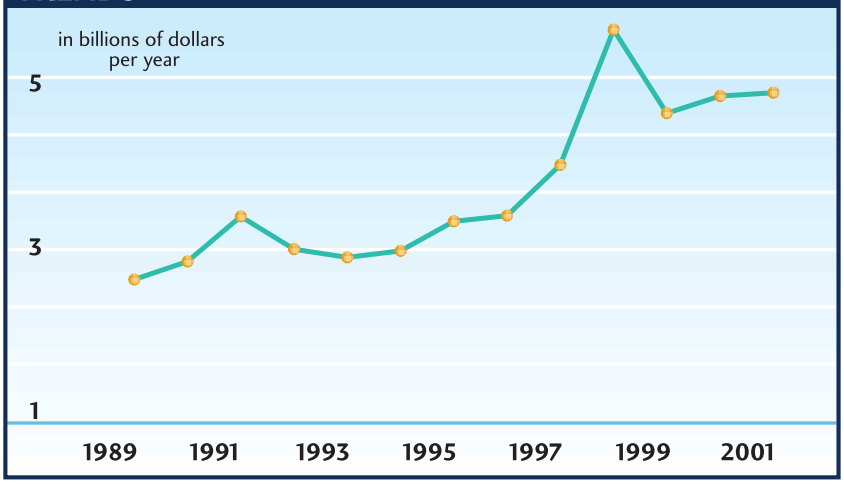


SERVICES EXPORTS

TRENDS



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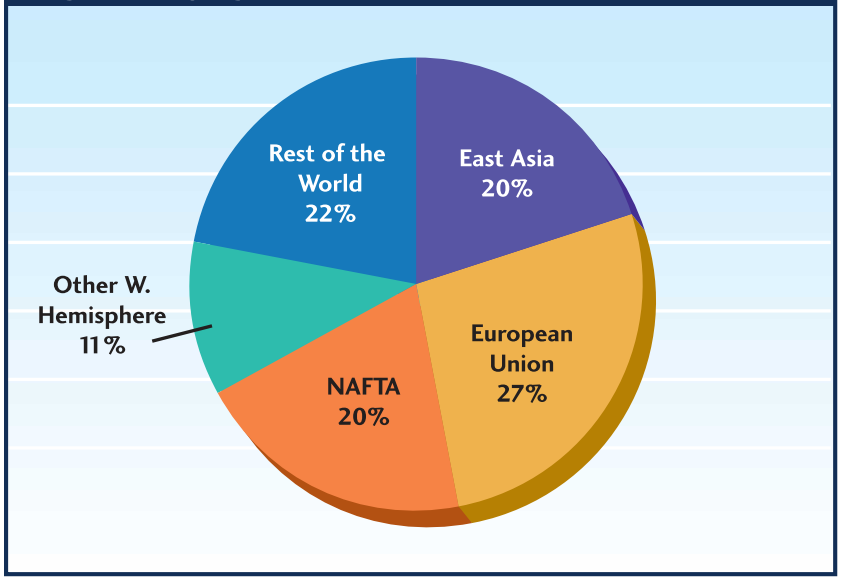

Data for equipment are for export end-use code 21400, telecommunications equipment.

Immediate source is TPIS; see also: www.census.gov/foreign-trade/statistics/product/enduse/exports/c0000.html and www.census.gov/foreign-trade/Press-Release/2002pr/12/exh7.txt.

Services data exclude affiliated component of services exports. Sources: *Survey of Current Business*, October 2002, Tables 1 and 5.4.

Export Financing for U.S. Companies

Ex-Im Bank Options

by Michael J. Spivey
Export-Import Bank of the United States

The Export-Import Bank (Ex-Im Bank) is the official export credit agency of the United States. Although the Ex-Im Bank does not compete with private sector funding, it has supported nearly $400 billion in U.S. exports for more than 65 years—a remarkable record of leadership in providing trade financing, especially for small and medium-sized companies.

With no minimum or maximum transaction limits, the Ex-Im Bank's long tradition of supporting U.S. exports, predominantly to risky emerging markets, has rightfully earned the Ex-Im Bank a reputation as the "go-to" place for the toughest export deals.

EXPORT YOUR FINANCING CHALLENGES, IMPORT OUR FINANCING SOLUTIONS

The Ex-Im Bank provides an array of financing tools tailored to meet the needs of U.S. companies, including, short-, medium- and long-term financing for the export of goods and services.

With our working capital guarantee, exporters can arrange loans from a commercial lender to meet their pre-export inventory buildup and accounts receivable needs. The Ex-Im Bank guarantees 90 percent of the repayment. Another trade financing tool is export credit insurance, which allows exporters and lenders to mitigate the risk of buyer nonpayment while extending attractive terms, including open-account terms, to international buyers. Our insurance serves as a powerful sales tool, as exporters can sell to more buyers and compete in markets they might otherwise consider too risky.

The Ex-Im Bank also offers guarantees of loans made by lenders to international buyers of U.S. capital goods and services. Since our guarantee protects against all nonpayment risks, exporters are able to assist their buyers in obtaining financing. These guarantees can also be structured as non-recourse loans common for infrastructure projects or asset-based finance leases common for large body aircraft.

INCREASE YOUR EXPORT SALES, DECREASE YOUR RISK

In today's global marketplace, having a great product or service is only part of the formula for a successful business strategy. Competition is fierce, and few companies possess the market power to dictate all sales terms. Providing financing to your customer is not simply a nice touch, but an integral part of the total sales package. Often, it is the edge that wins the sale.

A major obstacle to companies selling internationally is a lender's reluctance to finance the pre-export working capital cycle of the company's business. All too often, a lender simply will not extend credit on export items such as inventory designated for export or export-related accounts receivable. These items are routinely excluded from the collateral pool. Such exclusions can cause severe cash-flow problems for the exporter and ultimately make the pre-export financing segment substantially more expensive than working capital for financing domestic sales.

Obtaining buyer financing, especially in emerging markets, is another major obstacle facing U.S. exporters. Capital goods and related services typically require extended repayment terms, depending on the amount and type of item. International buyers may face a dearth of financing opportunities in their local markets. When they do succeed in finding financing, it is

Photo courtesy of AS&E.

AS&E's MobileSearch X-ray inspection system scanning a truck for contraband and potential threats.

often priced at a punitive interest rate in the local currency. Ex-Im Bank insurance or guarantees allow lenders to extend attractive, U.S. dollar-based loans to creditworthy buyers who "buy American."

IF YOUR COMPETITORS ARE USING EX-IM BANK FINANCING, SHOULDN'T YOU?

With the technological advances of recent years, every company should be a global company—your customers and competitors certainly are. A good product, an aggressive marketing strategy, and a fancy Web site, however, are just not enough. You must be prepared to offer financing to potential customers. They expect it.

With Ex-Im Bank financing, you are just a few steps away from export financing solutions that can expand your sales and minimize your risks. If you have been trying to "go global" and cannot find financing, call the "export financing experts" at the Export-Import Bank of the United States: (202) 565-3946 (or visit www.exim.gov). ■

Ex-Im Successes

American Science and Engineering, Inc. (AS&E), a small high-technology company in Billerica, Mass., required funds to fulfill its export sales orders. The Ex-Im Bank's working capital loan guarantee assisted this business in expanding its sales of X-ray cargo inspection systems for detecting drugs, bombs, and other contraband to governments worldwide. Ex-Im Bank financing has contributed to impressive revenue and employment growth at AS&E.

Genetic Resources International, of Houston, Texas, was unable to offer credit terms to its international buyers, limiting the amount of sales it could make to each customer. Single-buyer insurance policies allowed the company to extend credit terms to its customers and gain a competitive edge. Since more working capital was needed, the company's insurance was assigned to a lender to obtain financing for its accounts receivable. Now the business can sell more to existing customers and also enter new markets, increasing overall export sales.

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