

# EXPORT

# America

April 2004

Volume 5 Number 4

[www.export.gov/exportamerica](http://www.export.gov/exportamerica)

THE FEDERAL SOURCE FOR YOUR GLOBAL BUSINESS NEEDS

## INSIDE:

Exporting Software:  
Sorting Out the Details

Ask the TIC:  
Export Controls

Using the U.S.-Australia  
Free Trade Agreement



## Bridging the EU: Integrating Transportation Systems





# Explore Regional Opportunities

One Easy Way to Reach **6** markets

The *Access Eastern Mediterranean* (AEM) program brings together the resources of the U.S. Commercial Service offices covering Egypt, Israel, Jordan, Lebanon, Turkey and West Bank/Gaza and our Export Assistance Centers throughout the United States to provide your company a single point of access to 150 million consumers. Register now to receive 6 partner/buyer searches, 6 results reports, showcase your products on the AEM website, and more! Selected events include local catalog shows.

## The 2004 AEM Program Focuses On 5 Major Industry Sectors:

- ✓ Environmental Equipment and Services - March 2004
- ✓ Building/Construction Materials, Equipment and Services - April 2004
- ✓ Energy Equipment and Services (Oil/Gas and Electricity) - May 2004
- ✓ Healthcare Equipment, Products and Services - June 2004
- ✓ Information/Communication Technologies Equip. and Services - June 2004

It all starts with a call to your local U.S. Export Assistance Center  
Visit [www.export.gov/cs](http://www.export.gov/cs) to find an office near you or call 1-800-USA-TRAD(E)

For full details, country market briefs and online registration,  
visit [www.buyusa.gov/eastemmed](http://www.buyusa.gov/eastemmed)



## NEW OPPORTUNITIES



- Bridging the EU:  
Integrating Transportation  
Systems** 18  
*By Leah Markowitz*

## GLOBAL NEWS LINE

- Briefs on South Korea, Vietnam, India, Egypt,  
Hungary, Spain and Mexico** 4  
*Prepared with the assistance of the U.S. Commercial Service*

## SUCCESS STORIES

- Constructing Success in Chile and Brazil:  
Risk Management Company Finds Links  
to Latin America** 6  
*By Dawn Bruno*

- Finding Security in the Global Market:  
Software Provider Culls Clients in Chile** 7  
*By Dawn Bruno*

## NEWS FROM COMMERCE

- Exporting Software: Sorting Out the Details** 8  
*By R. Clay Woods*

- World Trade Week** 13  
*By Export America and World Trade Week*

- Using the U.S.-Australia Free Trade Agreement** 14  
*By Ariadne BenAissa*

**TECHNICAL ADVICE**  
Ask the TIC: Export Controls 16  
*By Susan Hupka*

**INSIDER'S CORNER**  
Trade Events: May–October 2004 26

*The Export-Import Bank phone number on page 29 of the March 2004 issue was incorrect. The correct phone number is 1-800-565-EXIM (3946).*



U.S. DEPARTMENT OF COMMERCE  
International Trade Administration

**Donald L. Evans**  
Secretary of Commerce

**Grant Aldonas**  
Under Secretary  
for International Trade

**Mary-Brown Brewer**  
Director of Public Affairs

**Cory Churches**  
Editor

**John Ward**  
Associate Editor

**Frank Deasel**  
Printing Specialist

**Kevin Cofer**  
Printing Specialist

Published monthly by the U.S.  
Department of Commerce,  
Washington, D.C.

Annual subscription rate is \$58.  
**All subscription inquiries**  
should be sent to the Government  
Printing Office, Superintendent  
of Documents, Mail Stop: SSOM,  
Washington, DC 20401.  
Tel: (202) 512-1800  
Toll-free: (866) 512-1800  
<http://bookstore.gpo.gov>

Other inquiries should be sent to the  
U.S. Department of Commerce,  
Room 3414,  
1401 Constitution Ave., NW  
Washington, DC 20230.  
E-mail: [export\\_america@ita.doc.gov](mailto:export_america@ita.doc.gov)

First-class postage paid at Washington, D.C.  
Contents of this publication are not copy-  
righted unless indicated, and if not so indicated  
the articles may be reproduced in part or in  
full without any prior consent. The secretary  
of commerce has determined that the  
publication of this periodical is necessary in the  
transaction of the public business required by law  
of this department.

**E**uropeans have become accustomed to traveling abroad and taking their history, values, and assumptions with them. It has been a continent of national states divided by religion, language, and history. Historical figures such as Charlemagne and Napoleon have attempted to unify the continent, but the contemporary lesson is that such warriors tried to do things the hard way. Today, the 15 nations of the European Union are voluntarily uniting for the mutual political and economic benefit of their citizens, thus expanding upon a concept set in motion by the European Coal and Steel Commission in the 1950s.

With the addition of ten new members to the EU, eight of which are former Soviet-bloc nations, the EU has crossed into a new era of unification. In certain senses, the map of Europe is undergoing a political and economic earthquake on the order of Constantinople's fall in 1453. Going forward, the 25 nations of the expanded European Union will make political, economic, and future expansion decisions with an eye on the continued future of the collective union. Will the focus in the future be on deepening or widening the union? Only time will tell.

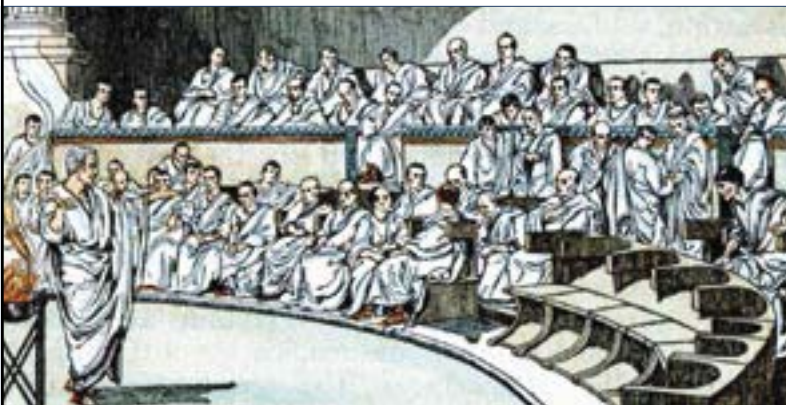
One thing is certain; seamless transportation among the countries of the EU and their surrounding neighbors is imperative for the movement of people and merchandise. For a series of nations to function as one collective and united entity, there must be ease of movement; for, even in this era of e-mail and cell phones, human contact and on-time delivery of products and services remain important. Our feature this

month focuses on the efforts to upgrade, enhance, and update the transportation systems of the new EU. Railways, highways, ports, and airports are all part of the numerous projects. American firms stand to benefit from long-term construction and planning for these projects.

As the EU absorbs new members and adjusts to change, the International Trade Administration will also be adjusting to some changes of our own. This past fall, the President called for the creation of an assistant secretary of manufacturing and service. In creating this new position, the responsibilities and functions of the divisions of the International Trade Administration will be rationalized and reorganized to better serve the needs of our clients. In the interim, *Export America* will be published on a bimonthly schedule until this shift is complete. Our next issue will be May and June and will focus on opportunities in South Korea. I hope you enjoy this issue and look forward bringing the next issue to you in the coming months.

*Cory Churches*

Cory Churches  
Editor



## SOUTH KOREA

Although small relative to the global industry, South Korea's biotechnology industry offers export opportunities in equipment and instruments, biopharmaceuticals, biochemistry, and biotech services. With domestic production totaling \$1.5 billion in 2002, South Korea's biotechnology industry accounted for 1.4 percent of the world market. Exports for the same year reached \$700 million. South Korea has set an ambitious target of accounting for 10 percent of the world's biotechnology industry in the future. Biotechnology is one of 10 key growth industries singled out by the South Korean government. Nevertheless, South Korea's biotechnology sector lags far behind the United States, and remains in an early phase of research and development. The South Korean government's ambitious plan notwithstanding, there has not yet been enough funding committed to a funding level that would allow South Korea to compete with leading nations in government-supported research and development on biotechnology.

## VIETNAM

Vietnam's wireless networking equipment and solutions market is poised for rapid growth. U.S. businesses and exporters of equipment and solutions for wireless local area networks and wireless Internet applications will find opportunities for sales and expansion in this market.

Vietnam has made the development of the information and communications technology (ICT) industry a national priority. One of the primary areas that hinder the development of the industry is Vietnam's sub-standard Internet capability. In 2002, Vietnam revamped its strategy to meet new goals for the development of the ICT sector. Many development strategies and policies for the ICT industry were issued, which created a favorable environment for the development of this industry. As a result of the Vietnamese government's priority for development of the ICT industries,

the networking equipment sector and other ICT related industries in this emerging market have been growing rapidly following the entrance of newly-licensed telecommunications companies and Internet service providers, establishment of software parks, and infrastructure development by government agencies and local enterprises. Broadband Internet services, both wire and wireless protocols, have recently been offered in Vietnam. This marks a critical turning point in the development of the local ICT market, especially the wireless networking market. Vietnam's steady infrastructure investment and business development in this industry will continue to generate significant export prospects for U.S. companies.

## INDIA

India's demand for defense equipment is sizable. It is the 12th largest military spender in the world, with the fourth-largest army and air force. For fiscal year 2003, the defense budget was more than \$13.5 billion. India's defense expenditure has increased steadily in recent years, and this trend is likely to continue. According to industry estimates, India imports \$1.5 billion worth of military hardware annually. To reduce its dependence on foreign

suppliers, India has established several defense production units. These facilities registered combined sales of approximately \$2.9 billion in 2001.

India allowed private manufacturing and investment in its defense sector for the first time in 2001. The principal competitors for the United States in this sector are Russia, Israel, the United Kingdom, France, and South Africa. U.S. competitors have strong lobbies in the Ministry of Defense and in user organizations. Several U.S. companies have ongoing programs with India to supply defense equipment. U.S. defense sales to India are likely to be bolstered by the lifting of sanctions and the U.S. Foreign Military Sales program. However, growth in the share of U.S. defense exports to India is likely to be tempered by India's reluctance to rely substantially on the U.S. as a supplier.

Successful companies that operate in the defense sector in India have a presence on the ground in this market. Some have established liaison offices; others operate through local agents, allowed since November 2001, subject to registration. All proposed equipment is put through rigorous trials. While India is a price-sensitive market, U.S. product quality is recognized as superior.



**EGYPT**

Since 1990, biotechnology has been a growth industry in Egypt. It is used for tissue culture of crops, genetic engineering and diagnosis of tumors. Research related to transplant of kidneys, liver, and bone marrow is still in the experimental stage. Egyptian scientists are preparing to introduce seeds for gene-spliced vegetable varieties to the local agriculture market. Imports of biotechnology laboratory equipment in Egypt during 2003 totaled \$58 million. This market is expected to grow during the next few years by 20 percent annually. Several U.S. suppliers of biotechnology laboratory equipment dominate the market and have captured a 60 percent market share.

**HUNGARY**

Over the past ten years Hungary's economic policies have been shaped by preparations to become a full member of the European Union. This historic event will take place on May 1, 2004. With the exception of a few environmental sectors where a transition period has been negotiated, the EU's environmental policies and directives all have been incorporated into the Hungarian legal system.

In the area of renewable energy, Hungary has committed to double its reliance on renewable energy sources from the current 3.6 percent to 7.2 percent of total energy usage by 2010. The two areas with the highest growth potential in the waste-to-energy sector are biomass and municipal and hazardous waste.

**SPAIN**

The Spanish banking system as it stands today is considered one of the sturdiest in Europe. Two groups dominate the banking sector—Santander Central Hispano and Banco Bilbao Vizcaya Argentaria, accounting for approximately 40 percent of the sector's total assets.

Despite a strong consolidation process, the Spanish branch network is still very dense. These extended networks

protect the banks' retail business from foreign competition. Spanish banks are among the pioneers in Europe in developing online financial services. Internet banking, however, also allows foreign banks to compete more aggressively in this area without having to create the in-country infrastructure.

The introduction of a single currency in Europe also reduced the activity of the branches of foreign banks, mainly engaged in inter-bank business. The activity of some of the remaining banks also diminished as a result of the concentration of their treasury operations in other European financial centers.

**MEXICO**

The value of the Mexican market for renewable energy power generation equipment is estimated to be \$300 million per year. Total imports for 2003 were \$211.4 million. Imports from the United States were \$128.7 million. For 2004 total imports are projected to be \$289.8 million, with U.S. imports at \$181.8 million. The total market for the 2004–2006 period is expected to grow 12 percent annually.

The Mexican renewable energy market has been slow to develop. Mexico does not mandate renewable portfolios nor is it expected to in the near future. Moreover, Mexico's constitution prohibits private companies from generating, transmitting or distributing electricity as a public service, activities which are reserved for Mexico's two state owned electric power utilities, Comision Federal de Electricidad (Federal Electricity Commission), and Luz y Fuerza del Centro (Central Light and Power Company). However, the Electric Power Utility Law modification, allows for limited private participation in the sector for self-generation, cogeneration, or small-scale electric generation, without specifying technologies. Development of renewable projects has also proven difficult because the CFE controls the transmission lines, refuses to purchase excess renewable power at the real cost



of production, and offers subsidized rates to most of its users.

Financing is the single most important factor influencing sales, but technology plays an increasingly important role because environmental protection is a rising concern in Mexico. Lack of long-term project financing, contractual issues between developers and public and private off-takers, and political and legal issues surrounding the recent debate over electricity reform has also prevented most private renewable projects from going forward. There are various proposals to reform the electricity sector to allow for private generation. Though amending the constitution appears unlikely in the near future, most proposals agree on the need to promote renewable energy technologies. ■

**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), or visiting [www.buyusa.gov](http://www.buyusa.gov).

# Constructing Success in Chile and Brazil

## Risk Management Company Finds Links to Latin America

By Dawn Bruno

*U.S. Commercial Service*

**P**roviding consulting services for the construction industry is what Project Development International (PDI) does best. Started in 1984 in Clearwater, Florida, PDI is a small company of 18 professional employees that is dedicated to innovative and effective management services for the construction industry. PDI has found success in helping clients manage their projects through Construction Riskontrolsm, which enables clients to complete their projects on time and within budget. PDI's projects include dams, bridges, highways, rail systems, housing developments, commercial, industrial and institutional projects, which range up to \$15 billion—big business for a small company.

Their services don't stop at the United States' borders: PDI also has extensive experience in Central and South America as well. In 2003, PDI started exporting know-how in construction management to Latin America—with a little help from the Americas Linkage Program and the U.S. Commercial Service.

The Americas Linkage Program facilitates business between executives from Florida, Latin America and the Caribbean through a series of missions to and from the regions. PDI International Program Manager Roberto Sanchez traveled to Chile in May 2003 as part of the Americas Linkage trade mission. Through this program, the U.S. Commercial Service provides in-country briefings and sets up one-on-one business appointments for attendees with local companies.

The U.S. Commercial Service staff in Santiago arranged meetings for Mr. Sanchez with several potential Chilean partners. As a result, just three months later, PDI signed a representation agreement with Integra Proyectos, a Chilean consultancy firm based in Santiago. PDI

also used the U.S. Commercial Service in Brazil, where PDI is also in the process of establishing partnership agreements.

"I am very pleased with my experiences working with the U.S. Commercial Service staff in both Chile and Brazil. I will certainly work with them in the future," says Mr. Sanchez.

Mr. Sanchez attributes the U.S.-Chile Free Trade Agreement for PDI's successes in the region. The U.S.-Chile FTA went into effect this January, and the reduced tariffs between the United States and Chile have made it easier for PDI to export their services. Mr. Sanchez is also in favor of the proposed Free Trade Agreement of the Americas (FTAA) between the United States and 34 Latin American countries.

"I have confidence in, and believe in the FTAA. This new approach would create a better climate to establish immediate dialogue with potential associates in South American and Caribbean countries," says Sanchez.

Mr. Sanchez also cites his knowledge of Spanish and Portuguese, as well as his respect for foreign culture, as key

components to breaking into South American markets. PDI's success in Chile and Brazil is due to diligence, hard work, personal contacts, and friendships. Because he knows the language and has lived in Brazil, Mr. Sanchez is familiar with the traditions, customs and unwritten rules of international business. The U.S. Commercial Service can be a valuable resource for providing on-the-ground cultural and business know-how for companies starting out in new markets.

Mr. Sanchez was so pleased with his experience that he will be participating in the next 2004 Americas Linkage program launched on March 20. He also plans to maintain the relationships he has cultivated with the U.S. embassy in Santiago and with various Chilean government officials.

"The Americas Linkage Program, along with the help of the U.S. Commercial Service, provides excellent assistance for small companies, like PDI, who want to export overseas," says Mr. Sanchez. "I recommend that other companies considering the export of services or products take advantage of this assistance available to them." ■



# Finding Security in the Global Market

## Software Provider Culls Clients in Chile

By Dawn Bruno

U.S. Commercial Service

SUCCESS  
STORIES

**In the current climate, security is big business.** And Lenel Systems International is quickly proving to be a formidable force in the security software industry. Headquartered in Rochester, New York, Lenel is a leading provider of software and integrated systems for the corporate security market. Founded in 1991 by husband and wife Elena and Rudy Prokupets, Lenel launched its OnGuard® security product line in 1995.

Building upon the company's previous experience in multimedia software development, Lenel has become a leader in utilizing technology to protect an organization's people, property and assets. Lenel is the company of choice for security-conscious organizations as Cisco, Microsoft, all three New York City area airports (JFK, LaGuardia, and Newark), the U.S. Department of Defense and the U.S. Navy. For the past three years, Lenel has been recognized by the Deloitte & Touche/Forbes Technology Fast 500 list, which ranks the nation's fastest growing technology corporations.

Today Lenel is the world's premier electronic security software company, conducting business in 74 countries and enjoying large growth rates of 50 to 80 percent each year internationally.

Exporting is a far greater challenge than selling to customers in your own backyard. Getting assistance in navigating the process of making that first international sale can make a world of difference to a company like Lenel. That's why the U.S. Commercial Service—an agency of the Commerce Department that provides international business solutions to small and medium-sized firms—and its network

of Export Assistance Centers can prove invaluable.

In 2002, Todd Smith, Lenel's Vice President of International Sales and Marketing, contacted the U.S. Export Assistance Center in Rochester for assistance. There, Smith met with Office Director Charles Ranado, who helped him explore new markets for Lenel's products. Ranado provided invaluable export counseling sessions and market research, and referred Smith to the U.S. Commercial office in Santiago, Chile for on-the-ground assistance.

Smith used Commercial Service Santiago's services to help establish Lenel's market entry strategy. The staff advised Smith on the best way to sell the company's services in Chile. They also provided local representative contacts, including Victor Merino, who became Lenel's sales director for Latin America.

In March 2003, the staff of the Commercial Service in Santiago organized a single company promotion for Lenel. The event, held over breakfast at a Santiago hotel, included more than 30 guests invited for their interest in Lenel's state-of-the-art automatic identification and access control integration software.

Smith and Merino were both impressed with the event.

"The promotion was a great success, and we had about 30 prospects in attendance," says Smith. "Almost immediately we wrote approximately \$50,000 in business, thanks to the Commercial Service's efforts in conjunction with our local partner. Some of the orders arrived within a day of the seminar."

Lenel Systems generated an additional \$200,000 in business with other regional partners that it attributes to the event and is still following up on prospects worth \$250,000, all generated by this promotional event. And that does not take into account the positive public relations and marketing goodwill that this program provided, creating intangible benefits for the security company. But Lenel is not stopping with Chile. Their success has led them to use the U.S. Commercial Service to explore business opportunities in Italy, Germany, Sweden, Singapore, and China.

"The professionalism and prestige afforded by our association with the U.S. Commercial Service has helped us in many areas of the world, including Santiago," says Smith. "Lenel will continue to include Commercial Service resources as a valuable plank in our marketing platform." ■

# Exporting Software

## Sorting Out the Details

By R. Clay Woods

*Office of Information Technologies and Electronic Commerce, Trade Development*

**G**lobalization is receiving a lot of attention these days. The widespread availability of the Internet, rapidly declining telecommunications costs, transitions to market economies overseas, and trade liberalization are bolstering the progress of globalization. As a key ingredient of the Information Age, computer software has been both an agent and beneficiary of these phenomena. The software industry is critical to the American economy as a major contributor to the balance of payments, job creation, productivity, and economic growth, and even though the U.S. market currently represents one-half of global spending on software, U.S. companies are increasingly dependent on foreign markets to increase sales. This underscores the importance of U.S. industry working with the federal government to open markets and create fair opportunities to expand business overseas.

While the worldwide sale and development of software has mushroomed over the last two decades, its national importance and unique nature has spawned new concerns and policy issues, especially in the trade arena. There are various ways to transmit and distribute software. It can be shipped as a “tangible” product (on optical and magnetic disks or tape), increasingly as an “intangible” product (transmitted electronically via the Internet). It can be exported pre-loaded on a computer or embedded in electronic devices, such as medical equipment and automotive controls. It also can be conveyed abroad by software programmers and engineers as part of an information technology (IT) service, or disseminated via licensing mechanisms that authorize foreign buyers to use a particular program, or to increase the number of users, who can access a program that is already installed.

There are many types of programs operating systems, network management programs, middleware, databases, Internet software, programming tools, security

solutions, and myriad applications, as well as utilities, device drivers, updates, program patches, and free demos. There are two categories of software: packaged or shrink-wrapped programs are aimed at a mass market, while customized programs are written for a particular user or organization.

Software is the fastest growing segment of the global IT market. Packaged software and IT services (which includes customized software development and systems integration and implementation), represent almost 60 percent of total IT spending according to the International Data Corporation. Sales have been expanding 11 percent annually since 1991. The tables below show world software and IT services markets, U.S. exports of “tangible” software, U.S. receipts of royalties and licensing fees from foreign software sales, and U.S. IT services receipts from abroad.

When you look at the global market for software without the United States, Western Europe represents two-thirds of demand and Asia/Pacific one-fourth,

but U.S. software exports show a different regional apportionment, with large shipments going to Canada and Latin America. This can be partially explained by geographic proximity, which makes tangible software exports more economically feasible in the Western Hemisphere, whereas a greater portion of U.S. sales to Western Europe is fulfilled by replicating licensed software from master disks sent from the United States. Disks can be replicated in high volumes at minimal cost and with no loss of quality. The apportionment of U.S. licensing fees and IT services receipts, on the other hand, corresponds more to world market shares, in that, the largest percentages belong to Western Europe and Asia/Pacific.

A glaring anomaly in the numbers is the wide discrepancy between the size of world software markets, of which U.S. vendors have majority shares, and official U.S. export data, which are significantly undervalued. This is due to the following reasons: (1) some U.S. exporters report only the value of the carrier media (disks or tape), disregarding the software content on Shippers Export Documents (SEDs) from which the trade data are taken; (2) a good portion of software is replicated in foreign markets from master disks; (3) an increasing amount of software is transmitted and sold electronically, much of which is not captured in the data; (4) only the value of the media has to be reported for customized software exports; and (5) shipments valued at less than \$2,500 and software license documents do not require a SED.

The unique features of software that make it difficult to accurately measure U.S. trade and payment flows also generate contentious trade policy issues. Countries vary widely with regard to software trade regulations. Some governments consider software essential to running critical business and government operations, so they minimize import costs and trade barriers. Other governments, especially in less developed countries, view software as a luxury item, so they subject it to revenue generating duties and taxes, like other discretionary products. Some governments are content to buy software from foreign vendors to satisfy societal needs, while others seek to create indigenous software industries to meet local demand. In the 1980s, Brazil attempted to create a domestic software industry to satisfy local demand but was unsuccessful. However, India has become the leading supplier of offshore programming and IT services. Restrictive import, investment, and technology transfer policies emerge when indigenous software production becomes official economic and industrial policy.

Almost any customs or trade regulation can become a trade barrier, if it is excessively burdensome or discriminates against foreign imports. Similarly, unenforced regulations can become trade impediments, especially intellectual

property protection laws. Customs regulations, which are not uniform globally, can be arbitrarily or inconsistently applied, which is more likely with a unique product like software. Countries also can have complex and confusing trade regimes, which can create administrative problems for U.S. companies.

### Import Tariffs

Some countries still levy tariffs or duties and customs fees on imported software, which are assessed on an *ad valorem* basis. This increases the landed cost of products and affects competitive pricing strategies in foreign markets where customs levies can be substantial, especially on more expensive programs. Even moderate duties make it more difficult for legal software products to successfully compete with pirated copies in a given market. If the software is pre-loaded or embedded on a piece of equipment, then the duty is usually assessed on the total value of the equipment.

Today, most developed markets have zero tariffs on software; the tariffs were eliminated as a result of the Information Technology Agreement (ITA) concluded in December 1996. The ITA has 61 signatories, and Russia may join upon its accession to the World Trade Organization (WTO). So average tariffs

are relatively low around the world, with some notable exceptions. They can be as high as 20 percent in Latin America where only three countries—Costa Rica, El Salvador and Panama—are ITA signatories. (Duties on U.S. software are also zero in Mexico and Chile as a result of bilateral free trade agreements with the United States). Tariffs are in the 10 to 20 percent range in Russia and the Newly Independent States and are even higher in Africa, where there are no ITA signatories. Country specific tariff and customs information on software is available on the Office of Information Technologies and Electronic Commerce's Web site [www.export.gov/infotech](http://www.export.gov/infotech).

### Taxes

Even if there are zero tariffs, most governments assess taxes and other fees on software imports. Like tariffs, these can substantially increase the price of software and present U.S. exporters with administrative burdens and legal uncertainties, when complying with complex and non-transparent tax procedures. The most common are value-added taxes (VATs), which are similar to sales taxes. VATs are assessed on the full commercial value of a product and are applied to all such goods sold in a country, whether

## U.S. Software and IT Services Exports and Receipts, 2002 (in \$ millions)

	Software Exports	% of World	Royalties and License Fees	% of World	IT Services Receipts	% of World
Canada	918	34	286	6	772	14
Western Europe	503	19	1,912	40	2,805	52
Eastern Europe	19	1	42	1	57	1
Asia/Pacific	815	30	2,241	47	904	17
Latin America	383	14	210	4	507	9
M. East and Africa	59	2	84	2	385	7
World Total	2,712	100	4,775	100	5,430	100

Notes: Royalties and fees are for general-use software receipts from unaffiliated parties.

Sources: U.S. International Trade Commission; Bureau of Economic Analysis/U.S. Department of Commerce

## World Software and IT Services Markets, 2002 (in \$ millions)

	Packaged Software	% of World Total	IT Services	% of World Total
Canada	3,827	4	10,151	5
Western Europe	53,166	60	110,972	58
Eastern Europe	2,662	3	4,173	2
Asia/Pacific	23,452	26	53,830	28
Latin America	3,196	4	7,263	4
Middle East and Africa	2,502	3	4,918	3
World Total (minus the United States)	88,805	100	191,307	100

Source: International Data Corporation (12/03)

imported or produced locally. VATs range between 10 to 20 percent, however most European countries have higher rates and the Asia/Pacific region lower rates.

VATs are currently a source of contention with respect to the European Union. The EU VAT Directive, which became effective on July 1, 2003, has the potential to discriminate against U.S. software that is sold online. Under the ruling, non-EU vendors of digitally delivered products to consumers are required to register in the EU and collect and remit EU taxes based on the location of the customer. (Sales to businesses are treated differently.) For EU vendors, the applied VAT is based on where the vendor is located. Thus, if a U.S. company sells a program to a Swedish consumer, the U.S. company would charge a VAT of 25 percent (Swedish rate), while a UK company selling the same product to the same consumer would charge only 17.5 percent (UK rate). U.S.-based providers of downloadable software will have three options in complying with the new rules, including establishing a factory in the EU, registering in EU member states, or using a special scheme set up by the Directive, which involves

choosing a single VAT authority with which to conduct their VAT affairs.

Some countries treat cross-border payments for software as royalties, which are subject to income taxes that are assessed on the exporter. For example, in Brazil, software remittances are subject to a 15 percent withholding tax plus a recently instituted 10 percent surcharge on certain royalty payments, which are related to technical services involving the transfer of technology. Forty-eight countries have bilateral income tax treaties with the United States that can simplify how withholding and other taxes are treated, by allowing U.S. exporters to pay taxes in the United States on foreign sales. When there is no applicable tax treaty, vendors may be eligible for a U.S. tax credit on taxes paid abroad. For information on bilateral tax treaties, visit the Treasury Department's Web site [www.treas.gov/offices/tax-policy](http://www.treas.gov/offices/tax-policy).

### Customs Valuation

The amount of tariffs and taxes assessed on a software program depends on how customs officials value the product. Should governments assess duties only on the value of the media, or should it

be based on the full commercial value of the software? This has been a key issue for the industry, since it can make a substantial difference in foreign sales prices. For years, the U.S. Government, supported by industry, has requested that foreign governments assess tariffs on the value of only the media, which is why exporters are told to specify the value of the media separately on export documents. Today, most of the principal trading countries either assess duties only on the media or have zero tariffs on software. Exceptions include Mexico, which has a 13 to 18 percent duty on the full value of software that is imported from non-NAFTA countries, and Russia, which has a 15 percent duty on full value. In many developing markets, customs regulations and practices regarding this issue are vague.

### Customs Classification

The specific classification of a software program by customs officials determines the applicable duties and taxes. Authorities may dispute the classification of a product based on different interpretations of its purpose or form. Should packaged software be treated differently than customized software? Are programs that



contain audio-visual content different from traditional software? Is software a good or service? Should software delivered online be treated the same as software sold on disks?

Most countries, including the United States, classify exports and imports according to standard Harmonized System (HS) codes. Software falls under HS heading 8524 ("Records, tapes and other recorded media") and user manuals HS heading 4901. Since only the first six digits of HS codes are standardized globally, a country may designate more specific product classifications beyond those six digits. Generally, the codes categorize software by the media and not by its function or format, so most customs authorities treat customized software the same as packaged software. However, the rapid evolution of information technologies is making the process of classifying products more difficult and is outpacing updates to the HS coding system. For a list of U.S. export (Schedule B) codes for software, visit the U.S. Census Bureau/Foreign Trade Division website at ([www.census.gov/foreign-trade/schedules/b/index.html](http://www.census.gov/foreign-trade/schedules/b/index.html)).

Some countries treat multimedia software that includes audiovisual components, such as entertainment and game software, differently from traditional programs. Egypt, for example, assesses tariffs on entertainment software products, especially those played on game consoles, which are classified under HS heading 9504 ("toys and games") instead of HS 8471 ("automatic data processing machines" or ADP). The ITA, which includes Egypt as a signatory, has eliminated duties on ADP or computer equipment.

The issue of whether to classify software as a good or service is important since it determines which trade agreement provisions are applicable. Some provisions might be more favorable to certain types of software than others. Traditionally, software has been treated as a good, which is subject to the General Agreement on Tariffs and Trade (GATT), but the

increasing use of online delivery systems raises the question of whether to reclassify online software as a service under the General Agreement on Trade in Services (GATS), which came into force in January 1995. The liberalization of services trade has been a major topic of discussion during recent WTO deliberations.

Free trade agreements also raise classification issues because it is necessary for the parties involved to determine which imports should receive preferential treatment. These questions are subject to rules-of-origin provisions, and products must go through "substantial transformation" in a signatory country before receiving lower tariffs and other tax benefits. For example, under NAFTA, U.S. software exports to Mexico only receive duty-free treatment, if the software is burned onto disks in the United States, regardless of where the code is written.

### Export Licensing Regulations

The U.S. Department of Commerce's, Bureau of Industry and Security (BIS) is the primary licensing agency for dual use exports (commercial items that could also have military applications). Software programs that utilize encryption technologies are included in this category. In June 2002, BIS published a rule updating its export control regulations on cryptography. The rule allows "mass market" encryption products using symmetric encryption algorithms with key lengths exceeding 64 bits, classified under Export Control Classification Numbers (ECCNs) 5A992 and 5D992, to be exported and re-exported to most destinations after a 30-day technical review. There are no licensing or post-export reporting requirements related to the export of these products once the review is completed.

BIS also administers the Deemed Export Rule, which covers the release of U.S.-origin technology or source code to foreign nationals in the United States as an export to that individual's home

country. This rule applies even if the individual never leaves the United States and is particularly important to companies employing foreign nationals as programmers and software engineers. Exporters should become familiar with BIS regulations. For information, visit the BIS Web site at ([www.bis.doc.gov](http://www.bis.doc.gov)) or call (202) 482-4811 to talk to a BIS representative.

However, even if companies have satisfied domestic licensing regulations, depending on the destination of the export, there could be import restrictions. Russia, for example, requires an import license for encryption software and ciphering equipment. France has requirements on the importation of encryption software and requires prior authorization for systems that incorporate 128 bits or higher.

### Government Procurement Regulations

Governments are significant buyers of computers and software. In some countries, they are the largest customers, so the rules that govern public sector procurements can substantially impact IT markets. China, for example, is reportedly considering publishing guidelines to restrict government purchases of foreign software, in an attempt to reduce dependence on foreign vendors and to stimulate its domestic software industry. These kinds of policies always raise questions concerning what constitutes domestically produced products and what happens when local companies cannot meet customer needs.

The proprietary software versus open source software (OSS) issue is another example of governmental intervention in the marketplace. A number of governments around the world, both at the federal and sub-federal level, are considering initiatives and regulations to promote the use of OSS and more specifically the open source Linux operating system. Some governments have proposed requiring public agencies to use OSS, unless proprietary software is the only option. The open

source movement appears to be growing as governments seek to cut IT expenditures, reduce dependence on foreign software companies, and exercise more control over their own IT systems, since the source code for open source software is freely available. By contrast, U.S. Government procurement policies do not specify a preference for either mode of software and prescribe technological neutrality.

Both the U.S. Government and the domestic software industry promote the WTO Government Procurement Agreement as a means to encourage more transparent and non-discriminatory purchasing procedures. To date, the Agreement has 28 signatories, who agree to treat the suppliers of goods and services from other signatory countries no less favorably than domestic suppliers, regarding procurements covered under the Agreement. For information, visit the WTO Web site at [www.wto.org](http://www.wto.org).

### Intellectual Property Protection

Software code is a developer's principal asset and must be protected from unauthorized use, so the protection of copyrights, patents, trademarks, and trade secrets should be a primary goal of exporters, at least for those with products subject to piracy. The lack of strong intellectual property protection rights (IPR) laws and lax enforcement are significant trade and investment barriers. U.S. companies are more likely to engage in technology-intensive ventures in countries that have meaningful IPR protection; likewise, countries with lax enforcement are less likely to stimulate local software development and technological innovation. This issue is particularly important in the emerging digital world, since the Internet makes it relatively easy to download and share pristine copies of protected works.

The illegal use of intellectual property is an on-going global problem, especially for software and other digital products. The Business Software Alliance has

determined that the worldwide piracy of business software applications amounted to \$13 billion in 2002, but as a result of on-going efforts by the public and private sectors, the global piracy rate has declined from 49 to 39 percent since 1994. The highest regional piracy rates are in Eastern Europe, Latin America and Asia/Pacific. The U.S. Government and the domestic software industry continue to promote strong IPR laws and enforcement around the world through instruments such as the Special 301 process and the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). See the United States Trade Representative Web site at [www.ustr.gov](http://www.ustr.gov) and the U.S. Patent and Trademark Office site at [www.uspto.gov](http://www.uspto.gov).

The world's software markets offer great potential opportunities for U.S. companies, but given the wide variety of trade policy issues regarding software, it is important to check with national customs authorities when there is uncertainty about particular regulations. Companies can also contact one of the U.S. Commercial Service offices located in 108 U.S. cities and over 80 countries. To locate your nearest office, visit [www.export.gov/comm\\_svcs/](http://www.export.gov/comm_svcs/). When it comes to exporting software, there are also other important topics, such as market planning, pricing, financing, distribution strategies, packaging and labeling requirements, obtaining temporary work permits abroad, and software localization. A good place to start with export questions is the Trade Information Center (TIC) in the U.S. Department of Commerce where analysts can direct you to useful public and private sources of information. Contact the TIC at (800) USA-TRADE or visit [www.export.gov/tic](http://www.export.gov/tic). ■

# World Trade Week

## Understanding of the Benefits of Trade

By Export America and World Trade Week, Southern California

NEWS FROM  
COMMERCE

**W**orld trade significantly contributes to the nation's economy and has developed a vast new horizon for America's businesses. With more than 96 percent of the world's consumers living outside of the United States, exporting has always been important, but even more so in today's economy. U.S. exports support 12 million American jobs, and enable companies to weather changes in economic cycles while exporting some of the best in technological innovation and know-how. Yet, even among the communities that have gained the most from trade, there remains a lack of understanding about how trade works and why our 21st century lifestyle would be impossible without it.



For 78 years, the education and outreach activities of World Trade Week have been held each May to highlight the importance of international trade to our region and to educate the community about its direct and indirect benefits.

In 1926, Stanley T. Olafson, then manager of the World Trade Department of the Los Angeles Chamber of Commerce, conceived the idea of a World Trade Week observance in Southern California. This was during a period of isolationism and under the conditions prevailing during the heyday of the restrictive Smoot-Hawley Tariff Act.

In 1935, President Franklin Delano Roosevelt officially proclaimed World Trade Week as a national observance by the U.S. Government and selected the third week in May each year which includes May 22, National Maritime Day.

Initially, the purpose of World Trade Week was the promotion of the Ports of Los Angeles and Long Beach. Following World War II, the expanding economy and potential for international commerce growth created an opportunity for World Trade Week to expand its scope to include all facilities and organizations in the Southern California area involved in world trade. While this tradition began in Southern California, it has been adopted nationwide and events celebrating the spirit of world trade are held across the country during May. To find events in your area, visit [www.export.gov/comm\\_svc/](http://www.export.gov/comm_svc/) and follow the link "Find a Local Office." ■

# Using the U.S.-Australia Free Trade Agreement

## Strengthening an Important Relationship

By **Ariadne BenAissa**

*Office of South Asia and Oceania, Market Access and Compliance*

**O**n February 8, the United States and Australia announced the successful conclusion of negotiations on a free trade agreement (FTA). This is the first U.S. free trade agreement with a developed country since the agreement with Canada in 1988, and the second in the Asia-Pacific region. This landmark agreement strengthens the already close ties between the two countries and offers the most significant immediate reduction in industrial tariffs ever achieved in a U.S. free trade agreement. More than 99 percent of U.S. exports of manufactured goods to Australia will become duty-free on the day the agreement comes into force. The agreement also provides important benefits in a number of areas beyond manufacturing, such as services, intellectual property protection, and government procurement.

### A Major Trading Partner

Australia is a major trade and investment partner of the United States. It was the 14th largest export market for U.S. goods in 2003. In 2002, two-way annual goods and services trade was approximately \$28 billion, with the United States enjoying a \$9 billion trade surplus with Australia. In 2003, U.S. merchandise exports reached \$13.1 billion; our trade surplus (excluding services exports) for that year was \$6.7 billion. The United States is Australia's largest supplier, and Australia is among the top 25 export destinations for 48 of the 50 states.

U.S. investment in Australia was valued at over \$36 billion in 2002 and is concentrated in mining, metals, wholesale trade, and finance. Australia is also a major

investor in the United States, with \$24 billion invested in 2002.

### Benefits for Manufacturing

Manufactured goods currently account for 93 percent of U.S. goods exported to Australia. Australia is a key export market for important U.S. manufacturing sectors, such as aircraft, autos and auto parts, machinery, computers and electronic products, chemicals, and wood and paper products. U.S. manufacturers estimate that the elimination of tariffs could result in a \$2 billion annual increase in U.S. exports of manufactured goods and give U.S. exporters an advantage over European and Japanese competitors. The FTA will bring significant benefits to such key U.S. manufacturing sectors as autos and

auto parts; chemicals, plastics, and soda ash; information technology products; electrical equipment and appliances; non-electrical machinery; fabricated metal products; construction equipment; paper and wood products; furniture and fixtures; and medical and scientific equipment.

### Access for Services

U.S. services exports account for approximately 30 percent of overall U.S. exports to Australia, and make up 30 percent of Australia's services imports. The FTA promises to increase these exports by granting U.S. service suppliers substantial access to Australian services sectors, with very few exceptions. These sectors include, telecommunications services; financial services (including banking, insurance, and securities); distribution services (such as wholesaling, retailing, and franchising); express delivery services; computer and related services; audiovisual and entertainment services; energy services; construction and engineering services; tourism; advertising services; professional services (such as architecture, engineering, and accounting); environmental services; and education and training services.

### Increased Investment Opportunities

Under the free trade agreement, U.S. investors will, in most cases, receive the same treatment as Australian investors throughout all stages of the investment

## Upcoming Trade Events in Australia

**Access Australia**—Surveillance Equipment, April 2–August 27, 2004

**IFA International Franchise Expo**, April 9–12, 2004

**Access Australia**—Dental Equipment, May 1–September 30, 2004

**CeBIT Australia 2004**, May 4–6, 2004

**Access Australia**—Machine Tools and Accessories, June 1–August 31, 2004

**Security Australia Conference and Exhibition**, July 14–16, 2004



process, including “pre-establishment.” The threshold at which U.S. investors must notify Australia’s Foreign Investment Review Board when acquiring existing Australian businesses will increase from A\$50 million to A\$800 million. New U.S. investments will be exempt entirely from examination by the board.

### **Expanded Government Procurement**

Since Australia is one of the few developed countries that is not a party to the World Trade Organization Agreement on Government Procurement, Australia’s commitments to open its government procurement market to U.S. suppliers are especially significant. Under the agreement, U.S. suppliers will be able to bid on contracts to supply 80 Australian central government entities. The United States and Australia also committed to extend coverage of the agreement to state-level entities. At the central level, Australia committed to eliminating its industry development programs, which require that suppliers provide various types of offsets (such as local content or local manufacturing requirements) as a condition of their contracts. Australia also committed to restricting the use of selective tendering. This will ensure that U.S. suppliers have a fair opportunity to compete for government contracts.

### **Benefits for Other Sectors**

Australia and the United States agreed to provisions on e-commerce that reflect the importance of this sector in global trade. Under the agreement, digital products will receive non-discriminatory treatment and will not be subject to customs duties. The agreement also contains groundbreaking commitments that will enable businesses to use electronic means, such as digital signatures, to authenticate business transactions.

The pharmaceutical industry will see benefits. To address U.S. concerns regarding the transparency and accountability of Australia’s Pharmaceutical Benefits Scheme (PBS), Australia committed to

making a number of improvements in its PBS procedures, including establishing an independent process to review determinations of product listings. The agreement also provides important new protections for pharmaceutical patents in Australia by requiring measures to prevent the marketing of pharmaceutical products that infringe patents.

U.S. agricultural exporters will find that several provisions of the free trade agreement will help them enter the Australian market. It provides immediate, duty-free access to all U.S. agricultural exports to Australia. Key agricultural products that will benefit include processed food products; soybeans and oilseeds products; fresh and processed fruits, vegetables, and nuts; and alcoholic beverages. The United States and Australia also agreed to work to resolve sanitary and phytosanitary barriers to agricultural trade, particularly those affecting pork, citrus, apples, and stone fruit.

### **Protection of Intellectual Property Rights**

The agreement sets high standards for protecting intellectual property rights—such as copyrights, patents, trademarks, and trade secrets—and provides enhanced means for enforcing those rights. It increases the term of copyright protection. It establishes strong anti-circumvention provisions to prohibit tampering with technologies designed to prevent piracy. It also criminalizes end-user piracy, thereby providing a strong deterrent to piracy and counterfeiting.

### **Next Steps**

On February 13 of this year, President Bush notified Congress of his intent to enter into a free trade agreement with Australia. Congress must approve implementing legislation before the agreement can enter into force. The full text of the agreement is available at [www.ustr.gov](http://www.ustr.gov). ■

## Taking Advantage of the Agreement

There are a number of ways the Commerce Department can help you take advantage of the U.S.-Australia FTA. In addition to an aggressive team of professionals on the ground in both Sydney and Melbourne, the U.S. Commercial Service has a wide network of domestic offices—the U.S. Export Assistance Centers (USEACs)—located around the country that can help you learn more about exporting to Australia. To find the USEAC nearest you, go to [www.export.gov](http://www.export.gov). The Commerce Department’s Market Access and Compliance (MAC) unit is another important resource for exporters. MAC works to ensure foreign governments comply with their commitments and assists U.S. companies facing barriers in foreign markets. Look for more information at [www.mac.doc.gov](http://www.mac.doc.gov).

There are a number of outreach events that will soon take place on the U.S.-Australia Free Trade Agreement. For example, Commercial Service Australia is scheduling a series of videoconferences and seminars in locations represented by the Congressional “Friends of Australia” Caucus. Check the [Export.gov](http://Export.gov) Web site for more information as these events are planned. Also, look for a link to information on the agreement soon on the Trade Information Center’s Web site at [www.trade.gov/tic](http://www.trade.gov/tic).

NEWS FROM  
COMMERCE



# Ask the TIC

## Export Controls

By Susan Hupka

Trade Information Center, Trade Development

**F**ortunately for U.S. exporters, information regarding trade laws and regulations are now readily available. There are also regular seminars, and telephone hotlines for exporters to raise their compliance questions. As always, the success of these regulations in furthering U.S. foreign policy and national security objectives ultimately depends on U.S. companies' active participation and support.

### **Q WHAT IS AN EXPORT LICENSE AND DO ALL U.S. EXPORTS REQUIRE ONE?**

**A** An export license grants permission to conduct a certain type of export transaction. It is issued by the appropriate licensing agency after a careful review of the facts surrounding the given export transaction.

Not all exports require a license. In fact, a relatively small percentage of all U.S. export transactions require licenses from the U.S. government.

### **Q HOW DO I KNOW IF MY PRODUCT REQUIRES A LICENSE?**

**A** Think of your transaction as the element that may or may not require a license. However, the characteristics of your product are key elements of any transaction.

The Bureau of Industry and Security (BIS) of the U.S. Department of Commerce is responsible for licensing products that are "dual-use," or have both commercial and military or proliferation applications. The first step to establishing whether a dual-use product requires a license is to find the product's Export Control Classification Number (ECCN) on the Commerce Control List (CCL). BIS's Office of Exporter Services in Washington, DC, (202-482-4811) or in Newport Beach, CA, (949-660-0144), can guide you through this process. You may also find guidance on this process in a previously published *Export America* article entitled "Export Control Classification Numbers-ECCN," which is on the Trade Information Center's Web site [www.export.gov/tic](http://www.export.gov/tic) under "Answers to Your Export Questions."

Once the ECCN number is determined, the specialists at BIS can also help you navigate the Export Administration Regulations (EAR) to find out whether you must apply for a license and how to submit the requisite application. An excellent explanation of how to understand the Export Administration Regulations is available on the BIS Web site at [www.bis.doc.gov/licensing/ExportingBasics.htm](http://www.bis.doc.gov/licensing/ExportingBasics.htm).

If you discover that your product does not fall into one of the specific categories listed in the EAR, EAR99 is a designation for

dual-use goods that are covered by the EAR but are not specifically listed on the Commerce Control List. EAR99 items can be shipped without a license to most destinations under most circumstances. In fact, the majority of commercial exports from the United States fall into this category. Exporters of most consumer goods, for instance, may find their product listed under EAR 99.

Other U.S. Government agencies regulate certain specialized articles. For instance, the export of defense articles falls under the purview of the Directorate of Defense Trade Controls at the U.S. Department of State. Licensing of the export of nuclear materials and equipment is the responsibility of the Nuclear Regulatory Commission. The Office of Imports and Exports, under the Office of Fossil Energy, in the Department of Energy, regulates the export of natural gas and electric power. The Department of Energy's Office of Export Control Policy and Cooperation authorizes the use of nuclear technology and technical data for nuclear power, as well as special nuclear materials. The U.S. Drug Enforcement Administration regulates the export of controlled substances and precursor chemicals. For the relevant contact information regarding export controls issues at any of these agencies, call the Trade Information Center at (800) USA-TRADE.

### **Q WHAT IF MY PRODUCT DOES NOT FALL INTO ANY OF THE CATEGORIES MENTIONED ABOVE OR IS EAR 99?**

**A** Two other elements of your transaction still must be considered, the item's destination and the recipient's intended end-use of the item.

The Office of Foreign Assets Control (OFAC) at the U.S. Department of Treasury enforces economic sanctions based on U.S. foreign policy and national security goals, which are set forth by Congress. In the case of a few countries, like Iran, Libya, Cuba and Sudan, the United States maintains comprehensive trade sanctions, which means that the export of most goods to these countries is prohibited. However, licensing programs for the exportation of agricultural goods, medicine, and medical products

are in place for Iran, Libya, Cuba, and Sudan. OFAC licenses exports of allowable products to Iran, Libya, and Sudan, while BIS licenses exports of to Cuba. Limited sanctions programs are in place against other countries, or groups within those countries. Detailed information on these sanctions is available on the OFAC Web site at [www.treas.gov/offices/eotffc/ofac/sanctions/index.html](http://www.treas.gov/offices/eotffc/ofac/sanctions/index.html). U.S. sanctions programs change frequently. Exporters are encouraged to monitor U.S. sanctions programs on the OFAC Web site on a daily basis. For questions regarding U.S. sanctions programs, contact OFAC at (800) 540-6322.

**Q WHAT CAN I DO TO ENSURE THAT THE END USER OF MY EXPORT IS SOMEONE WITH WHOM I AM PERMITTED TO DO BUSINESS?**

**A** Exporters should screen all parties involved in an international transaction against the four “Prohibited Parties Lists,” of entities with which an exporter is prohibited from doing business under most circumstances:

- The Specially Designated Nationals List, or SDN List, is published by OFAC on the Internet ([www.treas.gov/ofac](http://www.treas.gov/ofac)) as well as in the Federal Register. SDNs are individuals or entities located throughout the world that are blocked pursuant to various sanctions programs. SDNs can be front companies, quasi-government organizations, or individuals determined by the U.S. government to be owned, controlled by, or acting on behalf of, targeted countries or groups. They may also be specifically identified individuals, such as terrorists, narcotics traffickers, or banks and other institutions owned or controlled by the government of Burma. U.S. persons are prohibited from engaging in any transactions with SDNs and must block any property under their control in which an SDN has an interest.
- The Denied Persons List contains the names of persons who are subject to a denial order by BIS. In general, U.S. exporters are prohibited from dealing with denied persons in export transactions involving U.S. items. The list is accessible via [www.bis.doc.gov](http://www.bis.doc.gov).
- The Entity List, also maintained by BIS, is composed of foreign end-users engaged in proliferation activities. Based on these proliferation concerns, exports to these entities may require a license when the export transaction is within the parameters found in Part 744, Supplement 4, of the Export Administration Regulations. This list can be accessed through the BIS Web site at [www.bis.doc.gov](http://www.bis.doc.gov).
- The Debarred Parties List is maintained by the State Department. It lists the names of individuals denied export privileges under the International Traffic in Arms Regulations (ITAR). The information can be accessed at [www.pmdtc.org](http://www.pmdtc.org).

Trade restrictions often change as a result of shifts in geopolitics and the need to adapt U.S. foreign policy. In the aftermath of the September 11 terrorist attacks, President Bush issued

Executive Order 13224 for the purpose of “blocking property and prohibiting transactions with persons who commit, threaten to commit, or support terrorism.” This order created a new category of Specially Designated Nationals (SDNs), called Specially Designated Global Terrorists (SDGTs), expanding the list of parties with which U.S. companies are not permitted to do business. Due to the frequency of additions to the SDN list and changes to sanctions programs, U.S. persons are encouraged to check the OFAC Web site at [www.treas.gov/ofac](http://www.treas.gov/ofac) on a daily basis for updates. Exporters may also subscribe to OFAC’s “What’s New File” to receive e-mail notification whenever changes are made to the SDN list. Subscribe at [www.treas.gov/offices/enforcement/ofac/subscribe.html](http://www.treas.gov/offices/enforcement/ofac/subscribe.html).

**Q WHAT ARE THE PENALTIES FOR VIOLATING EXPORT CONTROL LAWS?**

**A** Millions of dollars in civil penalties are imposed each year by the federal government for violating export control laws. The BIS Web site contains examples of civil penalties that have been imposed in the past. Civil penalties assessed by OFAC are \$11,000 per prohibited transaction for violations of most sanctions programs, but they can exceed \$1 million if the transaction involves narcotics kingpins. In cases where criminal intent to violate export control laws is found, criminal penalties can be imposed, resulting in significant corporate or personal fines and/or imprisonment.

**Q WHAT CAN MY COMPANY DO TO MAKE SURE WE IDENTIFY AND ADDRESS EXPORT CONTROLS ISSUES AS EARLY AS POSSIBLE?**

**A** Educating yourself about the legal and regulatory issues that are most relevant to your company is the first step. You can do this by visiting the Web sites or calling the phone numbers provided above for the various responsible agencies. In addition, company personnel responsible for international trade transactions should consider attending one of the many seminars available. A list of these can be found at [www.bis.doc.gov/seminarsandtraining/elsem.htm](http://www.bis.doc.gov/seminarsandtraining/elsem.htm). ■

*For any other questions about this article, or about exporting in general, please call the Trade Information Center (TIC) at (800) USA-TRADE and “Ask the TIC.”*

**FOR MORE INFORMATION**

The International Trade Administration of the U.S. Department of Commerce operates the Trade Information Center (TIC) for the 19 federal agencies comprising the Trade Promotion Coordinating Committee. These agencies are responsible for managing the U.S. government’s export promotion programs and activities. You, too, can “Ask the TIC” by calling (800) USA-TRADE (872-8723), toll-free, Monday through Friday, 8:30 a.m. to 5:30 p.m. EST. Or visit the TIC at [www.export.gov/tic](http://www.export.gov/tic).



# Bridging the EU

## Integrating Transportation Systems

By Leah Markowitz

Central and Eastern Europe Business Information Center

EUROPEAN  
U N I O N

**O**n May 1, eight countries in Central and Eastern Europe officially join the European Union (EU). The new member states are Poland, Hungary, the Czech Republic, Slovakia, Slovenia, Estonia, Latvia, and Lithuania. With their accession, the European Union increases in size from 15 to 25 countries, and grows from a marketplace of some 380 million citizens to more than 450 million. Accession, however, does not mean that these eight countries have completed the necessary transformation of their societies and economies to fit the standard EU mold. Nor are they finished welcoming U.S. exports, investments, and interest in fulfilling small and large-scale projects in important economic sectors.

Transportation is a sector that is undergoing wide-ranging renewal and rehabilitation in these new EU member states. This is an important step, since an integrated and well-developed transportation sector is vital to support full development of the single market and buttress successful expansion of the European Union. The density and quality of a country's transportation system factor into a company's decision of where to locate its facilities. A country lacking a strong internal transportation infrastructure will be subject to regional differences in economic prosperity. Conversely, an extensive road and rail

system—coupled with links to air and seaports—helps to balance out economic disparities within a country by enhancing connections between outlying rural regions and urban centers.

While many changes in transportation linkages in Central and Eastern Europe have already taken effect, numerous challenges still lie ahead. The job is large, for not only do transportation systems within the accession countries need to be upgraded, but links between new and current EU members also must be strengthened in order to maintain the smooth flow of goods and services within the single market. This

means encouraging greater reliance on combined modes of transportation to support an efficient, safe, and environmentally friendly infrastructure. One EU program that new members will become a part of, the Marco Polo program, was created in 2003 specifically to develop such combined methods of transportation. U.S. companies can seize the opportunity to supply exports and investments to support the EU's goals.

### Planning for an Integrated Transportation Network

The idea for an integrated transportation network in the EU came as a result of a series of meetings of European ministers of transportation held in the 1990s, which gave birth to the Trans-European Transportation Network, or TEN-T. The TEN-T system envisions a network of 10 corridors that connect national markets via road, rail, inland waterways, airports, seaports, inland ports, and traffic management systems (see map on page 25).

## In general, the rail systems of Central and Eastern Europe are plagued by problems, some of them the legacy of central planning in the Soviet era.

With the prospective addition of new members to the EU in 2004, the TEN-T had to be revised. A list of priority projects, with a total implementation cost of 220 billion euros, was drawn up under the coordination of the Transportation Infrastructure Needs Assessment, or TINA. In 1998, TINA outlined a plan that anticipated construction of 18,030 kilometers of roads, 20,290 kilometers of railways, 38 airports, 13 seaports, and 49 river ports throughout Central and Eastern Europe.

### Funding the Improvements

Funding for these transportation projects was arranged in December 2003, when the EU Council of Ministers identified 29 TEN-T projects as priority projects and agreed to increase EU funding from 10 to 30 percent to pay for them. The Quick-Start program was created to boost investment in these projects. Over the next six years, this will involve a total investment of some 38 billion euros. The priority projects identified by the EU Council of Ministers will be co-financed through a combination of support from the EU's Tran-European Networks (TENs) program, structural funds, and a special lending facility of 12 to 15 billion euros provided by the European Investment Bank (out of a long-term package of 50 billion euros in senior debt finance).

Prior to accession, EU programs such as the Instrument for Structural Policies for Pre-Accession (ISPA) and Phare had already helped to implement TINA projects. The sums associated with these projects are not negligible: During the 2000–2006 budget period, for example, ISPA funds for the transport sector totaled 500 million euros a year. However, as of January 1, 2004, funds for new transportation projects were redirected from ISPA to the EU's Cohesion Fund. Fifty percent of the fund's 18 billion euros for 2000–2006 has been set aside for transportation. Co-financing

for most of the projects will come from European sources, mainly the European Investment Bank (EIB). The EIB can provide loans for projects from the transportation priority list in amounts up to 50 percent of their value. The inclusion of private capital is also being discussed.

Another EU program designed to help finance transportation infrastructure is the Interreg program for cross-border regional development. The goals of the Interreg program include promoting cooperation and integration across borders and in remote regions. Funding for projects concerning rail, road, sea, and airports in Central and Eastern Europe is also part of the Interreg program.

### Rail Network: Still Carrying the Legacy of the Soviet Era

The accession countries have a greater reliance on rail transportation than do the pre-accession EU member states. In general, the rail systems of Central and Eastern Europe are plagued by problems, some of them the legacy of central planning in the Soviet era. The networks are old and inefficient, systems are often not interoperable, and few funds have been channeled into system upgrades.

The Baltic states are a good example. They are an important international rail transit area for traffic to Russia. Yet, due to Soviet policy, the rail lines in these states run in one direction: east, toward Moscow. As a result, no direct rail lines connect the capital cities of Latvia and Estonia. Nor is there a direct route connecting the capitals of Latvia and Lithuania. Moreover, even though Baltic rail links to Russia are relatively strong, train tracks and grade crossings still need to be upgraded to handle higher speeds and heavier loads.

Estonia relies heavily on rail transportation. More than 90 percent of the country's freight transit moves by rail. The Estonian railway system operates 968 kilometers of rail, of which only 132 kilometers are electrified. Recent investment

has emphasized reconstruction of rail connections to the ports of Muuga and Paldiski. Investment plans in these two areas account for some 60 percent of the total transportation upgrades in Estonia through 2010. The remaining funds have been earmarked for equipment purchases, the introduction of computerized management systems, and the renovation of rolling stock for passenger trains.

Latvia has a rail system that covers 2,305 kilometers and averages 38 million tons of cargo annually. This tonnage comprises about 54 percent of all Latvian freight transportation. Seventy-five percent of the country's railway cargo is transit. Upgrades on the TEN-T Corridor I line in Latvia focus mainly on increasing the speed of transportation.

Lithuania has nearly 2,000 kilometers of railroad connecting its major cities. Express passenger service is available along the major line connecting Vilnius, Kaunas, Siauliai, and Klaipeda. In 1997, a total of 30.5 million metric tons of goods were carried by Lithuanian railroads. In the same year, the railroads carried 11.2 million passengers, of which almost 2 million were international travelers.

Upgrading Slovenia's rail links is a top priority for Corridors V (east-west) and X (northeast-southeast). An extensive rail system links Slovenia's port of Koper, one of the region's largest, to all neighboring countries. Construction of a direct rail link from Koper to Hungary is underway. Part of Corridor V—the Lyon-Trieste-Ljubljana-Budapest rail line—is among the priority projects outlined by the EU to improve European transportation links. Focusing on the construction and modernization of this line will help ease one of the major bottlenecks of Slovenian transportation, by adding a second track on the Dlvaca-Koper rail line. The project's expected completion date is sometime before 2015.

The Polish State Railways (PKP), with 25,000 kilometers of rail, is the third-largest railway in Europe in terms of line length. However, the system suffers

from poor-quality equipment and inferior service, and is far below the standards of other EU countries. Approximately 60 to 80 percent of PKP's rolling stock requires modernization. Additionally, Polish producers of railway equipment have a poor record of penetrating the markets of Central and Eastern Europe and the EU. They have been able to compete with foreign-made products only for inexpensive train cars (such as coal and box cars) or for high-quality specialized means of transportation (such as low-suspension tram cars or special-purpose train cars). In 2001, about one-fifth of rail vehicles manufactured by Polish firms were exported.

Given the current state of rail transportation in Central and Eastern Europe, U.S. companies have a unique opportunity to assist in the construction of new lines and the modernization of existing ones. The highest potential for exports exists in the following areas: project engineering, design, and management; electric locomotives; railway signaling and communications equipment; fare collection systems; rolling stock; automatic train-control systems; computer hardware and software; and railway parts and accessories.

### For Highways, a Mixed Picture

In accordance with the European Commission's Quick Start program, several large-scale road building projects are already underway. These include a highway connecting Gdansk and Vienna; another beginning in Hungary, crossing Romania and continuing to the Black Sea; and another running across Bulgaria, connecting the capital Sofia to Thessaloniki, Greece.

Road development throughout Central and Eastern Europe varies greatly. In Estonia, for example, the road network is comparable to the Nordic countries in terms of its density. In Poland, on the other hand, numerous obstacles (largely



## More Information on EU Transportation Infrastructure

**Cohesion Fund:** an EU fund established in 1993 under the Maastricht Treaty to provide assistance to member countries whose per-capita GNP is under 90 percent of the EU average. It is a project-based fund that supports transportation infrastructure and environmental projects only. For more information, go to [http://europa.eu.int/comm/regional\\_policy/funds/procf/cf\\_en.htm](http://europa.eu.int/comm/regional_policy/funds/procf/cf_en.htm).

**Marco Polo Program:** an EU program adopted in 2003 to encourage the development of intermodal freight transportation links within the EU. The program runs to 2010, and has a budget of 75 million euros through 2006. For more information, go to [http://europa.eu.int/comm/transport/marcopolo/index\\_en.htm](http://europa.eu.int/comm/transport/marcopolo/index_en.htm).

**Quick-Start Program:** a funding proposal put forth by the European Commission in November 2003 as part of the European Growth Initiative. It will fund a number of the TEN-T projects described in this article.

**Trans European Networks (TEN):** an initiative of the EU in support of infrastructure development in the areas of transportation, energy, and telecommunications. For more information, go to [http://europa.eu.int/comm/ten/index\\_en.html](http://europa.eu.int/comm/ten/index_en.html)

**Transport Infrastructure Needs Assessment (TINA):** a list of priority EU transportation projects drawn up in 1998. The full text can be found at [http://europa.eu.int/comm/transport/themes/network/english/hp-en/ctina/tn\\_15\\_en.html](http://europa.eu.int/comm/transport/themes/network/english/hp-en/ctina/tn_15_en.html).

EUROPEAN  
UNION



Muuga Harbor, the main cargo port of Tallinn.

Photo  
courtesy of  
the Port of  
Tallinn

## Next Steps for the U.S. Exporter

Resources for U.S. exporters attempting to enter the Eastern European transportation market include:

**Central and Eastern Europe Business Information Center (CEEBC):** A U.S. government-funded program that supports business development in many of the countries that will be joining the EU in May. For more information, go to [www.export.gov/ceebic](http://www.export.gov/ceebic).

**U.S. Commercial Service:** Part of the U.S. Department of Commerce's International Trade Administration, the Commercial Service offers detailed market information on the Web for the following regions and countries through its Web site, [BuyUSA.gov](http://BuyUSA.gov):

- **Baltics:** [www.buyusa.gov/baltics/en/](http://www.buyusa.gov/baltics/en/)
- **Poland:** [www.buyusa.gov/poland/en/](http://www.buyusa.gov/poland/en/)
- **Czech Republic:** [www.buyusa.gov/czechrepublic/en/](http://www.buyusa.gov/czechrepublic/en/)
- **Slovakia:** [www.buyusa.gov/slovakia/en/](http://www.buyusa.gov/slovakia/en/)
- **Hungary:** [www.buyusa.gov/hungary/en/](http://www.buyusa.gov/hungary/en/)
- **Slovenia:** [www.buyusa.gov/slovenia/en/](http://www.buyusa.gov/slovenia/en/)
- **European Union:** [www.buyusa.gov/europeanunion/](http://www.buyusa.gov/europeanunion/)

due to funding disputes) have impeded the smooth progress of road development.

The climate for road development in Poland, however, is changing. While only 480 kilometers of freeways are scheduled to open in Poland between 2002 and 2005, new sources of stable financing—such as the fuel fee—will help pave the way for future upgrades. Over the past several years, Polish funding for road projects has already stabilized: \$1.8 billion in 2002, \$1.8 billion in 2003, \$1.3 billion; and \$1.7 billion is estimated for 2004.

By the end of 2005, Poland is expected to have nearly 740 kilometers of freeways, and the government is determined to open 250 kilometers of freeways and 60 kilometers of expressways every year thereafter. An impetus for upgrading Poland's highways came in July 1996, when an EU directive mandated that international roads be able to carry axle loads of 11.5 metric tons. At present, Polish roads that handle 10 metric tons are more common, and tolerance of 8



## The Baltic states are well-situated to capture an increasing share of the rapidly growing maritime trade through the Baltic Sea.

metric tons is the standard. Currently, only 0.5 percent of the Polish national network meets the 11.5-ton standard.

The Czech Republic, with only a quarter of Poland's population, has exceeded its neighbor in road construction. Since the so-called "Velvet Revolution" of 1989, through 2003, some 220 kilometers of new highways have been built in the Czech Republic. Additional road and highway reconstruction and upgrades have been necessitated by the flooding that devastated the country in August 2002.

In 2001, Hungary's national public road network was 30,322 kilometers, 448 kilometers of which were highways. Major infrastructure improvement projects consist of further development of the radial form of expressways that cover the country. With Budapest at its center, this network makes it possible to reach Szeged, Debrecen, Nyiregyhaza, Miskolc, and Pecs by expressway. In addition, it is expected that completion of the M0 ring road surrounding Budapest will decrease traffic congestion in the capital city.

Road and traffic service opportunities for U.S. companies in Central and Eastern Europe span a wide range of industries and activities. These include metrology testing and research, road marking, traffic signs and lights, driving schools, logistics forwarding and transportation services, and engineering, design, and construction services.

### Strengthening Adriatic and Baltic Port Links

Historically one of the most important methods of transportation for facilitating trade, ports have maintained their strategic position as part of the EU's emphasis on combined modes of transportation. Several of the acceding countries possess thriving seaports.

Slovenia's port of Koper serves as the principal port for Austria and Hungary, and is an essential port for Czech, German, and Slovak exporters. The port has 20 berths, 2,284 square meters

of enclosed warehouses, and numerous specialized warehouses. Its specialized facilities include a terminal to handle automobiles, perishable goods, timber and wood products, livestock, and bulk liquids. In 2001, the port, which operates a free-trade zone, handled 9.4 million tons of cargo. Future improvement projects include increasing the number of modern warehouses and logistics centers (including construction of an additional pier to house a terminal for cars and containers), creation of a new terminal for iron products, and expansion of facilities at the aluminum and grain terminals.

The Baltic states are well-situated to capture an increasing share of the rapidly growing maritime trade through the Baltic Sea. Estonia has 101 ports located along its coast, 31 of which handle commercial shipping and are open to international transit. Estonian ports offer easy navigational access, deep waters, and good ice conditions.

Tallinn is the biggest cargo and passenger port in Estonia, handling cargo flows between Russia (and points eastward) and Western Europe. The Estonian-Russian border is only 210 kilometers from Tallinn by railway and 1,100 kilometers from Moscow. In addition, Estonia's sea-transportation system is well connected to other European ports. Daily ferry links sail to Scandinavia, and there are frequent cargo ferries to Antwerp, Copenhagen, Hamburg, Kiel, and Harwich.

The port of Muuga free zone, also located in Tallinn, is especially attractive to high-value container-distribution operators. Its simplified customs handling, easy transfer of ownership rights, and value-added operations are, according to the port's Web site, "designed to foster the development of distribution centers."

The three other large ports in Estonia are: Kunda (handling timber and cement); Parnu (handling timber and peat moss); and Paldiski North Port (handling timber). Overall, cargo passing through Estonian ports consists of grain

(27 percent), liquid cargo (26.5 percent), and timber (25 percent).

Lithuania's port of Klaipeda is the northernmost ice-free port in the eastern section of the Baltic Sea. It is the main multimodal transportation center of Corridor IX, which connects the eastern and western shipping and road lines. Approximately 7,000 ships from 50 countries call at the port annually. A 433-kilometer rail line links Klaipeda to Kena in Belarus; a 1,303 kilometer line links Moscow; and a 594 kilometer line to Minsk. The port of Klaipeda, which largely handles oil transshipments, is well equipped, but in need of modern management. Projects designed to increase value-added services at the port include creating conditions to load vessels of up to 60,000 tons of weight, increasing cargo-turnover capacity, developing port operations (such as cargo distribution services), and dredging the port's entrance channel.

The three main ports in Latvia are Liepaja (including the special economic zone), Riga, and Ventspils. The three ports saw 52.2 million tons of cargo turnover in 2002, while seven smaller ports served 1.03 million tons. Most of this (42.8 million tons) is transit cargo. Up to 80 percent of cargo turnover at Riga consists of transit forwarded or received from the CIS countries. It handles mostly dry bulk cargo (about 37 percent of turnover), including fertilizers, coal, and grain. Priority development projects include construction of a new oil-handling terminal, creation of an industrial park, and reconstruction of the passenger terminal. The port of Liepaja boasts 45.4 hectares of land for industrial development, including two industrial parks. Ventspils, handles 55 percent of total Latvian port cargo turnover. Like Riga, it manages dry bulk (such as fertilizers, coal, grain) as its main charge.

### Airport Expansion Plans Throughout the Region

Potential investors and financiers would do well in the airport arena in Slovakia.



All of its airports are in need of upgrading. A recent Eurostat survey showed that Slovakia has the least-developed air-transportation system of the accession countries. Thus, projects exist for U.S. exporters and investors in such areas as security, baggage-handling facilities, extension of plane taxiways, and new control centers for phytosanitary and veterinary services. To facilitate financing for airport projects, the Slovak Airport Authority proposes to open its airports to strategic investors.

Opportunities also exist in the Czech Republic. The current capacity of Prague's Ruzyně Airport is 7 million passengers annually. To increase capacity, the Czech Airport Authority started construction of a new terminal in 2003. The investment is estimated at \$300 million, \$270 million of which was financed by the EIB. The new terminal, set to open in 2006, will serve passengers from non-EU countries and will increase the capacity of the airport to 10 million passengers. Four Czech construction companies submitted bids for the project. In addition, construction of an additional runway is slated to begin in 2005, which represents an investment estimated at \$82 million. A rapid-rail link from the airport to downtown Prague is expected to open in 2005. The Czech Republic does not have the capacity to

produce any significant airport equipment domestically, and U.S. airport-related technologies and services are held in high regard.

U.S. companies may also find several occasions for export and investment in the Hungarian aviation market, specifically in terminal construction, air-traffic control equipment, and cargo handling. Budapest's Ferihegy International Airport currently houses two terminals. Terminal 1 is used for general aviation, cargo, and charter flights, while commercial aviation takes place through Terminal 2. Terminal 1 was recently refurbished to accommodate low-cost airlines. Terminal 2 is capable of handling approximately 5.5 million passengers annually. While a strategic plan covering the next 10 years of airport development is underway, work on a new passenger terminal will probably not occur before 2007.

The Budapest airport's strategic plan also includes discussion of extension of parking facilities and construction of a third terminal, a new cargo base, a runway, and a hotel. In addition to these planned airport improvements, Hungarocontrol, the national air-traffic control authority, plans to purchase a number of equipment-system upgrades by 2010. These purchases, expected to total some \$88 million, include a tender

for an Aerodrome surface movement radar system; replacement of the existing radar with a Mode-S capable radar, and a new cargo base. The latter project would increase cargo traffic from 45,000 tons to 108,000 tons by 2012. Its estimated cost is \$34 million.

Poland's central international airport, in Warsaw, is Okęcie. Passenger traffic at the airport has been growing: from 3.8 million passengers in 1998, to 4.7 million passengers in 2001. Okęcie opened a new terminal in 1992, but it reached its maximum capacity well ahead of projections, thus prompting the decision to build a new passenger terminal. The new terminal, to be finished by 2006, will increase the capacity of the airport to 10 million passengers a year. There are also plans to build a new passenger-cargo airport near Warsaw, called Warsaw II. Construction could start in 2006 and be finished by 2010. The Warsaw II airport would serve 7 million passengers annually.

The European Investment Bank (EIB) is the main source of debt finance for airport infrastructure investments in Central and Eastern Europe. Large projects (more than 25 million euros) may be financed directly through loans, or indirectly through government or banking intermediaries. Smaller projects may be financed through "global loans"—that is, credit lines to selected EIB partner banks.

### Following Up on Opportunities

A multitude of opportunities exist for U.S. companies to do business in the Central and Eastern European transportation sector. Materials for rail lines, warehousing and logistics services, airport equipment, and road construction needs all pose an open door for companies to enter, and stay engaged in, the expanded European Union. For more information, look to some of the links listed in the sidebars that accompany this article. ■



## A Stroll Down the EU's Transportation Corridors

The EU has identified 10 major transportation corridors for development. Those that are relevant to the newly accessioned countries include:

**Corridor I** (via Baltica): includes Finland, the Baltic states, and Poland. This is a multimodal (that is, rail, road, sea) corridor.

**Corridor II:** includes Germany, Poland, Belarus, and Russia. Total length of 1,830 kilometers, with both road and rail links.

**Corridor IV:** the backbone of the TEN-T network, consisting of more than 3,285 kilometers of road and railways, connecting Berlin-Nürnberg-Prague-Budapest-Constanta/Thessaloniki.

**Corridor V:** connecting Venice-Trieste/Koper-Ljubljana-Budapest-Uzgorod-Lvov (1,600 kilometers).

**Corridor VII:** the Danube corridor, connecting 11 countries (Germany, Austria, Slovakia, Hungary, Croatia, Serbia and Montenegro, Romania, Bulgaria, Moldova, and Ukraine). This rail and road network overlaps Corridor IV.

**Corridor VIII:** connecting Durres-Tirana-Skopje-Sofia-Varna.

**Corridor IX:** connecting Copenhagen to Stockholm and Helsinki; and Helsinki to St. Petersburg-Moscow.

**Corridor X:** connecting Austria-Slovenia-Croatia-Serbia and Montenegro-Macedonia-Bulgaria-Greece.

(Corridors III and VI are not relevant to this article.)

# Trade Events

## May–October 2004

DATES	EVENT	LOCATION
May 3–4	<b>Plastics Trade Mission</b> This trade mission is scheduled to coincide with Plast-Ex, the Canadian Plastics Industry Association's largest and most important trade event. The Plast-Ex show includes more than 500 exhibitors on 300,000 square feet of exhibition space. More than 12,000 plastics industry decision-makers attend Plast-Ex and rely on the event to purchase products and services essential to Canada's \$22.5-billion plastics industry.	Toronto, Canada
May 7–9	<b>MIDO</b> MIDO, the international optics, optometry, and ophthalmology show, is the largest and most prestigious trade fair of its kind. The show features eyeglasses, sunglasses, lenses and frames, contact lenses and accessories, microscopes, binoculars, barometers, instruments for optometry and ophthalmology, optical machinery, tools, accessories, and related equipment. In 2002, MIDO had 1,302 exhibitors, 795 of which were foreign. MIDO, now in its 32nd edition, maintains its position as the only truly international fair for the optical sector.	Milan, Italy
May 10–14	<b>Miconex 2004</b> Miconex is the largest trade show in China for instrumentation products and is an ideal venue for U.S. companies seeking to enter or maintain their competitive position in this \$3-billion market. The United States exported \$647 million worth of instruments to China in 2001, an increase of 33 percent from 2000.	Beijing, China
May 11–14	<b>Wind Energy 2004</b> In 2002, the Hamburg trade fair inaugurated the first international fair for wind energy together with the German Wind Institute and the German Machinery and Plant Manufacturers Association. It was decided to hold the trade event on a biennial basis. The first event attracted more than 200 international exhibitors and more than 20,000 industry experts.	Hamburg, Germany
May 13–16	<b>InterZoo 2004</b> InterZoo is the largest trade show for the pet industry in Europe. Excellent opportunities exist for U.S. firms in this sector. For U.S. companies wishing to sell in Germany and throughout Europe, it is important to participate in this trade fair in Nuremberg. Attendance is strictly limited to qualified buyers.	Nuremberg, Germany
May 19–22	<b>Business and Technology Fair 2004</b> The Business and Technology Fair 2004 will take place in Osaka City. This event is organized by Business and Technology Daily News, which is the major industrial news media company in Japan. This show features a wide range of industrial technologies including IT and environmental solutions. Because of the large scale of this exhibition and its many seminars and symposiums, this event has been successful in attracting approximately 40,000 industry and company decision-makers to this event each year. The Commercial Service in Osaka-Kobe will organize a U.S. pavilion at this event and fully support U.S. participants via promotion and logistics.	Osaka, Japan
June 1	<b>Surf Beach Show 2004</b> This event consists of three simultaneous trade fairs, with more than 300 exhibitors and almost 500 brand names represented. This event highlights the latest trends in beach, surf, and leisure wear. More than 38,000 retailers from all over the world are expected to visit. The U.S. Commercial Service in Brazil plans to organize a U.S. pavilion at the event.	São Paulo, Brazil
June 1–4	<b>Hospitalar 2004</b> Hospitalar is the largest medical event in the Latin America. This show is one of the best opportunities for new-to-market companies to find business partners in Brazil. This event covers a wide variety of medical sectors such as rehabilitation, diagnostic products, medical equipment, medical services, home care, drugs, and pharmaceuticals.	São Paulo, Brazil
June 8–10	<b>GEPEC</b> This biennial fair, which is not open to the general public, is targeted to professional visitors, such as relevant agency officials, police and special forces commanders, decision-makers, procurement officers, and trainers and others from regional and federal security forces. Although relatively small, this event provides a good opportunity for U.S. companies active in the security sector.	Hamburg, Germany
June 15–16	<b>Asian Elenex 2004 and Asian Automation 2004</b> This biennial event is the largest building services and air-conditioning trade show in Hong Kong. Held simultaneously with Securitex, it attracts professionals from the air-conditioning, electrical, electronics, building services, security, and lighting products industries. Hong Kong is an important market for U.S. building equipment/service providers and HVAC manufacturers, because it imported \$2.3 billion in air-conditioning, ventilation, heating, and refrigeration equipment last year.	Hong Kong

## INDUSTRY

## CONTACT INFORMATION

Plastics Production  
Machinery, Plastic  
Materials and Resins

Madellon C. Lopes  
Tel: (416) 595-5412  
E-mail: Madellon.Lopes@mail.doc.gov

Medical Equipment

Piera Gattinoni  
Tel: +39-02-659-2260  
E-mail: Piera.Gattinoni@mail.doc.gov

Electronics Industry  
Production/Testing Eq.,  
Laboratory Scientific  
Instruments, Process  
Controls

Indrek Grabbi  
Tel: (202) 482-2846  
E-mail: Indrek\_Grabbi@ita.doc.gov

Renewable Energy Eq.

Bettina Kutsche  
Tel: +49-341-213-8440  
E-mail: Bettina.Kutsche@mail.doc.gov

Pet Food and Supplies

Edward Kimmel  
Tel: (202) 482-3640  
E-mail: Edward\_Kimmel@ita.doc.gov

Computers/Peripherals

Alan Long  
Tel: +81-6-6315-5953  
E-mail: Alan.Long@mail.doc.gov

Sporting Goods/  
Recreational Eq.,  
Textile Fabrics

Denise Barbosa  
Tel: +55-11-3897-4053  
E-mail: Denise.Barbosa@mail.doc.gov

Drugs/Pharmaceuticals,  
Health Care Svcs.,  
Medical Equipment

Jefferson Oliveria  
Tel: +55-11-3897-4038  
E-mail: Jefferson.Oliveira@mail.doc.gov

Security/Safety  
Equipment

Helen Simpson-Davis  
Tel: (202) 482-1882  
E-mail: Helen.Simpson-Davis@mail.doc.gov

Air-conditioning/  
Refrigeration Eq.,  
Building Products

Elanna Tam  
Tel: +852-2521-5950  
E-mail: Elanna.Tam@mail.doc.gov

# HIGHLIGHTED EVENTS

## PHARMACY 2004

**JUNE 19-21, 2004**  
**AUCKLAND, NEW ZEALAND**

Pharmacy Expo provides a forum for New Zealand retail pharmacies to keep in touch with the latest top quality products and industry trends. Industry suppliers can increase brand awareness and sell products to the right people at the right time. Pharmacy expo is the perfect balanced diet of information and business, knowledge and product. Together with leading suppliers and pharmacy professionals nationwide, you can create an interactive environment to increase your business sales in cosmetic, medicines, gift lines, pharmacy service, and computer resources.

Contact:  
Laura Szalay  
Tel: 649-309-8079  
E-mail: Laura.Szalay@mail.doc.gov

## INTERSOLAR

**JUNE 24-26, 2004**  
**FREIBURG, GERMANY**

Intersolar is Europe's largest international trade fair for solar technology that attracted 280 exhibitors and 11,000 visitors in 2003. It is focused on photovoltaics, solar thermal technology and solar architecture. Intersolar is the only European solar technology fair, which has been recognized as an international trade fair by both the German Trade Fair Industry Association and the World Organization for Trade Fairs and Exhibitions. Counseling will be provided through correspondence to U.S. exhibitors prior to the show and staff plans to visit the event to assess its suitability for U.S. exhibitors. For further information please check the Web site [www.intersolar.de](http://www.intersolar.de).

Contact:  
Andrea Diewald  
Tel: +49-341-213-8431  
E-mail: Andrea.Diewald@mail.doc.gov

TRADE  
EVENTS

<b>DATES</b>	<b>EVENT</b>	<b>LOCATION</b>
June 21–24	<b>International Exhibition on Environmental Technologies</b> ENVEX is the premier environmental exhibition in South Korea. As the South Korean government has placed more emphasis on the environment, South Korean companies are looking for the latest environmental technologies. ENVEX will include products from every environmental sector.	Seoul, South Korea
July 3–4	<b>American Auto Show</b> The American Auto Show is an exhibition of U.S. companies in the automotive sector. This show is an excellent forum for U.S. companies to obtain market exposure and enter the Dominican market. The show attracts agents, representatives, and end users. The show will feature American cars, automotive parts, and auto accessories.	Santo Domingo, Dominican Republic
August 13–16	<b>Franchise Expo</b> Franchise Expo is the largest show for franchise opportunities in New Zealand. Thousands of people are interested in becoming franchise operators and looking for new opportunities in the franchise sector.	Auckland, New Zealand
September 2–5	<b>Eurobike 2004</b> Eurobike confirms its role as Europe's leading trade forum for bicycles. This show includes bicycle retailers from five continents. For further information: <a href="http://www.messe-friedrichshafen.de">www.messe-friedrichshafen.de</a> .	Friedrichshafen, Germany
September 7–9	<b>AnalyticaChina 2004</b> AnalyticaChina is an international trade fair for Analysis, Biotechnology, Diagnostics, and Laboratory Technology, based on the concept of Analytica in Munich, the world's leading trade fair in this industry branch. It will be held in Shanghai, which is home to China's chemical and pharmaceuticals industry. China is currently the strongest importer of analysis equipment, reagents, and laboratory equipment among all industrial nations. This event is where the scientific elite meets and bridges the gap between science and industry.	Shanghai, China
September 9–12	<b>SANA</b> Europeans are spending more and more on natural and environmentally friendly products. SANA features organic products, dietary and nutritional products, herbs, natural cosmetics, food supplements, homeopathic and natural health products, natural fashion products, and furniture. The U.S. pavilion at the show has been an excellent venue for American firms.	Bologna, Italy
September 14–19	<b>Automechanika</b> In 2002, Automechanika featured more than 3,000 exhibitors, including 200 from the United States, in 250,000 square meters of exhibition area. It attracted 162,635 visitors. This biennial fair is the world's largest display of automotive parts (OEM and aftermarket) and service equipment. Wholesalers and distributors are the primary visitors.	Frankfurt, Germany
September 23–25	<b>Top Resa 2004</b> This event includes a U.S. pavilion set up by the show organizer of Top Resa, in close coordination with the Visit USA Committee and the U.S. Commercial Service in France. Top Resa is the major travel and tourism trade event in France. In 2003, 25 U.S. destinations exhibited as part of the U.S. pavilion.	Deauville, France
September 26– October 1	<b>Infrastructure Trade Mission</b> The objective of this mission is to provide U.S. architectural and engineering firms the opportunity to explore the potential for tourism infrastructure projects in Turkey, Bulgaria, and Croatia.	Bulgaria, Turkey, Croatia
September 30– October 3	<b>Expopharm 2004</b> Expopharm is Europe's largest pharmaceutical trade show catering to the pharmacy and over-the-counter market. It is organized by the German Pharmaceutical Association. The annual trade event usually counts over 500 exhibitors and roughly 20,000 strictly trade-only, visitors. Products on display include pharmaceutical equipment, products and services, OTC products and health supplements, home care products, diagnostics, cosmetics, pharmacy furnishings and equipment, computer hardware and software for pharmacies.	Munich, Germany
October 3–5	<b>Golf Europe</b> This trade show is the largest golf exhibition in Europe. Excellent opportunities exist for U.S. firms in the German and European golf markets. U.S.-made golf equipment is highly regarded in the sophisticated, quality-conscious German market. Golf Europe is a specialized show for golf course owners and operators with approximately 300 exhibitors from over 30 countries and nearly 5,000 strictly in-the-trade visitors from 45 countries.	Munich, Germany
October 20–27	<b>K' 2004</b> The triennial K' show is the world's largest trade event for plastics and rubber materials and machinery. Last K' show in 2001 attracted a total of 2,872 exhibitors (146 U.S. exhibitors) and 227,934 international visitors from 100 countries. K' 2004 will host two to three U.S. pavilions. Visitors and exhibitors from the United States will find distributors and clients from around the world.	Dusseldorf, Germany
November 24–27	<b>MEDICA 2004</b> Considered the world's most important and largest international fair for medical equipment, Medica draws 3,900 exhibitors and 139,000 trade visitors from around the globe. Products include medical equipment and services, hospital equipment and supplies, laboratory technology and pharmaceuticals, diagnostics, building engineering, communication technology, therapeutics and orthopedics.	Dusseldorf, Germany

## INDUSTRY

## CONTACT INFORMATION

Equipment (Pollution Control, Renewable Energy, Water Resources, Safety/Security)	Gregory O'Connor Tel: +82-2-397-4356 E-mail: Greg.O'Connor@mail.doc.gov
Automotive Parts, Auto Service Equipment, Automobiles	Isolda Frias Tel: (809) 227-2121, ext. 226 E-mail: Isolda.Frias@mail.doc.gov
Franchising	Lisa Struneski Tel: +649-302-9812 E-mail: Lisa.Struneski@mail.doc.gov
Sporting Goods/Recreational Eq.	Bernd Kietz Tel: +49-89-2888-751 E-mail: Bernd.Kietz@mail.doc.gov
Biotechnology, Laboratory Scientific Instruments	Helen Simpson-Davis Tel: (202) 482-1882 E-mail: Helen.Simpson-Davis@mail.doc.gov
Drugs/Pharmaceuticals, Processed Foods, Medical Eq.	Piera Gattinoni Tel: +39-02-659-2260 E-mail: Piera.Gattinoni@mail.doc.gov
Automotive Parts/Services Eq.	Michael Thompson Tel: (202) 482-0671 E-mail: Michael_Thompson@ita.doc.gov
Travel/Tourism Services	Valerie Ferriere Tel: +33-1-43-12-27-70 E-mail: Valerie.Ferriere@mail.doc.gov
Architectural, Construction, and Engineering Services	Sam Dhir Tel: (202) 482-4756 E-mail: Sam.Shir@mail.doc.gov
Drugs and Pharmaceuticals, Cosmetics, Health care	Anette Salama Tel: +49-211-737-767-60 E-mail: Anette.Salama@mail.doc.gov
Sporting Goods/Recreational Eq.	Amanda Ayvaz Tel: (202) 482-0338 E-mail: Amanda_Ayvaz@ita.doc.gov
Plastics/Rubber Materials, Plastics/Rubber Production Machinery	Kirsten A. Hentschel Tel: +49-211-737-767-30 E-mail: Kirsten.Hentschel@mail.doc.gov
Medical, Diagnostics, Health Care	Anette Salama Tel: +49-211-737-767-60 E-mail: Anette.Salama@mail.doc.gov

## FARNBOROUGH AIR SHOW 2004

**JULY 19-25, 2004**

**FARNBOROUGH, UNITED KINGDOM**

The Commerce Department's Aerospace office is organizing an American Products Literature Center at Farnborough 2004. This is a low-cost alternative for small and mid-sized companies that cannot afford to be there in person but still want to explore opportunities for exports to Europe. The Commerce Department will register all business visitors in the Center and send their names and contact information back to the participating U.S. companies after the show.

Contact:  
Sean McAlister  
Tel: (202) 482-6239  
E-mail: Sean\_Mcalister@ita.doc.gov

## NATURAL HEALTH PRODUCTS TRADE MISSION

**SEPTEMBER 20-21, 2004**  
**MONTREAL, CANADA**

Canada's new natural health product regulations come into force this year. U.S. companies have an opportunity to take advantage of Canada's growing demand for natural health products. Specific opportunities lie in vitamins and minerals, health food, supplements, herbal products and remedies, and homeopathic medicines. Industry analysts will explain Canada's new regulations, as well as customs, legal, and other issues. Whether U.S. firms are looking for new customers, representation, or other business relationships, the staff of the Commercial Service in Montreal will set up appointments and provide the latest market information.

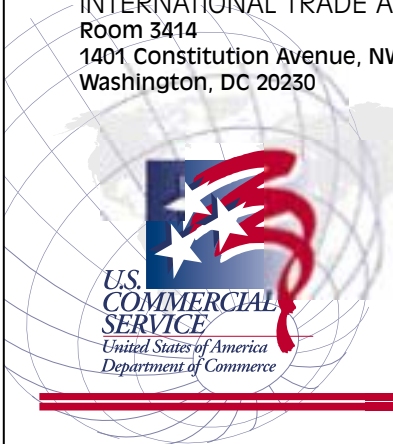
Contacts:  
Pierre Richer  
Tel: (514) 398-9695, ext. 2261  
E-mail: Pierre.Richer@mail.doc.gov

*A full listing of trade events is available via [www.export.gov](http://www.export.gov).*

TRADE  
EVENTS



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



# U.S. Export Assistance Centers

U.S. DEPARTMENT OF COMMERCE

## ALABAMA

Birmingham  
(205) 731-1331

## ALASKA

Anchorage  
(907) 271-6237

## ARIZONA

Phoenix (602) 640-2513  
Tucson (520) 670-5540

## ARKANSAS

Little Rock (501) 324-5794

## CALIFORNIA

Bakersfield (Kern County)  
(661) 637-0136  
Indio (760) 342-4455  
Fresno (559) 227-6582  
Inland Empire  
(909) 466-4134  
Downtown Los Angeles  
(213) 894-4231  
West Los Angeles  
(310) 235-7104  
Monterey (831) 641-9850  
North Bay (415) 492-4546  
Oakland (510) 273-7350  
Orange County  
(949) 660-1688  
Ventura County  
(805) 676-1573  
Sacramento  
(916) 498-5155  
San Diego (619) 557-5395  
San Francisco  
(415) 705-2300  
San Jose (408) 271-7300

## COLORADO

Denver (303) 844-6001

## CONNECTICUT

Middletown  
(860) 638-6950

## DELAWARE

Served by the Philadelphia  
U.S. Export Assistance Center

## DISTRICT OF COLUMBIA

Served by the Baltimore  
U.S. Export Assistance Center

## FLORIDA

Clearwater (727) 893-3738  
Miami (305) 526-7425  
Ft. Lauderdale  
(954) 356-6640  
Orlando (407) 648-6235  
Tallahassee (850) 942-9635

## GEORGIA

Atlanta (404) 657-1900  
Savannah (912) 652-4204

## HAWAII

Honolulu (808) 522-8040

## IDAHO

Boise (208) 334-3857

## ILLINOIS

Chicago (312) 353-8040  
Peoria (309) 671-7815  
Rockford (815) 987-8123  
Lake County (847) 327-9082

## INDIANA

Indianapolis (317) 582-2300

## IOWA

Des Moines (515) 288-8614

## KANSAS

Wichita (316) 263-4067

## KENTUCKY

Lexington (859) 225-7001  
Louisville (502) 582-5066  
Somerset (606) 677-6160

## LOUISIANA

New Orleans (504) 589-6546  
Shreveport (318) 676-3064

## MAINE

Portland (207) 541-7400

## MARYLAND

Baltimore (410) 962-4539

## MASSACHUSETTS

Boston (617) 424-5990

## MICHIGAN

Detroit (313) 226-3650  
Grand Rapids (616) 458-3564  
Pontiac (248) 975-9600  
Ypsilanti (734) 487-0259

## MINNESOTA

Minneapolis (612) 348-1638

## MISSISSIPPI

Raymond (601) 965-4130

## MISSOURI

St. Louis (314) 425-3302  
Kansas City (816) 410-9201

## MONTANA

Missoula (406) 542-6656

## NEBRASKA

Omaha (402) 597-0193

## NEVADA

Las Vegas (702) 229-1157  
Reno (775) 784-5203

## NEW HAMPSHIRE

Portsmouth (603) 334-6074

## NEW JERSEY

Newark (973) 645-4682  
Trenton (609) 989-2100

## NEW MEXICO

Santa Fe (505) 827-0350

## NEW YORK

Buffalo (716) 551-4191  
Harlem (212) 860-6200  
Long Island (516) 739-1765  
Rochester (585) 263-6480  
Westchester (914) 682-6712  
New York City  
(212) 809-2642

## NORTH CAROLINA

Charlotte (704) 333-4886  
Greensboro (336) 333-5345  
Raleigh (919) 715-7373

## NORTH DAKOTA

Served by the Minneapolis  
U.S. Export Assistance Center

## OHIO

Akron (330) 237-1264  
Cincinnati (513) 684-2944  
Cleveland (216) 522-4750  
Columbus (614) 365-9510  
Toledo (419) 241-0683

## OKLAHOMA

Oklahoma City  
(405) 608-5302  
Tulsa (918) 581-7650

## OREGON

Portland (503) 326-3001

## PENNSYLVANIA

Harrisburg (717) 221-4510  
Philadelphia (215) 597-6101  
Pittsburgh (412) 395-5050

## PUERTO RICO

San Juan (787) 766-5555

## RHODE ISLAND

Providence (401) 528-5104

## SOUTH CAROLINA

Charleston (843) 760-3794  
Columbia (803) 765-5345  
Greenville (864) 271-1976

## SOUTH DAKOTA

Sioux Falls (605) 330-4264

## TENNESSEE

Knoxville (865) 545-4637  
Memphis (901) 323-1543  
Nashville (615) 259-6060

## TEXAS

Austin (512) 916-5939  
Dallas/Arlington  
(817) 277-1313  
Fort Worth (817) 212-2673  
Houston (281) 449-9402  
San Antonio (210) 228-9878

## UTAH

Salt Lake City (801) 524-5116

## VERMONT

Montpelier (802) 828-4508

## VIRGINIA

Arlington (703) 524-2885  
Richmond (804) 771-2246

## WASHINGTON

Everett (425) 248-2010  
Seattle (206) 553-5615  
Spokane (509) 353-2625  
Tacoma (253) 593-6736

## WEST VIRGINIA

Charleston (304) 347-5123  
Wheeling (304) 243-5493

## WISCONSIN

Milwaukee (414) 297-3473

## WYOMING

Served by the Denver U.S.  
Export Assistance Center

Contact us today and see your sales grow tomorrow.

1-800-USA-TRADE

[www.export.gov](http://www.export.gov)

[www.BUYUSA.COM](http://www.BUYUSA.COM)

