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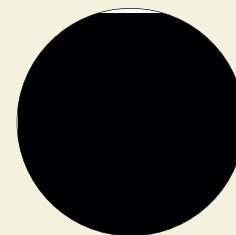
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T

Technology touches us in many ways.

Some obvious, such as mobile phones, information delivered over the internet and easier access to products and services. Yet, technology can touch us in other ways such as allowing companies to improve the design and construction of products. Take, for example, the housing industry.

Traditionally, homes are constructed at the permanent site of the structure and therefore are subject to weather, construction and inspection delays. The prefabricated housing industry has recently applied improvements in design style, reduced transportation costs and cultural acceptance of American style homes to models in order to expand into foreign markets. New design of prefabricated homes make them look just like traditionally built homes. The shift to steel framed homes provides benefits to two different industries. The first is the manufactured housing industry. Steel framed homes allow exporters access to housing markets where wood framed homes are not culturally acceptable. The second is the steel industry, since steel framed houses are an alternative export for manufacturers.

Prefabricated housing exports have a variety of consumers. Target consumers can range from disaster victims and refugees

to American retirees living abroad. Either way, the different consumers, as well as loosening restrictions of each export market requires that manufacturers stay in touch with each target market to ensure that their product will be accepted.

This month's feature focuses on the changes that are occurring in the manufactured housing industry and the new opportunities being created by expanding export markets. Many markets are demanding U.S. manufactured housing as well as the technologies required to produce these products. The United States has developed a special program to encourage housing exports to China due to the great potential of the market and the desire by the Chinese to learn U.S. construction techniques.

Technology also plays a role in our new Virtual Matchmaker program and changes to EU procurement procedures, both of which are described in this issue. Next month, we will focus on the Safe Harbor Agreement as well as changes to the exporter of record on the shippers export declaration (SED). Let us know if you have any questions or comments (Export_America@ita.doc.gov).

Cory Churches

Cory Churches
Editor



GLOBAL NEWS LINE

POLAND

Poland has passed a new law that governs product safety obligations of manufacturers, importers and retailers. The Act on General Product Safety covers new products and some types of second-hand products. Product safety will be assessed on such characteristics as content, packaging, labeling and instructions. Producers, importers and certain other persons must provide consumers and retailers with information about any hazard that the product may pose. The Office for Competition and Consumer Protection will be responsible for product safety, including requiring laboratory testing and enforcing the withdrawal of the product when necessary. Secondary legislation will be issued that sets forth more detailed regulations relating to the safety of toys, textiles and other products, as well as manufacturing, product labeling and packaging requirements. For more information, contact the U.S. Commercial Service in Warsaw at Warsaw.Office.box@mail.doc.gov.

The environmental services sector has only recently emerged in Poland's

growing market economy and is in a stage of dynamic expansion. Money spent for environmental protection reached \$2.25 billion in 1998 — 1.6 percent of Poland's gross domestic product. The level of spending, currently comparable to other OECD member countries, will probably increase to meet European Union standards. According to World Bank estimates, Poland will need to spend between \$7.7 billion and \$11.5 billion during the next 15 years for air pollution control alone to meet EU environmental standards. Poland's enormous environmental challenge represents an opportunity for American companies with the equipment, advanced technology and expertise that Poland requires. The best prospects for U.S. firms include: technologies for the treatment of hazardous waste, sludge treatment installations, bio-technologies for sewage treatment and soil remediation, clean coal technologies, brine treatment technologies and medical waste treatment technologies. The importance of the environmental sector is widely recognized by Polish authorities and strongly supported by international financial

institutions. The World Bank recently announced its intention to co-finance a \$97 million soft loan to Poland that will be used for the development of environmentally clean energy resources. For more information on entering the Polish environmental market, contact the U.S. Commercial Service in Warsaw at Warsaw.Office.box@mail.doc.gov.

ARGENTINA

On September 3, President Fernando de la Rúa signed a decree that provides the regulatory framework for fully opening the telecommunications market to competition on November 9, 2000. Deregulation of the telecommunications sector will end the decade-long monopoly by Telefónica de Argentina, a unit of Spain's Telefónica, and Telecom Argentina, which is controlled by Telecom Italia and France Télécom. The decree includes regulations on interconnection, universal service, licenses and spectrum allocation. Some of the new rules include: slashing the interconnection costs, requiring companies to put one percent of their revenue into a fund to provide basic phone service in poor and remote areas of the country and allowing firms to obtain single licenses for all telecommunications services. The regulatory framework under the decree is consumer oriented and will create a level playing field for new entrants to this \$10 billion annual market. U.S. companies are planning to enter or increase their presence in the market. In June, for example, a group of U.S. firms pledged to invest over \$3.5 billion in Argentina's telecommunications sector. For more information contact Commercial Service Buenos Aires at (54 11) 4777-4533 or Email: Buenos.Aires.Office.Box@mail.doc.gov.

KOREA

On October 10, Korea's Ministry of Information and Communication announced its decision to adopt a dual



technology standard system for mobile telecommunications under the ITU's International Mobile Communications 2000 (IMT-2000) standard. The ministry selected both the North American synchronous CDMA2000 standard and the European asynchronous W-CDMA standard. This year, the ministry will select three IMT-2000 operators; SK Telecom Co., Korea Telecom Corp. and LG Telecom Co. IMT-2000 is a standard promulgated for so-called third-generation mobile communication devices and systems and is the most important IT/telecommunications issue in Korea today. It is of multibillion dollar significance and will change the entire telecommunications landscape in that country. Under the dual technology standard system, the adoption of either a "one synchronous technology standard service provider/two asynchronous technology standard service providers" system or a "two synchronous technology standard service providers/one asynchronous standard service provider" system is expected in the licensee selection process. One or more out of three IMT-2000 service providers will be chosen to adopt the U.S.-style synchronous CDMA2000 technology standard for IMT-2000 service provision. For more information, contact Commercial Service Seoul at Tel: (822) 397-4535 or Email:Seoul.Office.Box@mail.doc.gov.

MALAYSIA

Geographic information systems (GIS) — computer systems capable of assembling, storing, manipulating and displaying geographically referenced information — will be the focus of a conference in Kuala Lumpur February 7–9, 2001. Hosted by the U.S. Trade and Development Agency (TDA), the conference will highlight 35 to 40 projects representing nine participating countries: India, Indonesia, Nepal, the Philippines, South Korea, Taiwan, Thailand, Vietnam and Malaysia. It will provide an opportuni-

ty for U.S. companies active in GIS development to meet foreign project sponsors face-to-face to discuss their upcoming project needs and the cutting-edge U.S. technologies that can help meet those needs.

GIS technology is an analytical tool that has a wide range of applications. Mapping and GIS, for example, are critical to such infrastructure development activities as urban planning, tax and parcel mapping, transportation systems, pipeline and utilities mapping, emergency response planning, aviation safety and setting up broadband wireless networks. While the project sources could range from municipalities and utilities to telecommunications companies and emergency management services, the aim of the Kuala Lumpur conference will be to identify the projects that have the highest U.S. export potential and most significant GIS component. For more information, contact the TDA's manager for the conference, Manisha Kothari, Tel. (703) 875-4357 or Email: mkothari@tda.gov. Information is also available on TDA's Web site, www.tda.gov/trade/conference.html.

EUROPEAN UNION

On September 15, the European Commission proposed a directive harmonizing requirements for measuring instruments. The directive will be reviewed by the European Parliament and the Council of Ministers and is expected to be fully implemented throughout the EU by 2004. After that time, all measuring instruments sold in the European Union will require CE marking. Examples of instruments falling under the directive are: gas pumps, traffic controls, environmental controls (such as water meters, electricity meters, and gas meters) and automatic weighing instruments used in production lines for pre-packed products. In addition, the new directive will take account of technological progress for measuring instruments, notably in

digital micro-electronics, or of new types of instruments. According to the EU's enterprise commissioner, Erkki Liikanen, the proposed directive is "one of the final pieces of legislation for the internal market in products. By guaranteeing certainty of measurement and alignment with international standards, it opens a large market to manufacturers in and outside the European Union."

The full text of the Commission's proposal is available on the EU's Web site at http://europa.eu.int/eurlex/en/com/pdf/2000/en_500PC0566.pdf.

CANADA

On October 20, 2000, the municipal, provincial, and federal governments committed a total of C\$1.5 billion (US\$1.0 billion) to redevelop Toronto's waterfront area. The Toronto waterfront redevelopment project will create a myriad of opportunities for U.S. developers, architectural and engineering firms and construction companies specializing in environmental issues, land use development, transportation, gardens, parklands and cultural amenities. The City of Toronto, the Province of Ontario, and the Government of Canada will each contribute C\$500 million to the revitalization of Toronto's waterfront — a mere down payment on the project, which is expected to cost a total of US\$8 billion. US firms interested in bidding on various aspects of the waterfront redevelopment project should contact Rita Patlan at the US Consulate in Toronto. Tel: (416) 595-5412 ext. 223 or Email: rita.patlan@mail.doc.gov.

NEED MORE DETAIL?

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

MATCHMAKING MADE EASY

COMPANIES PARTICIPATE IN THE INAUGURAL VIRTUAL MATCHMAKER

George Ruffner & Sam Dhir

US & Foreign Commercial Service

There is no disputing that business in our new economy is conducted at a much faster pace, with more emphasis on technology applications than ever before. Taking advantage of these innovations to expand the reach of U.S. companies is what programs like the Virtual Matchmaker are all about. Linking companies to overseas opportunities without incurring the risk, expense and travel associated with traditional export promotion services is now a reality.

Sam Dhir, who works in the Commerce Department's Matchmaker program, proposed an idea of using video conferencing technology to link franchisors in the United States to potential master licensees in the Philippines, one of the best overseas markets for both food and non-food franchises. Originally the concept was to link firms in the Washington, D.C. area to investors in Manila, Philippines.

After he floated the idea to industry participants and colleagues in Export Assistance Centers, the conference expanded to include New York, Dallas, Atlanta, Des Moines and Los Angeles.

Prior to the videoconference, participants in Manila and the United States received profiles of participating companies, their interests in doing business and potential questions to be asked during the conference. A conference

script was created in order to coordinate the speaking roles that each participant would play, thereby ensuring a more productive videoconference for all participants.

At 7 PM on Thursday, July 13, Principal Deputy Under Secretary of Commerce, Tim Hauser gave the opening remarks from Washington. In Manila, the Under Secretary of the Philippine Department of Trade and



Undersecretary Samie Lim of the Philippine Department of Trade and Industry opens the conference in Manila.

Photo courtesy of CS Manila

Industry, Mr. Samie Lim, responded by giving an overview of the large and rapidly expanding franchise market. Of special interest to the United States audience was the fact that 67 percent of the franchise companies in the Philippines are foreign and 70 percent of those are American.

For the next hour, the Philippine audience, consisting of 64 leading master licensees, (e.g. McDonalds, Starbucks, Roto-Rooter and Outback Steakhouse), venture capitalists and potential investors listened intently as ten of America's leading franchisors explained the highlights and advantages of their respective concepts.

As expected, the Filipino investors were somewhat reluctant to reveal their plans during the question and answer period that followed. Fortunately, questions had been submitted prior to the conference so that a meaningful dialogue could ensue for the next hour, during which a number of potential matches became evident. Most of the



Photo courtesy of CS Manila

Mr. Ed Isidro of the Philippine Venture Capitalist Group asks the U.S. franchisers for further details.

exceptionally well qualified candidate, World Franchise Solutions can announce that

This figure does not include travel or accommodation expenses.

“PLEASE BOOK OUR COMPANY FOR THE NEXT VIRTUAL MATCHMAKING EVENT”

activity, however, occurred shortly after the videoconference when the trans-Pacific cyberspace was filled with dozens of expressions of interest and requests for further details.

Six days later, one of the U.S. participants, Paul Cairnie, President and CEO of World Franchise Solutions in New York City, e-mailed Bryan Harmon at the New York Export Assistance Center a message stating:

“Congratulations on producing a superb event!

I have two exiting news items to report as a result of attending this event First, after a series of communications with one of the Philippine attendees, who is in fact an

we have secured a partner for the Philippines in only six days from the Virtual Matchmaker Event!”

The application of this particular technology is limitless. Virtual Matchmakers can be organized to pre-qualify target partners of future trade missions or to conduct follow-up to past missions. Additionally, the cost for companies to participate in a Virtual Matchmaker is minimal in comparison to taking part in a physical Matchmaker or trade mission. The price per U.S. company to take part in a Virtual Matchmaker ranges from \$150-\$250 for the opportunity to speak directly with pre-screened potential buyers as compared to \$3,000 to participate in a physical Matchmaker.

After the success of this pilot project, the Matchmaker program plans to roll out approximately 12 Virtual Matchmakers in 2001 spanning several industries including: infrastructure, telecommunications, franchising, environmental and healthcare technologies. ■

For more information and listings of future Virtual Matchmakers please contact Molly Costa, Product Manager for the Matchmaker Program at Tel: (202) 482-0692 or Email: molly.costa@mail.doc.gov or Sam Dhir at Tel: (202) 482-4756 or by Email: sam.dhir@mail.doc.gov.

MICROELECTRONICA 2000

IS THE RIGHT VENUE FOR A U.S. SUPPLIER NEW TO THE ITALIAN MARKET

by Robert Blankenbaker & Gabriella Vecchio
Trade Development *Commercial Service, Milan*

Low-cost yet effective market development programs in the Office of Microelectronics, Medical Equipment and Instrumentation (OMMI) are producing remarkable success stories for U.S. exporters at international trade shows. At Microelectronica 2000, a three day trade show held in Vicenza Italy, one U.S. company signed four agency agreements and a distributor agreement, and concluded one significant floor sale. The show generated over 130 trade leads for U.S. exporters.

The American Product Literature Center exhibits product catalogs and literature in the U.S. Pavilion at overseas trade shows and is staffed by OMMI's industry specialists. The cost to participants is \$400, which is significantly less than traveling to and exhibiting at the show independently. OMMI also recruits U.S. firms as exhibitors, working with show organizers and the Commercial Service. At Microelectronica 2000, one of the largest shows in Italy for electronic components, the U.S. Pavilion featured ten U.S. companies that were new to the Italian market.

Antistatic Industries Inc, a producer of static electricity prevention products used in cleanrooms, signed-up for the show soon after receiving an information package from OMMI and the

Commercial Service (CS). Mr. Joseph Kaye, President of Antistatic, believes that an Industry Sector Analysis (ISA) report provided in the package was especially helpful for locating and targeting key customers and distributors groups. In fact, Antistatic used the contacts listed in the ISA to spearhead a marketing campaign prior to the show.

In the three days of the show, Antistatic had over two dozen visits from distributors. The company also sold over 1,500 anti-static paint and allied products and selected one distributor for representation. "So far, this distributor has given us over \$20,000 in actual business and nearly \$100,000 in quotation for new products," said Mr. Kaye. The firm received immediate responses from the Italian firms on the ISA, many whom were "delighted to have a USA company with its latest technology in our field of static electricity prevention," as stated by Mr. Kaye.

The success of U.S. companies at the show was due in part to the close teamwork developed between OMMI and the CS officers in Milan. OMMI recruited companies and the CS officers in Milan arranged meetings between buyers, distributors and end-users. Companies received seamless service because of the dedication of domestic and overseas officers.

Mr. Kaye stated that "the Commerce Department supported us with appointments, gave us whatever we were short on, helped with the booth

to insure it was set up on time and arranged for improvements to be made for our signs, lighting and display cases." CS Milan also assisted in strategically locating Antistatic in the front of the U.S. Pavilion section near a major corridor. This location was essential to Antistatic's success in attracting over 600 visitors to their booth. The company continues to receive many inquiries from Italian firms and requests from distributors that attended the show.

Between OMMI and CS Milan, over 2,300 potential participants were contacted. CS Milan also conducted a targeted phone and fax campaign to secure appointments for the exhibitors. As a result, 18 one-on-one appointments were scheduled for participants during the three days of the show. Information about participants' products and activity was also published in CS Italy's bimonthly magazine, *USA Trade News*, which has a circulation of over 4,500 among Italian importers.

Microelectronica is the fastest growing exhibition in the electronic components sector, which includes semiconductors and equipment, and, therefore was an ideal venue for U.S. companies. As an international event, the show had 450 exhibitors, including 48 foreign exhibitors. Visitors numbered 11,500, an 8 percent increase over 1998.

Italy represents 12 percent of the total European market for electronic components and also serves as a major trading channel to the entire Mediterranean



Photo courtesy of Tecnoimprese.

Microelectronica 2000 attracted over 11,500 visitors. There were 450 exhibitors, including 48 foreign participants. Microelectronica 2002 will be held May 9-11 in Milan, Italy.

area. The market is expected to follow the worldwide trend of increased demand for semiconductors. Major research institutes estimated a growth rate around 11 percent in 2000.

Valued at almost 3 billion dollars, the Italian market is especially promising for small and medium-size companies. Despite increasing Italian and European production, Italy will continue to import large quantities of electronic components, including semiconductors, mainly microcomputers and microprocessors as well as linear and discrete components. In 1998, total imports of electronic components accounted for approximately 80 percent of the Italian market. The U.S. share of imports was almost 20 percent, with excellent market opportunities in the information and telecommunication as well as automation sectors.

Personal communication applications are the fastest growing segments, driven by both equipment and service suppliers. There is an increase in the use of semiconductors in automotive products such as safety devices (airbags, ABS, collision detection), power steering mechanisms and transmissions that will stimulate strong growth in this sub-sector.

In general, the Italian economy, whose main manufacturing sectors are export-oriented, is a good market for semiconductors. Total imports of semiconductors in 1998 reached 1.5 billion dollars. It is anticipated that the U.S. will remain Italy's number one supplier with approximately 20 percent of 1999 import market share. Best sales prospects for U.S. suppliers remain in areas traditionally dominated by American technology, such as electronic data processing and military industries.

Based on the successes of Microelectronica 2000, both OMMI and CS Milan strongly believe a larger and even more successful U.S. Pavilion can be organized in 2002, as well as in other industrial automation shows in Italy. ■

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NEW OPPORTUNITIES FOR U.S. BUSINESS AS EU RE-VAMPS PROCUREMENT RULES

DETAILS ON PROPOSED CHANGES

by Steve Alley and Maud Labat

Foreign Commercial Service, USEU Brussels

Following lengthy talks with industry, the European Commission proposed in May 2000 a simplification and a reorganization of EU public procurement legislation. Suggested changes aim to facilitate access to public contracts in the European Union for U.S. business. U.S. companies should pay special attention to developments in the telecommunications sector, which shall be excluded from the utilities directive.

In order for the proposal to become law, the Council of Ministers and the European Parliament must review it according to the co-decision procedure, and the Economic and Social Committee and the Committee of the Regions must submit their opinion. The entire procedure can last up to 18 months. However, France, which is currently holding the EU Presidency, is trying to deliver quickly on this issue.

EU PROCUREMENT LEGISLATION

EU procurement legislation currently consists of four directives — services (Directive 92/50/EC), works (Directive

93/37/EC), supply contracts (Directive 93/36/EC), and a fourth directive outlining special provisions for the water, transport, telecommunications and energy sectors (Directive 93/38/EC). Public authorities from the fifteen EU member states have to follow these rules when procuring contracts above certain thresholds. Public companies operating in the water, transport, telecommunications and energy sectors are also subject to these rules.

However, existing legislation is cumbersome, complex and has not yet fulfilled its role of creating a single, EU-wide market for major contracts. Whereas public procurement represents 11 percent of the EU GDP, contracts published in the *EU Official Journal* only amount to one percent of the EU GDP.

The need to simplify, rationalize and modernize existing procurement legislation prompted the Commission to publish its first communication on "Public Procurement in the European Union" in 1996. On the basis of its communication and the more than 300 comments it received from industry, the Commission issued in May 2000 its proposal to re-organize EU public procurement legislation.

AIM OF THE REFORM

Proposed changes aim to fulfill a three-fold goal. First, to simplify existing procurement legislation by merging the supplies, services and works directives, and rationalizing existing thresholds, while continuing to abide by the Communities' international engagements. Second, to modernize the legislation by introducing means of electronic communications and taking into account the evolution in the liberalization of national markets. And third, to allow for greater flexibility for European contracting authorities by eliminating excessively rigid procedures.

EU CLARIFICATION OF THE WORKS, SUPPLIES AND SERVICES DIRECTIVES

Merger into One Directive: Contracts in works, supplies and services are currently regulated under three different directives. The Commission proposal aims to merge these three Directives into one.

Rationalized Thresholds: As a result of the merger, rationalized thresholds would apply to works, services and supplies contracts. A single threshold

of 5.3 million euros would apply to all contracts and concessions in the area of public works, whereas two thresholds of 130,000 euros and 200,000 euros, depending on whether the contracting authority has the status of a central or of a non-central authority would apply to supplies and services. For supply and service contracts subject to the amended utilities directive, the new thresholds would be 400,000 euros. All contracts with a value equal or higher than the above-mentioned will have to be awarded according to EU procurement legislation, and published in the *EU Official Journal*.

EXCLUSION OF TELECOMMUNICATIONS FROM THE UTILITIES DIRECTIVE

Whereas full liberalization had not been achieved in the telecommunication, water, energy and transport sectors when Directive 93/38/EC was passed, the Commission now considers

without operating them will do so according to the new services, supplies and works directive; nevertheless, if the contracting authority is an entity operating in an area covered by the utilities directive (i.e., transport, energy and water), it will procure according to the utilities directive;

- contracting authorities, when they are procuring equipment with a view to “provide or exploit public telecommunications networks or . . . provide one or more public telecommunications services” are not subject to either directive. This case is rather rare in the EU.

Technically, the exclusion of telecoms from the utilities directive is not new. The Commission had issued an interpretative communication in May 1998, which pointed out that, since most member states had achieved full competition in the area of telecommunications, and given the provisions of Directive 93/38 in this regard, telecoms were to be excluded from the

CLARIFICATION OF TENDERS

Award Criteria: Contracting authorities, when issuing a contract notice, must currently list award criteria in descending order of importance “where possible.” In order to clarify the importance attached to each award criterion, the Directives will be amended so as to make it mandatory to state the relative weighing of each criterion.

Introduction of Performance Criterion: Whereas current tenders refer to European or national standards, the new proposal aims to introduce the possibility for purchasers to specify their requirements in terms of performance levels, while maintaining the optional possibility to refer to European standards.

INCREASED FLEXIBILITY FOR CONTRACTING AUTHORITIES

The Commission proposes to reinforce the existing negotiated proce-

“THE IMPACT OF THE DIRECTIVES FOR BUSINESS IS GENERALLY POSITIVE, BOTH IN TERMS OF MARKET ACCESS AND INCREASED EXPANSION OPPORTUNITIES.”

that the telecommunication sector is fully competitive. The new proposal thus excludes telecoms from the utilities directive. The proposal provides a mechanism for the exclusion of sectors such as water or energy, once liberalization is completed in these areas.

There are three implications to the exclusion of telecoms from the utilities directive:

- public or private telecoms operators will not have to follow procurement rules when awarding contracts;
- national, regional and local governments procuring goods and services in the area of telecommunication

Utilities directive. A lack of legal certainty followed the publication of this communication. Communications have no legal value compared to the Treaty and Directives, and are solely designed for the Commission to interpret existing legislation. Nevertheless, the existing procurement legislation calls on the Commission to issue a communication when it feels that there is sufficient competition in a market. The situation is now clarified with the 2000 draft directive. Companies should note that, although purchases in the energy sector remain subject to the utilities directive, the process for the exclusion of electricity has already started.

cedure by introducing a dialogue between contracting authorities and suppliers in cases where the purchaser is objectively incapable of access in advance what the best technical solution is to satisfy its needs. In such cases — for example high technologies — and after having published a notice which states qualitative selection criteria as well as award criteria, the contracting authority may ask candidates to provide an outline solution explaining how they intend to respond to the purchaser’s needs. Based on this information, as well as on further confidential contacts with the potential suppliers, the contracting authority will define its final technical specifications and issue the tender notice.

The Commission proposal foresees a new kind of agreement to allow product development and price changes in constantly evolving areas such as high technologies. These “framework agreements” would be used to identify potential suppliers for future needs in accordance with the principles of the directives upon which they would be based. When the contracting authority has to make a purchase, it will consult those suppliers which are party to the agreement, re-open a tender and award the contract to one of these bidders. The issue of framework agreements is bound to be hotly debated in the Parliament and the Council, as some EU member states feel that some companies may be excluded during the first selection stage.

NEW ELECTRONIC PURCHASING MECHANISMS

The Commission proposal foresees placing electronic means of communications on an equal footing with other means of communications. When these means are in place, the Commission envisages to shorten deadlines dramatically for the publication of notices. Deadlines would be shortened by five days when tender documents are available electronically, and by seven days when the entire tendering procedure is published electronically. The lapse of time between the issuance of a tender notice and the deadline to turn in bids would now vary from 14 to 24 days. Companies should note that these are calendar days.

COMMON PROCUREMENT VOCABULARY

The new proposal also foresees the adoption of a revisited Common Procurement Vocabulary, which will have legal value. It should be adopted much more quickly than the directives themselves. The new standardized form will easily be accessible through the electronic procurement site launched by the European Commission, SIMAP, www.simap.eu.int.

IMPLICATIONS FOR U.S. BUSINESS

Although the directives presented by the Commission in May 2000 are only in draft form and should undergo changes during discussions in the European Parliament and the Council, companies should be aware that some, if not most, features of the draft directives will be present in the new EU procurement legislation. The impact of the directives for business is generally positive, both in terms of market access and increased expansion opportunities. However, companies should be aware that problems may arise as to the protection of intellectual property rights, and the confidential treatment of data.

■ Better Access To Procurement Information in the EU

Electronic means of purchasing will allow U.S. business to compete efficiently and in real-time with locally based companies.

■ Bidding Made Easy!

Reference to standards will only be optional, which means that U.S. business will not have to compete on the ability to comply with EU standards but on the quality of its service. In addition, the obligation placed on the Contracting Authority to underscore salient award criteria in the tender notice will allow U.S. firms to place more relevant and competitive bids.

■ Access to the EU market for U.S. telecommunications companies

Companies, whether public or private, operating in the telecommunications sector will not be subject to EU procurement law when purchasing their telecommunications services (i.e., voice telephony, telex, mobile telephone, paging and satellite services). As a result, U.S. business will be able to compete for markets without having to reply to public tenders and to follow cumbersome tendering procedures.

■ Increased opportunities for U.S. business through the new negotiated procedure

U.S. companies with ground-breaking technology will stand better chances to win tenders under the revised negotiated procedure, which allows contracting authorities to discuss their needs with potential suppliers before issuing specifications. Companies should contact ShowCase Europe Commercial Specialist Martin Whitehead, Tel: (32 2) 508-2624 for further details in their sectors. ■

NOTE

This article outlines the salient features of the Commission proposal. The proposal will undergo some changes as it is discussed in the European Parliament and the Council of Ministers.

In addition, companies should be aware that Council Regulation 1461/93 remains valid regardless of the changes to EU procurement legislation. This Council Regulation obliges a certain number of public authorities to reject tenders made by suppliers, contractors and service providers established in and operating from the United States for contacts below the GATT Government Procurement Agreement thresholds (Euro 125,576 for supply contracts, Euro 200,000 for service contracts and Euro 5,000,000 for works contracts, net of VAT). Council Regulation 1461/93 does not affect tenders published in the EU Official Journal and in the Tenders Electronics Daily (TED) since these tenders are all above GPA thresholds.



E-Exports

Connecting U.S. Business to Global Digital Opportunities

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E-SERVICES

Video Gold Key Service

Objective: Identify and meet with pre-qualified international partners via videoconference

- ★ 3–4 scheduled meetings with pre-screened business partners
- ★ Industry briefing with trade professionals
- ★ Face-to-face meetings with potential partners via videoconference
- ★ Save time and travel expenses

www.export.gov

Objective: Provide the best .GOV site for the .COM world

- ★ Information available on all of the U.S. Commercial Service's products and services
- ★ Links to export information resources including the *Basic Guide to Exporting*
- ★ Free access to international market research, country commercial guides, and trade leads
- ★ Calendar of trade shows, trade missions, and other important events related to international business both in the United States and overseas
- ★ Direct links to U.S. Commercial Service offices worldwide

E-Expo USA

Objective: Provide your firm international web exposure with promotion through the global U.S. Commercial Service network

- ★ Your company including logo and product images, features on <http://e-expousa.doc.gov>
- ★ International market exposure 24 hours a day, 365 days a year
- ★ Trade leads sent directly to you
- ★ Virtual exposure at high-profile international trade shows

Video Marketing Briefing

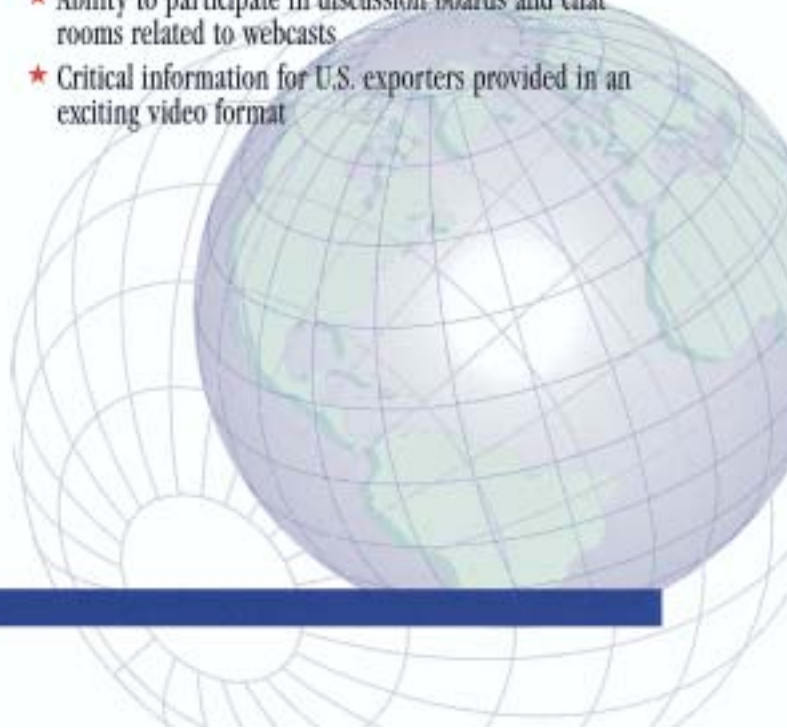
Objective: Through videoconference, properly identify and evaluate key dynamics of a specific market prior to formal entry

- ★ Customized market analysis for your products and services
- ★ Videoconference with local trade and industry professionals to discuss opportunities
- ★ Direct answers to your industry questions
- ★ Real-time market entry evaluation

Webcasting

Objective: Gain valuable business intelligence from video programs broadcast over the Internet and targeted at your information needs

- ★ Audio and streaming video presentations available through <http://www.export.gov>
- ★ Available for viewing at your convenience: 24 hours a day, 365 days a year
- ★ Ability to participate in discussion boards and chat rooms related to webcasts
- ★ Critical information for U.S. exporters provided in an exciting video format



■ PUTTING STATES AND THEIR BUSINESSES ON THE WORLD MAP

DETAILS ON PROPOSED CHANGES

by Douglas Barry

Commercial Service

You no longer need to be a CEO of a Fortune 500 company to join a trade mission bound for promising markets in other countries. Today, owners of small businesses with products or services that someone outside the U.S. wants to buy can join a trade mission sponsored by chambers of commerce, trade associations, the Department of Commerce, and now—their state government.

Why is the number of missions soaring and where are they going?

With economic output the size of large European countries, states such as Texas and California have profited greatly from international trade. It should come as no surprise that other states, including those with smaller economies, have a lot to gain by hopping on the globalization bandwagon and increasing their exports by using an array of measures, including trade missions. As barriers to global trade continue to fall, state officials say they are likely to organize more trade missions and business promotion events.

HERE, THERE, & EVERYWHERE

Plenty of help is available to identify the best markets, recruiting companies

and rounding up eager buyers before the plane takes off. A number of states regularly partner with the Commerce Department's Commercial Service to support trade missions and provide related assistance. The Commercial Service helps businesses in all 50 states and has offices in 48. The Commercial Service has formal partnerships with 12 states.

In October, the Commercial Service supported a trade mission to Africa led by Maryland Governor Parris Glendening as well as providing assistance to Alaska Governor Tony Knowles and a delegation of seafood companies to Hong Kong. In November, Governor Gray Davis of California lead a mission to Beijing and Shanghai. During the same month, Governor Argeo Paul Celluci of Massachusetts took a mission to Tokyo and Hokkaido, Japan, followed by Sydney and Melbourne, Australia. In early December, Governor Tom Ridge of Pennsylvania will go with a delegation to Brazil, Argentina and Chile. All will receive assistance from the Commercial Service.

Last year, the Commercial Service helped Florida organize a highly successful mission to Mexico. Led by Governor Jeb Bush, the 300-member mission representing 97 Florida companies was the largest event ever

mounted by a single state. Manny Mencia, executive director of Enterprise Florida, the state's recently privatized non-profit economic development agency, says that state assistance to Florida companies resulted in exports worth \$190 million in 1999, up from \$14 million in 1995.

A large percentage of the Florida trade mission participants reported making sales. Florida Solar Energy sold equipment worth \$100,000 and expects substantial follow-on sales. The firm's President, Guy Betten, said he was very pleased with the quick return on investment. "This was the best trade mission that I've ever been on," he said.

Enterprise Florida and the Commercial Service have co-hosted dozens of trade events, including a successful mission to Brazil last summer which coincided



Florida Governor, Jeb Bush tours the Enterprise Florida 2000 exhibition in Brazil.

Photo courtesy of Enterprise Florida.

with a trade show called Expo Florida. The joint mission and trade show generated \$7.1 million in sales for the participating companies, with an additional \$20 million projected over the next year.

More recently, Florida has mounted missions to Argentina and Chile. Another mission to South Africa is planned for early next year. "Florida has identified trade as a real engine of economic growth and is pursuing it aggressively," said John McCartney, Director of the U.S. Commercial Service's Export Assistance Center in Florida. "They are placing new emphasis on services—architecture, engineering, legal and financial business consulting—and our worldwide network is well positioned to help create new sales."

A STATE WITH A MISSION

Creating a successful trade mission for Florida businesses takes a lot of work.

First, countries are selected to visit. Specific business sectors are identified as the focus of the mission. These sectors can include services, telecommunications, computer equipment and food products. Missions can have an industry theme, such as travel and tourism, or they can include any business that has something to sell under a banner promoting the state's companies. California recently organized a mission to Mexico, which was called California 2000. Participants on that mission sold products worth more than \$1 million, signed 14 distributor and other agreements and generated sales leads worth another \$3.5 million over the next year.

Enterprise Florida, working with McCartney and his staff, then conducts videoconferences with Commercial Service offices in the target countries. The Commercial Service has offices in 157 international locations and many have videoconference capability. These meetings serve to introduce the mission managers and to discuss the objectives of the event. Commercial Service

specialists also provide briefings on the markets to be visited.

Enterprise Florida and the Commercial Service offices then recruit mission participants from among the state's businesses. The World Trade Center Association, Small Business Development Centers and other organizations involved in trade promotion are sources of additional participants. McCartney says that the Mexico mission cost about \$1,500 per participant to cover the business aspects of the mission, including setting up appointments, gathering information on potential buyers and providing translators for business meetings. Airfares, hotels and meals were extra.

Mencia adds that while a total cost of \$5,000 per participant may seem like a significant chunk of investment, companies making this investment are likely to see their sales soar. "Many of our companies have succeeded in getting orders and finding distributors and partners. Having Governor Jeb Bush lead these missions really opens doors for us."

Carlos Poza, a Senior Commercial Officer with the Commercial Service, agrees. "Trade missions led by a governor can be a very cost-effective way of developing business in new markets." Poza, who has served mainly in Latin America, says competing countries such as Spain, Canada and Germany are often more active than U.S. states, and provide their companies with subsidies. "Business delegations from these countries, led by VIPs, are regular visitors to the same countries we are targeting," said Poza. "If our states fail to have a consistent presence, our competitors will have these markets to themselves."

Florida intends to increase its services, especially to small businesses, creating a support system that will boost chances for international sales while lowering costs of entry. The partnership with the Commercial Service contributes to these goals by matching individual



North Dakota governor, Edward T. Schafer meets with Xu Kang Di, mayor of Shanghai during a recent trade mission.

Photo courtesy of CS Shanghai.

companies' needs with those of prospective buyers and partners in the target market. For example, Commercial Service offices will identify a handful of buyers and screen them according to needs, reputation in the market, financial health and more. Market research conducted by Commercial Service experts helps determine best pricing and distribution strategies.

According to the Commercial Service's Poza, this combination of knowing the key players in the market, knowing the market and the third-party reputation and cachet of the U.S. government provides a major competitive advantage to U.S. companies. "Buyers in other countries are excited by U.S. products," said Poza. "Assuming we can compete on price, companies traveling under their states' flag can do very well around the world."

Does all this mean that every business should sign up for the next trade mission sponsored by their state? Veteran trade mission participants and organizers say no. Developing international sales should fit into a firm's long term strategic plan. A trade mission is a means to an end. Putting a state and its companies on the world map takes time, patience and hard work. ■

For more information regarding State-led trade missions, contact your local Export Assistance Center. Contact information is listed on the back cover of the magazine.

ASK THE TIC

CE MARK CERTIFICATION FOR U.S. PRODUCTS

by Phil Combs

Trade Information Center

Special thanks to Bob Straetz, Office of European Union and Regional Affairs and Sylvia Mohr, U.S. Mission to the European Union

By 2004, an estimated one half of all U.S. exports to the EU will require the CE mark (Conformite Européenne). The CE mark indicates that a company has met essential health and safety requirements for a wide range of products, including machinery, electronics, medical devices and telecommunications equipment. All companies selling products within the EU must meet CE mark requirements in order to sell their product. CE mark product certification is crucial for U.S. companies exporting to Europe. Below are questions designed to help U.S. exporters understand the CE mark



WHAT IS THE CE MARK AND WHAT IS ITS PURPOSE?

The CE mark is an indication that a company has met the essential health, safety and environmental requirements detailed in 22 European Union directives covering an array of products, including electronics, machinery, simple pressure vessels, telecommunications, medical devices, toys and others. Once a company has met these requirements, it can affix the CE mark to its products and sell them throughout the European Union without having to make separate product modifications in each EU country to which it is selling.

The purpose of the CE mark is to harmonize health, safety and environmental regulations in order to facilitate trade and ensure a baseline level of consumer safety among EU member states. If a company fails to meet CE mark requirements, its product can be held up by European customs at the point of entry and returned to the United States. If the non-CE marked product makes it through customs, CE mark enforcement officials in each member state could discover the violation while making routine checks at manufacturing centers or in stores. These enforcement agents might also discover a product in non-conformance with the CE mark after investigating an accident or in acting on a competitor's complaint. Initial CE mark violators are usually penalized by fines. Repeated violations can lead to a product being banished from the European market.



WHICH PRODUCT GROUPS DO THE CE MARKING DIRECTIVES COVER?

It is estimated that about half of all U.S. merchandise goods exports to the EU will be affected by these directives when the CE mark program is fully implemented.

The adopted CE mark (or New Approach) directives cover the following product groups: Active implantable medical devices, electrical equipment for use in explosive atmospheres, cableway installations for passengers, civil uses of explosives, construction products, electromagnetic compatibility, energy efficiency for household refrigerators and freezers, energy labeling, gas appliances, hot water boilers, in-vitro diagnostic medical devices, elevators, low voltage, machinery safety, medical devices, noise emission of outdoor equipment, personal protective equipment, pressure equipment, radio and telecommunications terminal equipment, recreational craft, satellite earth station equipment, telecommunications terminal equipment and toy safety. New Approach directives on packaging, packaging waste and marine equipment do not require the CE mark.

The one CE mark directive not yet approved by the EU is the measuring instruments directive which should be adopted sometime in 2002.

Almost all of the adopted CE mark directives are mandatory, meaning companies must meet the requirements of the directives in order to sell their products in Europe.



CAN U.S. COMPANIES SELF-CERTIFY FOR THE CE MARK?

Most products covered by the New Approach directives can be self-certified by the manufacturer. To self-certify, the manufacturer must assess the conformity of the products to the applicable directives and standards. Below is an attempt to clarify the process through five steps.

Step 1: Identify the directives and standards that apply to your product. A list of directives, standards and harmonized standards giving presumption of conformity is maintained on the New Approach web site, www.newapproach.org.

Step 2: Make sure that your product is one that can be self-certified. While most products can be self-certified, there are some that cannot. Certain high-risk products may not be self-certified. High-risk products include dangerous machines (as defined in Annex 4 of the Machine Directive), simple pressure vessels, gas appliances, and medical devices. These products require testing by an EU-affiliate lab in the U.S. that is connected to a notified body. Many U.S. testing houses act as subcontractors for the EU notified bodies. A list of notified bodies (EU-based test labs) can be located on the EU Europa web site. The list of

notified bodies and the list of test houses in the U.S. that subcontract to EU notified bodies can be obtained through the Commerce Department.

Step 3: If your product cannot be self-certified, obtain a test result from a lab confirming that the standards were met. It is only necessary to use an EU-affiliated lab within the United States if your company does not already abide by European standards. If the company uses European standards, it can use any lab that has the equipment to test to those standards. While the use of European harmonized standards is not required, applying EU standards is the best way to meet the requirements of the CE Mark directives.

Step 4: Establish a technical file documenting that your product conforms to the CE Mark directive. The main component of the technical file is the lab report showing that your product conforms to the European standard. Operating instructions are also part of the technical file.

Step 5: Create a Declaration of Conformity. Once the company has received the lab certificate, it is their responsibility to fill out a Declaration of Conformity indicating that the product has met CE mark requirements for any applicable directives. There is not a specific form that must be used for the Declaration of Conformity. However, a declaration must include the manufacturer's name and address, the model and serial number of the product, the CE marking directives that apply to the product, the European standards used and the signature of a company official showing that the company assumes liability for the safety of the product in the European market. The Department of Commerce's Office of European Union Affairs has sample conformity declarations available upon request.

After the Declaration of Conformity has been prepared, the manufacturer may affix the CE mark to the product. The manufacturer or its authorized representative must then be able to provide the Declaration of Conformity together with the technical file if requested by the appropriate member state authorities.

A Follow-up Step: Stay current on new standards coming into play on your products. A major challenge for U.S. firms is to stay current on new standards in force for their products. For example, the European standards organizations have developed some 750 standards for the low voltage directive and 175 standards for the electromagnetic compatibility directive (EMC). Not only are new standards being issued, but also these new standards, in some cases, have replaced standards that companies may have met earlier. U.S. companies that use EMC or low voltage standards that have been replaced are considered to be non-compliant with CE mark requirements. U.S. companies can keep abreast of any changes by consulting the New Approach and European Union websites listed at the end of the article.



WHAT IS THE COMMERCE DEPARTMENT DOING TO HELP U.S. COMPANIES GET THE CE MARK?

The Commerce Department has information packages for each CE mark directive available to U.S. companies. These CE mark packages contain the applicable CE mark directive, the updated list of standards, instructions on how to meet CE mark requirements, a list of labs in the U.S. (some EU-affiliate labs and some non-EU labs), a sample declaration of conformity, guides explaining the directives and other information, such as what goes into a technical file and a CE mark overview with the complete list of CE mark directives. To request an information package, contact the Commerce Department's Office of European Union Affairs, whose address and telephone number appear at the end of the article.



WHERE CAN I FIND MORE INFORMATION ON THE CE MARK?

The following web sites provide information on CE marking: www.newapproach.org (CE mark directives and the updated list of standards).

www.europa.eu.int/comm/enterprise/newapproach/standardization (Principal EU website).

www.eurunion.org/legislat/index.htm (Delegation of the European Commission to the United States. Choose the "standards" option).

http://europa.eu.int/eurlex/en/dat/2000/c_292/c_29220001013en00010204.pdf (List of notified bodies, that is, the EU-based test labs).

www.conformance.co.uk/CE_MARKING/ce_content.html (UK-based consulting firm providing valuable content).

<http://tradeinfo.doc.gov> (Select Europe for general information on exporting to Western Europe).

In addition, the following contacts within the Department of Commerce are valuable sources of information:

■ Trade Information Center, Phil Combs or JoAnn Queen; Tel: (800) USA-TRAD(E), Email: TIC@ita.doc.gov

■ Office of the European Union and Regional Affairs, Bob Straetz, CE mark specialist; Tel: (202) 482-4496; Fax: (202) 482-2897.

■ U.S. Mission to the European Union, Suzanne Sene & Sylvia Mohr; Tel: (32 2) 513-2674 or 2675; Fax: (32 2) 513-1228. ■

The Trade Information Center (TIC) is operated by the International Trade Administration of the U.S. Department of Commerce for the 20 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 1-800-USA-TRAD(E) toll free, Monday through Friday, 8:30-5:30. Or visit the TIC's website at <http://tradeinfo.doc.gov>.



■ EXPORTING U.S. MANUFACTURED HOUSING

by Patrick MacAuley & Pat Smeller

Trade development

Factory-built housing has come a long way since its early trailer park days back in the 1950's. Dramatic advances in design and technology have transformed these once small, creaky single-sectioned mobile campers into attractive, spacious, multi-sectional family dwellings that anyone would be proud to call home.

In 1999, U.S. manufacturers exported \$72 million in prefabricated homes and housing trailers to more than 60 countries, according to U.S. government statistics. Sales destinations included Japan, Canada, Mexico, Nigeria, Korea, Guatemala, Jamaica, the Netherlands, Great Britain, Germany and Australia. A recent export survey conducted by *Automated Builder*, a respected industry journal, showed that more than 10 U.S. companies had gross export sales of at least \$500,000 during the past year. The same survey revealed a strong desire among America's professional homebuilders to expand into export markets.

Though export sales currently represent only a tiny fraction of the \$15 billion U.S. manufactured

housing industry, the potential in overseas markets is considerable. The Forest Products & Building Materials Division of the U.S. Department of Commerce believes that, with strategic planning and proper due diligence, U.S. companies can substantially increase U.S. export sales in several developed and emerging markets.

Housing is a highly-varied product, and this is reflected in the many model types being marketed by U.S. exporters of manufactured housing. While one company successfully exports kits for prefabricated "American-style subdivision" homes, another may find it more profitable to export log homes or steel metal-based housing. Markets — i.e. target customers — are just as varied as types of housing. Some companies are

MANUFACTURING HOUSING CONCEPTS & TERMS

Nearly all houses built today in the United States contain some prefabricated components such as roof trusses, floor trusses, pre-hung doors, windows, etc. The site-built or stick-built housing industry has long realized that utilizing ready-made components for selected parts of the house results in a significant saving of time and money in overall construction.

PREFABRICATED HOUSES are assembled from components that are manufactured in an enclosed central production facility. The assembled structures are either fabricated in the factory into an almost-complete module (a modular house) or the components are transported for assembly to the construction site (panelized, pre-cut or log homes).

MODULAR STRUCTURES are the most sophisticated and complete of all types of prefabricated buildings, being about 95 percent complete when they leave the factory, complete with interior and exterior walls, wiring, plumbing, insulation, windows/doors, kitchen/bathroom appliances/fixtures, heating and cooling equipment, water heater and all other mechanical items. The entire set-up process usually takes only a few hours and all finish work on the building is completed in less than two weeks.

An important type of modular housing is **HUD-CODE MANUFACTURED HOUSING**, often called mobile homes. The construction and installation of these units are controlled by the Department of Housing and Urban Development's National Manufactured Housing Standard, the only national building code in the United States. (Excluded from this category are manufacturing housing units made to either state or local building codes, that are usually referred to as panelized or modular prefabs.) Manufactured housing units (mobile homes) are shipped as single-section units or as single-wide sections of multi-section structures. Most are built for housing purposes but some are made for light commercial use, such as offices, clinics, or classrooms.

PANELIZED BUILDINGS are the most popular type of prefabricated structure for both domestic and international sales because of ease of transportation via containers. Design flexibility, cost reduction advantages, and improvements in quality control are just some of the advantages of using this system for both housing and light commercial applications. Wall panels, some including doors and windows, are ready for assembly immediately after delivery to the building site. Addition of the roof and completion of the building exterior takes only a few days.

The **PRE-CUT BUILDING** is the most basic type of manufactured structure requiring the least amount of factory fabrication. All of the wooden structural members of a building are pre-cut at the factory with each component numbered or coded to key it to a set of assembly instructions or blueprints. The structural members, plus all of the other materials needed to build a structure such as sheathing, siding, roofing, windows, doors, etc., are then shipped to the customers building site. Manufacturers also produce factory-made Log Home kits and the Dome or Geodesic form that encloses the greatest amount of volume with the least amount of surface area.

trying to produce mass housing for ill-housed poor or disaster victims. Other companies produce housing intended for more affluent customers or for Americans living abroad. Regardless of the housing type and clientele, doing one's homework, especially for new-to-market exporters, is essential.

WOOD & STEEL HOUSING

Though wood-based houses comprise the overwhelming majority of residential, single-family housing in the U.S., they have had a much more difficult time gaining acceptance in other parts of the world. For this reason, several U.S. companies have been experimenting with steel-based housing designed specifically for export markets. Steel-based housing is not common in the U.S. due to the high cost of retraining labor. However, considerable research and development has been completed, and several companies have been marketing components as well as complete homes.

The U.S. government and several industry organizations have undertaken an organized effort to increase exports and to encourage consumption of steel-based housing abroad. One purpose of this effort is to assist the U.S. steel industry, which has heavy competition from imported raw steel. This initiative is especially focused on countries such as China, that have ample steel but an aversion to wood-framed housing.

Although pre-engineered metal buildings are very common for non-residential buildings such as warehouses and gas stations, they are not common in single-family housing in the United States. Most of the steel alternatives to wooden housing would simply replace wooden two-by-four studs with galvanized steel studs of the same size. This would allow use of most other building products with little or no modification, and steel-framed homes would look virtually identical to consumers.

An alternative to steel housing utilizes load-bearing metal panels instead of

two-by-four framing. At least one U.S. company is marketing these homes to tropical, less-developed countries that are hesitant to use wood because of termite and cultural considerations. Since those countries do not have a history of two-by-four construction, it is believed that modular panels are more likely to win acceptance.

SELECTED COUNTRY MARKETS

Demand for manufactured housing in any given country often depends on several factors, including price competitiveness, quality, and marketing efforts. Japan, Canada and Mexico, the top three trading partners, of the United States have been the best international markets for manufactured housing in recent years. China, the U.S.'s fourth largest trading partner, has been included due to the tremendous potential of its market. The following list of country markets is by no means exhaustive.

JAPAN

The Japanese housing market is of leading interest to U.S. housing manufacturers because it is large, affluent and receptive to wood-based housing. Japanese homes have traditionally featured post-and-beam construction rather than U.S.-style two-by-four construction, but there is considerable interest in two-by-four construction, and about 16 percent of new Japanese homes use this method. The Japanese Ministry of Construction and other agencies have been working with the United States in a joint effort to reduce Japanese housing costs by removing unnecessary barriers to U.S. products and technology. A principal achievement has been to streamline the certification process for U.S. prefabricated housing. In addition, artificial restrictions on some of the U.S. products typically found in prefabricated housing have been eased.

CANADA

Canada is among the best markets for U.S. manufactured prefabricated hous-

ing, due to its geographic proximity and similar consumer tastes. However, Canada is the home to many of the world's most competitive manufactured housing companies, particularly in Quebec Province. Currently, the exchange rate of the Canadian dollar to the U.S. dollar is unfavorable for U.S. housing manufacturers selling to Canada. Even so, exports in 1999 were \$16 million, and if the Canadian dollar strengthened, this amount could surge.

MEXICO

Mexico, is a leading trading partner with the U.S. and a member of the North American Free Trade Agreement (NAFTA). Mexico is a natural market for prefabricated housing. In 1998, the U.S. accounted for 88 percent of Mexico's exports and provided 74 percent of Mexico's imports. Both countries' exports to each other set records in 1997 and 1998. U.S. companies new to exporting can keep business development costs down by taking advantage of Mexico's close proximity to the U.S. Significant numbers of American retirees, major consumers of prefabricated homes, reside in Mexico. Eighty-five percent of U.S. goods now enter Mexico duty-free. Remaining tariffs on U.S. goods are between 5 and 20

percent. For NAFTA exporters, tariffs will be phased out by January 2009 or earlier.

New-to-export U.S. firms may wish to start with Monterrey, the capital of the northern state of Nuevo León on the U.S.-Mexican border with Texas. The economic climate has been improving at such a rate that local business representatives have expressed concern over the lack of housing for workers and the effect that might have on production.

CHINA

At this time, exports of prefabricated housing and building products generally are at fairly low levels. However, given China's vast potential, the U.S. government and private business are together making considerable efforts to promote U.S. goods and services in this market. Some of the special considerations that are faced by prefabricated housing manufacturers are: unfamiliarity with U.S. construction techniques, Chinese government policies discouraging wood-based housing and the vast disparity between U.S. and Chinese labor cost. The policies discouraging use of wood framing are being addressed by the China Housing Initiative while some



DAS for Basic Industries, Alan Bowser, led a delegation of U.S. housing companies to China. The mission resulted in several million dollars in sales.

Photo courtesy of CS Shanghai



Photo courtesy of NAHB

This year's International Housing Exhibition of the NAHB attracted 72,000 visitors, 7,000 of which were foreign representatives. The 2001 exhibition will be held in Atlanta in February.

companies are skirting the problem by considering steel-framed housing. Because of the much lower wage rates in China, several companies plan to eventually do much of the panel manufacturing in China, although they would presumably bring in much of the lumber and components from the U.S.

China's rapid economic growth is enabling its citizens to improve their living conditions, and, over the next generation, China is expected to invest hundreds of billions of dollars in new housing. To empower Chinese consumers to benefit from U.S. housing technology, the U.S. and Chinese governments have formed the U.S.-China Residential Building Council (RBC). As part of the initiative, there have been two cabinet-level meetings of this council and an advisory council of businesses and other organizations from the U.S. and China have also met. Several trade missions, both to China and the U.S., have been conducted and the initiative is gathering momentum.

Recognizing China's growing demand for high-quality building materials and technology, the National Association of Home Builders (NAHB), Commerce's Forest Products and Building Materials Division, and the Chinese Ministry of Construction are organizing a confer-

ence to coincide with China Build 2001 (Nov. 6-9, 2001 in Shanghai), China's premier construction and building materials trade event. U.S. companies can take advantage of an NAHB-organized U.S. building technologies pavilion, which can serve as an excellent springboard into the lucrative Chinese market. Of course, Shanghai, with its booming economy and population of 9.4 million, itself holds tremendous potential for new-to-market U.S. firms.

CHINA HOUSING INITIATIVE

The U.S.-China Housing Initiative was launched during President Clinton's trip to China in July 1998. The President recognized the housing needs of China and the ability of the U.S. housing industry to provide high quality goods and services by expressing his support of a cooperative approach between the United States and China in the realm of affordable, quality housing.

The U.S.-China RBC was formally established by the Memorandum of Understanding between the Ministry of Construction of the People's Republic of China and the Departments of Commerce and Housing and Urban Development of the United States

to formulate and implement the U.S.-China Housing Initiative.

The Council's primary objectives are to focus on developing the residential housing markets, residential construction and rehabilitation and housing finance systems in China. Members of the Council consist of U.S. and Chinese representatives from construction, housing policy and finance sectors. They assist China in generating and expanding affordable housing markets by assimilating American building technology into the construction of Chinese homes.

In President Clinton's announcement, he called for the Initiative to promote new technologies and energy-efficient materials to build sturdy and affordable homes. U.S. resources and experience in the housing industry are essential in order to support the Chinese Government housing reforms. The U.S.-China Housing Initiative is focused on the broad categories of housing construction and housing finance.

As China's housing reforms advance, citizens have greater freedom of choice that stimulates demand for quality housing, building materials and fixtures. The increased demand for private housing generates an unparalleled opportunity for U.S. companies to expand into China's growing housing market. The U.S.-China Housing Initiative is meant to facilitate China's housing reform goals and generate U.S. exports of building materials to China. Regulatory reform in land pricing and ownership, building codes and standards, and other areas is critical to widespread home-ownership and the development of a vital housing industry.

The U.S.-China Housing Initiative has spurred many U.S. firms to enter into or expand their business dealings in the Chinese housing market. The Chinese have expressed a keen interest in importing U.S. products making up structural systems, mechanical systems, electrical systems, decorative goods,

and especially energy-efficient, environmentally-friendly products.

The market potential for housing construction and building materials in China is enormous. During the next three years, Government officials plan to increase spending on new homes by 15 percent. The elimination of state subsidies for housing, the establishment of a low-interest loan fund and local tax breaks for home purchases have led to greater demand for affordable housing.

State economic reforms designated the building materials industry as an engine of economic growth in 2000. Housing reforms are expected to continue and to positively affect GDP by stimulating the consumption of home furnishings and fixtures, providing more jobs and strengthening demand for infrastructure to support new housing developments.

Prefabricated housing has been gaining in popularity in the United States and has also been expanding into overseas markets. This is mostly because of lower transportation costs and improvements in styling and engineering technology. Acceptance of American-style housing and prefabricated homes is also contributing to the growth of the export market. All of these factors, taken together, create more lucrative opportunities for exporting prefabricated homes. In order to maximize export opportunities, manufacturers can take advantage of services provided by trade associations and the Department of Commerce to improve their market research and satisfy diverse world-wide markets. ■

The International Trade Administration (ITA) of the U.S. Department of Commerce is an excellent starting point for any U.S. business interested in exploring international markets. U.S. companies are highly encouraged to explore the vast wealth of information contained in ITA's website www.ita.doc.gov. Two important departments within ITA that every exporter or potential exporter should become acquainted are:

Trade Development (TD) This is the place for industry specific needs. TD's industry expertise, spans the gamut of U.S. business sectors — from basic manufacturing to high technology and service exports. For exporters and potential exporters of prefabricated housing, contact the Forest Products & Building Materials Division of Basic Industries.

The U.S. & Foreign Commercial Service (US&FCS) The overseas arm of the Department of Commerce, US&FCS's more than 1,700 professionals promote and protect U.S. business interests around the world. The Commercial Service's worldwide network includes offices in more than 100 U.S. cities and at more than 80 overseas posts. This presence brings professional trade assistance to U.S. firms both domestically and in more than eighty cities internationally.

CONTACTS

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THE U.S. COMMERCIAL SERVICE

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UPCOMING TRADE EVENTS

FEBRUARY - SEPTEMBER 2001

DATES	EVENT	LOCATION
Feb. 4–11, 2001	MEDICAL DEVICE TRADE MISSION The Office of Microelectronics, Medical Equipment and Instrumentation is leading a medical device trade mission for U.S. firms interested in entering the Indian market. The mission will focus on opportunities for high-technology medical and dental devices, plus related supplies and laboratory products.	New Delhi, Chennai, and Mumbai, India
Feb. 6–9, 2001	EXPO COMM MEXICO 2001 EXPO COMM MEXICO is one of the largest telecommunications equipment events in Mexico.	Mexico City, Mexico
Feb. 20–23, 2001	WOODMACH CHINA 2001 WOODMACH CHINA 2001 will feature the wood products and furniture industries.	Shanghai, China
Feb. 21–25, 2001	BIT 2001 BIT is the most important tourism show in Italy and one of the most important shows in Europe. The U.S. pavilion at BIT is organized by the Italian Visit USA Committee and the U.S. & Foreign Commercial Service in Milan. In 1999, 35,000 professionals and 66,000 general visitors attended BIT. Total exhibitors were 5,322, of which only 55 were U.S. companies.	Milan, Italy
Mar. 3–7, 2001	ITB BERLIN ITB Berlin is the world's largest travel and tourism trade event, attracting more than 7,434 exhibitors from 189 countries. Last year, 111,801 visitors attended and 402 U.S. exhibitors participated.	Berlin, Germany
Mar. 6–9, 2001	GUADALAJARA GOLD 2001 GUADALAJARA GOLD 2001 is a trade mission for U.S. firms seeking agents, representatives and distributors in northwest Mexico.	Guadalajara, Mexico
Mar. 6–9, 2001	EXPO COMM VENEZUELA EXPO COMM VENEZUELA will focus on the information technology and telecommunications industry.	Caracas, Venezuela
Mar. 14–17, 2001	TAU EXPO TAU EXPO is one of the most important environmental shows in Europe. In 1999, this biannual show featured 500 exhibitors, and had over 40,700 visitors, of which 3,500 came from 53 foreign countries. The Italian market for environmental products, technologies and services is very promising. The U.S. is Italy's largest supplier. By participating in TAU EXPO, small and medium-sized new-to-market U.S. companies are introduced to top Italian distributors and business partners and stand an excellent chance of benefiting from the opportunities offered by the Italian and surrounding markets.	Milan, Italy
Mar. 14–18, 2001	WORLDBEX 2001 At Worldbex 2001, the U.S. & Foreign Commercial Service will offer a full package of services, including one-on-one appointments, industry briefings, a U.S. business lounge and an ambassadorial reception. Last year's show was a big success, generating over 4,000 trade leads for U.S. exhibitors.	Manila, Philippines

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Building & Construction	Bebe Montesines Tel: (632) 888-6077 Email: Bebe.Montesines@mail.doc.gov

HIGHLIGHTED EVENTS**CLEAN ENERGY: DISTRICT HEATING MISSION TO RUSSIA****MOSCOW & ST. PETERSBURG
MARCH 11-17, 2001**

The Commerce Department's Clean Energy Trade Initiative focuses on developing market opportunities for U.S. companies in the energy supply, manufacturing, commercial, residential, transportation and environmental technology sectors.

There is a large potential market for American energy efficient district heating equipment in Russia. Centralized district heating systems are used to heat most of Russia's buildings, but the equipment that they use is old and inefficient and in need of maintenance and replacement.

Inefficient equipment and the resulting expensive heat that it produces makes it necessary for most cities to subsidize the cost of heat and hot water for customers who otherwise would not be able to pay for these services. A number of cities have begun investing in efficiency upgrades so that they can reduce or eliminate subsidies. Many large private enterprises that own multiple buildings also own and operate their own district heating systems and have begun investing in equipment upgrades as well.

Contact Rachel Halpern. Tel: (202) 482-4423. Fax: (202) 482-0170. Rachel_Halpern@ita.doc.gov

AMERICANA 2001**MONTREAL, CANADA
MARCH 28-30, 2001**

The United States Commercial Service in Montreal is offering U.S. companies a unique, results-proven program at Americana 2001, the leading environmental exhibition in Canada. The USA Pavilion at Americana will provide excellent business opportunities for companies seeking new customers, agents, distributors or other business partners. Americana 2001 is expected to attract 400 exhibitors, over 10,000 trade visitors and delegations from 60 countries.

The following package is available to USA Pavilion exhibitors at no extra cost over the exhibition rates of CDN \$2,350 (approximately US \$1,600). It includes:

- Advance contact information in preparation for your visit
- Briefing session by U.S. Consulate General staff and industry experts
- On-site support by Department of Commerce trade specialists
- Official reception hosted by the U.S. Consul General in Montreal
- Complimentary French/English interpretation services
- Follow-up assistance to help you close deals
- Carpeted hard wall booth with electrical outlet, lead retrieval system, signage, table, chairs, and lights.

Continued on page 29

DATES	EVENT	LOCATION
Mar. 19–23, 2001	<p>IDEX 2001</p> <p>IDEX 2001 is a very important defense industry event for the Middle East region.</p>	Abu Dhabi, United Arab Emirates
Mar. 20–23, 2001	<p>MANUTENTION 2001</p> <p>MANUTENTION 2001 will focus on the machine tools and metalworking industry.</p>	Paris, France
Mar. 26–27, 2001	<p>VISIT USA 2001</p> <p>The travel and tourism industry will be the focus of VISIT USA 2001.</p>	São Paulo, Brazil
Mar. 27–31, 2001	<p>INTERNATIONAL DENTAL SHOW</p> <p>The INTERNATIONAL DENTAL SHOW is one of the dental industry's most prestigious and truly international dental equipment and product shows, with 1,100 exhibitors and over 56,000 trade visitors from over 60 countries. Cologne Trade Fairs and the Dental Manufacturers of America organize two USA pavilions. The Commercial Service expects to staff an International Business Center at the show.</p>	Cologne, Germany
Mar. 28–30, 2001	<p>AMERICANA 2001</p> <p>AMERICANA 2001 is the Pan American Environmental Technology Trade Show and Conference. It will focus on the environmental industry, especially pollution control and related industries.</p>	Montréal, Canada
April 1–Sept. 30, 2001	<p>“DIRECT FROM THE USA” CATALOG SHOW</p> <p>The Commercial Service in Manila is staging an ongoing catalog show and product display of U.S. firms seeking to generate export sales to the Philippines. Catalogs, products and videos of U.S. companies will be on display in their brand new business center for six months.</p>	Manila, Philippines
April 3–5, 2001	<p>REPCOM MONTERREY 2001</p> <p>REPCOM MONTERREY 2001 is an exhibition of U.S. firms seeking agents, representatives, distributors, licensees and franchisees in northern Mexico.</p>	Monterrey, Mexico
May 2–6, 2001	<p>AUTOMOTOR</p> <p>AUTOMOTOR is the most important show in Italy and one of the largest in Europe devoted to automotive components, spare parts, accessories and related products. Italy has one of the oldest circulating auto fleets in Europe and its auto density is reportedly the highest in the world. The recently introduced higher frequency of periodic compulsory motor vehicle inspections is expected to boost sales in Italy of both spare parts and accessories. U.S. producers who have pioneered the development and expansion of high quality products, safety applications and environmentally friendly features should take advantage of the increased interest in new and innovative automotive products.</p>	Turin, Italy
May 14–19, 2001	<p>ENVITEC</p> <p>ENVITEC is one of the largest environmental technology exhibitions in Germany. The show deals in environmental engineering, waste management, waste utilization, recycling, energy recovery, environment protection, noise reduction, soil purification, air purification, sewage water technology, laboratory technology, analysis technology and measuring systems. Envitec takes place every three years. In 1998, Envitec attracted over 1,354 exhibitors from 29 countries and 50,200 visitors from 33 nations.</p>	Dusseldorf, Germany
Sept. 13–16, 2001	<p>EXPOPHARM</p> <p>EXPOPHARM is the only major pharmaceutical industry event in Europe. The annual trade event counted over 500 exhibitors and roughly 20,000 strictly trade-only visitors in 1998. Products on display include pharmaceutical equipment, products and services, homecare products, diagnostic, cosmetics, pharmacy furnishings and equipment and computer hardware and software for pharmacies.</p>	Munich, Germany

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Registration has already begun and US firms can visit Americana's web site at www.americana.org. For more information about the USA Pavilion package, please contact Pierre Richer, Senior Commercial Specialist, United States Commercial Service, Montreal, Canada, Tel: (514) 398-9695 ext. 2261, Fax: (514) 398-0711, E-mail: pierre.richer@mail.doc.gov.

AUTOMOTIVE TRADE MISSION TO ASEAN THAILAND, MALAYSIA, INDONESIA, AND THE PHILIPPINES

THAILAND, MALAYSIA, INDONESIA, & THE PHILIPPINES APRIL 1-13, 2001

The Office of Automotive Affairs will lead a mission for companies in a variety of automotive sectors: motor vehicles, automotive parts and accessories, original equipment suppliers, automotive service equipment, aftermarket distributor/wholesalers, collision repair, automotive consulting and services and automotive retailing. The mission aims to assist these American companies gain a foothold in the ASEAN region — which has substantial medium- and long-term potential for growth in automotive markets.

Automotive parts and accessories makers in Southeast Asia are looking for strategic partners to meet demand of both auto makers and vehicle end-users in a growing, increasingly competitive and open marketplace. To compete long-term, U.S. automotive companies will find it beneficial to take advantage of the current situation in ASEAN by developing closer ties with domestic producers in the region.

Contact Jeff Dutton. Tel: (202) 482-0671. Fax: (202) 482-5872.
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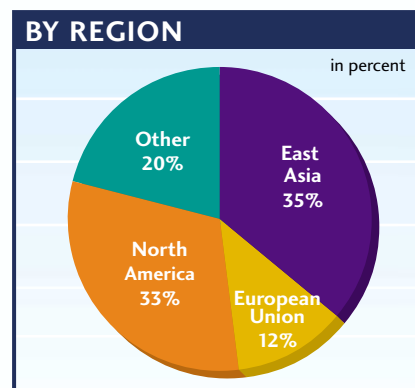
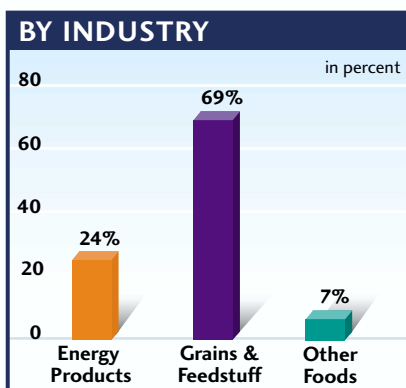
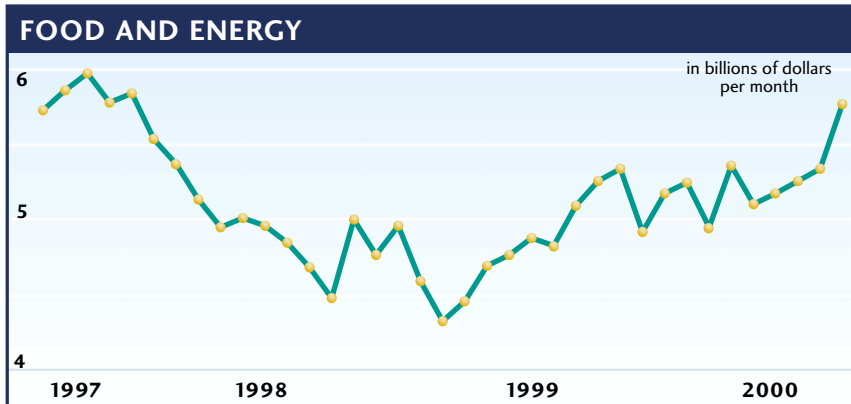
ITALY

TURIN ITALY MAY 2-6, 2001

AUTOMOTOR is hosted biennially by Turin, Italy's automotive capital and is the only Italian exhibition specifically dedicated to automotive components, spare parts, accessories, lubricants and chemical products. The exhibition attracts over 35,000 professional visitors from 80 countries. Given the importance of this exhibition, the U.S. Commercial Service invites all U.S. sector suppliers to participate in a U.S. Catalog Exhibit at AUTOMOTOR 2001, March 28 - April 1, 2001. This show will provide exposure for American products to thousands of potential buyers, distributors and other interested parties. There is a participation fee of \$350 and a February 15, 2001 registration deadline. For details, U.S. companies should contact: Susanna Lezzi, Commercial Specialist U.S. Commercial Service Via Dante 2/43, 16121 Genoa, Italy Tel: (39 01) 054-3877; Fax: (39 010) 576-1678 E-mail: susanna.lezzi@mail.doc.gov.

FOOD AND ENERGY

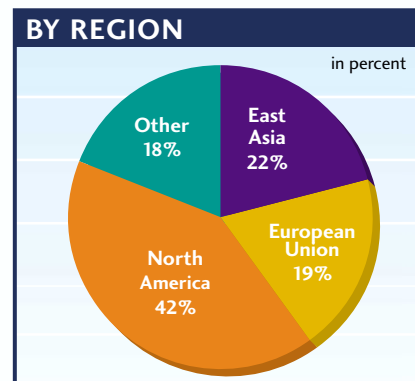
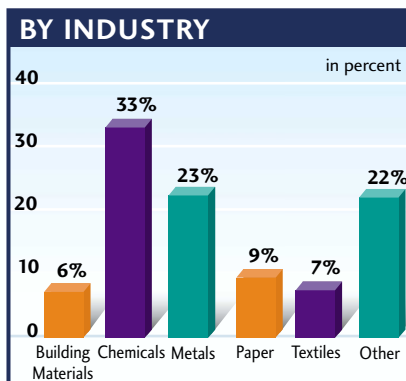
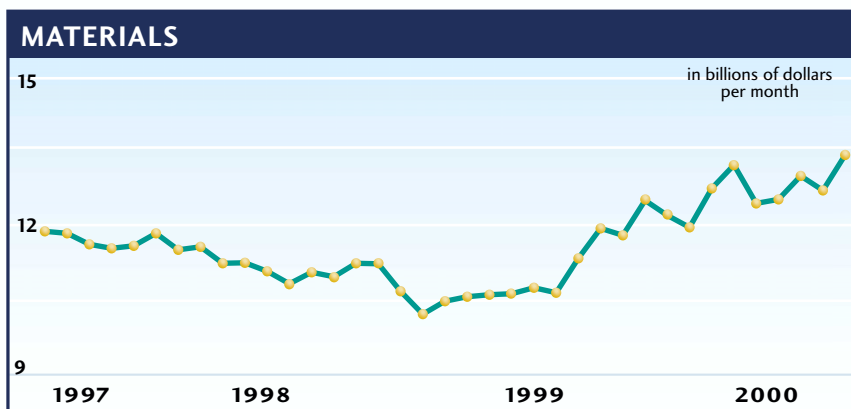
Exports have recovered nicely, increasing by nearly a third over 18 months. Higher prices for refined petroleum products account for a substantial portion of the gain.



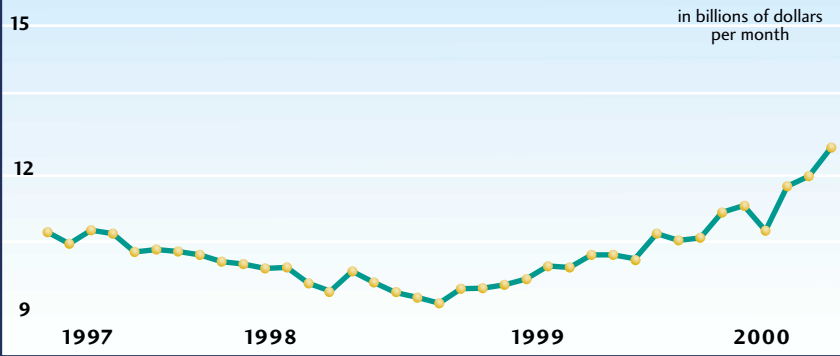
MATERIALS

Foreign sales, which were on a plateau throughout the first half of 1999, have since climbed, gaining 18 percent in a year. All of the major categories contributed to this performance.

Monthly data are seasonally adjusted.
 Product categories (except for services) are based on end-use classification.
 North America: Canada and Mexico.
 European Union: Austria, Belgium, Denmark, France, Finland, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and United Kingdom.
 East Asia: China, Hong Kong, Indonesia, Japan, Malaysia, Philippines, Singapore, South Korea, Taiwan and Thailand.
 The chart showing exports of services by region is based on data for calendar year 1999. Other charts showing product mix and geographic destination are based on data for the 12 months ending with August 2000.
 Source: Bureau of the Census (goods), Bureau of Economic Analysis (services).



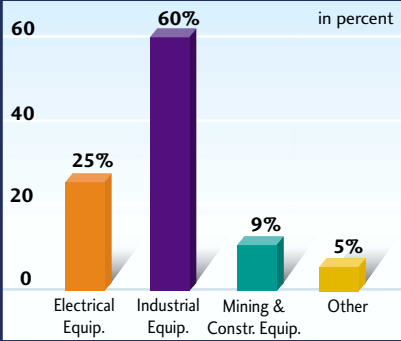
MACHINERY



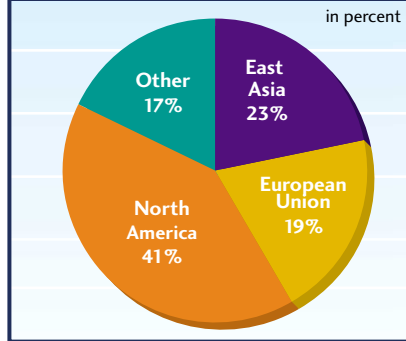
MACHINERY

Exports continue the clear recovery which began a year and half ago and have increased more than a third over that time. The gains have been shared among all of the major types of machinery.

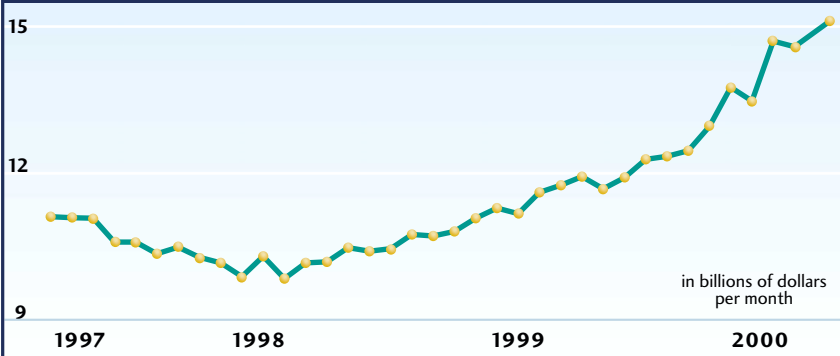
BY INDUSTRY



BY REGION



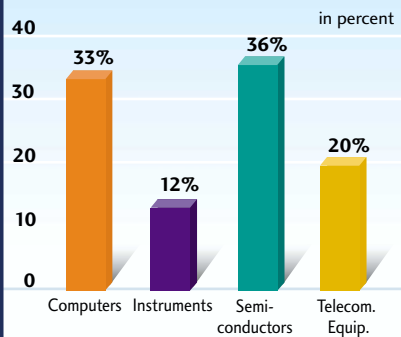
ELECTRONICS & INSTRUMENTS



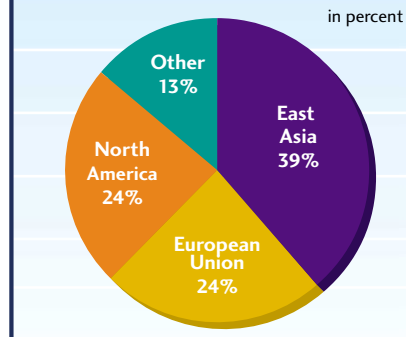
ELECTRONICS & INSTRUMENTS

This sector began its recovery in foreign markets earlier, with exports growing by nearly 50 percent over the past two years. Shipments abroad of computers, semiconductors, telecommunications equipment and instruments have all risen significantly over this period.

BY INDUSTRY



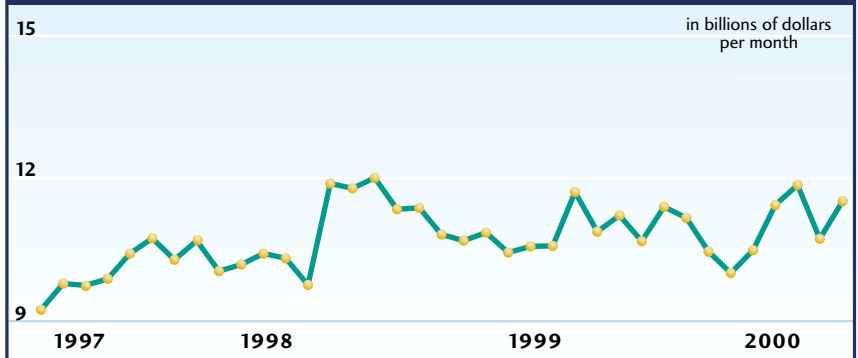
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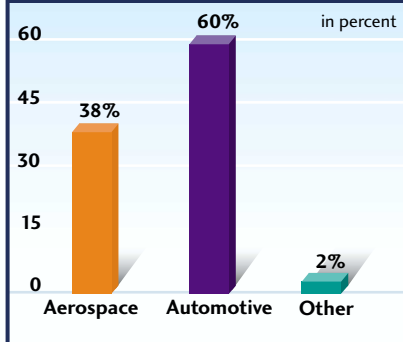
TRANSPORTATION EQUIPMENT (CIVILIAN)

Foreign sales, which recovered significantly in 1998, have since fluctuated without exhibiting any obvious trend in either direction.

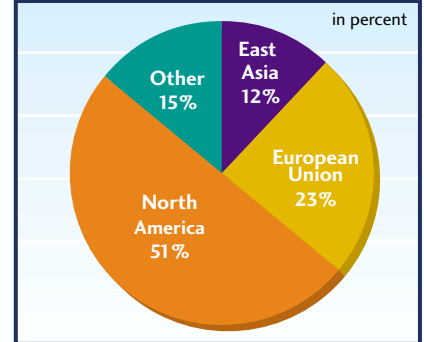
TRANSPORTATION EQUIPMENT



BY INDUSTRY



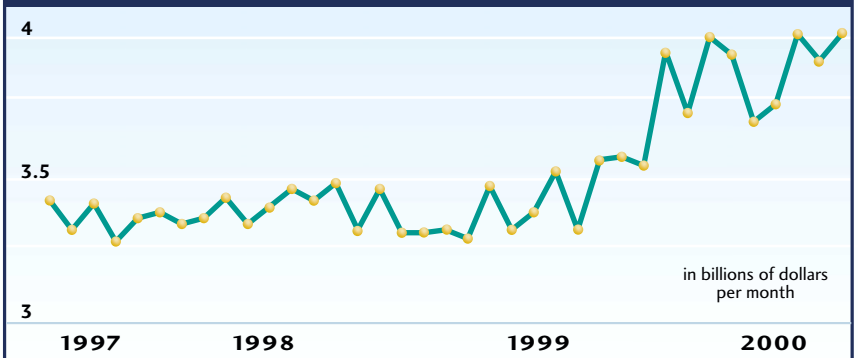
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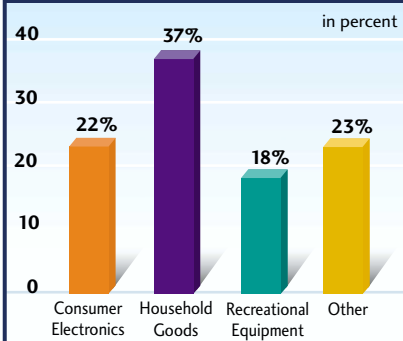
CONSUMER DURABLES

Sales abroad have trended upward over the past year, emerging from a plateau pattern. Higher exports of gem diamonds account for a substantial part of the gain.

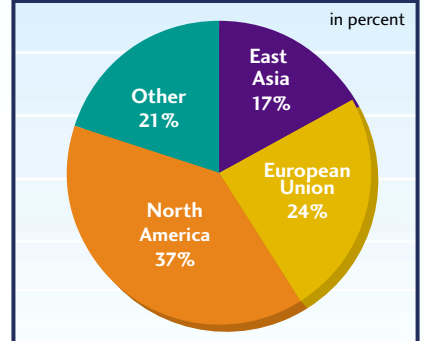
CONSUMER DURABLES



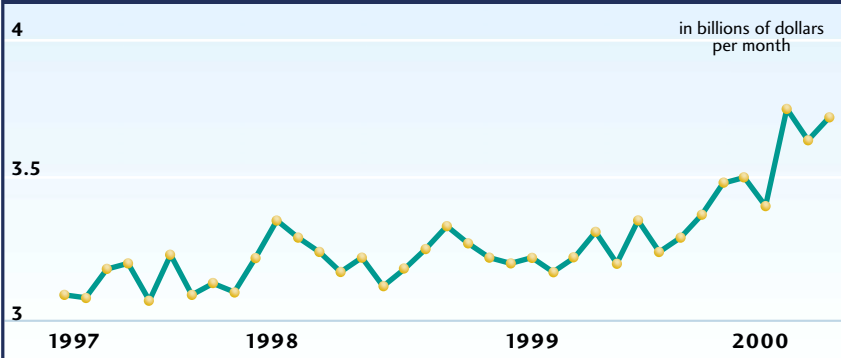
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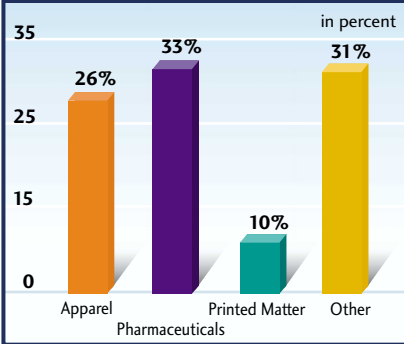
CONSUMER NONDURABLES



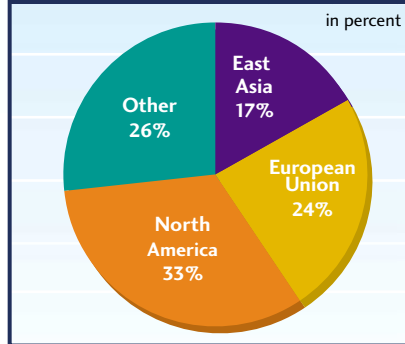
CONSUMER NONDURABLES

Exports are up 10 percent in the past six months. Pharmaceutical sales contributed more than 60 percent of this increase.

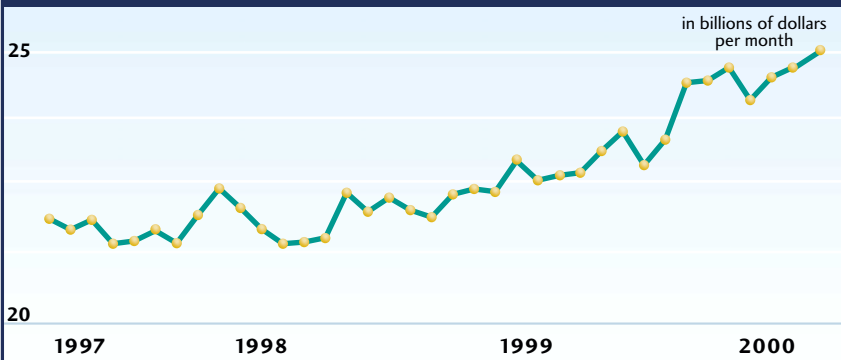
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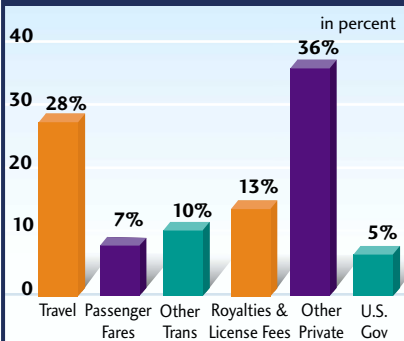
SERVICES



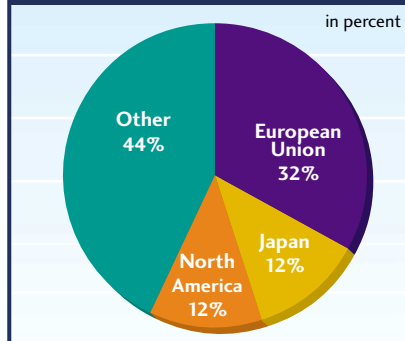
SERVICES

Foreign sales rose in August for the third month in a row. Travel and passenger fares accounted for more than half of the cumulative increase over the three months.

BY INDUSTRY



BY REGION



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

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

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

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

FOREIGN SALES CORPORATIONS

by Suanne Buggy

Office of Legislative and Intergovernmental Affairs

Facing the possibility of \$4 billion in tariff retaliations on U.S. products by the EU, Congress and the White House have created legislation that will repeal the Foreign Sales Corporation (FSC) provisions of the internal revenue code. The new legislation replaces the FSC provisions with incentives similar in scope and effect, but designed to comply with World

provisions, which apply only to goods made in the U.S. exported by American companies and not to goods made and sold overseas by U.S. firms. The changes to the FSC provisions aim to bring the U.S. into compliance with WTO requirements, benefit U.S. companies, and, hopefully, avoid a trade war.

A BRIEF HISTORY

The FSC program was originally sponsored by the Department of Commerce as an incentive to increase exports by U.S. manufacturers. Since the Department did not have the necessary

In order to receive benefits under the FSC program, an exporter needed to have an offshore corporation with a resident director in a country having a reciprocity agreement with the U.S. Treasury. The FSC was a subsidiary to the exporter's parent company. However, typically no money, sales or shipments ran through the FSC. To qualify for tax savings, an exporter transferred export earnings to an overseas account and then transferred the funds back to the mainland. Allocations were made through journal entries with the benefit realized through reduced taxes. Since the program's inception, over 7,000

“THE WORLD TRADE ORGANIZATION GAVE THE U.S. UNTIL OCTOBER 1, 2000 TO CHANGE THE TAX CODE.”

Trade Organization (WTO) rules. For U.S. companies, the proposed changes are a win-win situation—the statute provides equal treatment for all foreign sales, whether the goods are manufactured in the U.S. or abroad, as long as 50 percent of the fair market value of the goods is produced within the United States. This marks a significant change from the current FSC

funds to finance the program, alternative financing was established through the Tax Reform Act of 1984, which provided for a reduction in income taxes on net foreign profit realized from exports. Due to GATT limitations, the export promotion program could only be implemented through a related corporation formed in a foreign county. Hence, the birth of foreign sales corporations (FSCs).

U.S. exporters have formed FSCs, saving approximately \$4 billion in taxes annually.

WTO/FSC CONTROVERSY

In July 1998, the EU petitioned the WTO claiming that the FSC tax provisions constitute a prohibited export subsidy since the FSC provisions grant

tax breaks which are exclusive to U.S. exporters. The WTO dispute settlement panel agreed and, in January 2000, issued a final dispute settlement report concluding that the FSC provisions were in violation of the WTO's rules on subsidies. The report held that the FSC program violated WTO rules since it enabled the U.S. to offer domestic exporters a lower tax rate on export profits than was available on import and domestic profits. The WTO also noted that the tax break was a breach of WTO rules because the subsidy acted to distort international trade.

The WTO gave the U.S. until October 1, 2000, to change the tax code. The EU subsequently agreed to extend the date to November 1, 2000. Under WTO rules, if the FSC provisions in the tax code were not changed, or if the changes did not fully address the WTO violations, the EU could, on November 17, 2000, submit a request for authorization to impose sanctions on U.S. products.

AVOIDING A TRADE WAR

During July 2000, legislation was introduced in Congress that sought to remedy the subsidy created by the existing FSC provisions of the tax code. In addition to providing tax savings for U.S. exporters who had created FSCs, the new statute expanded the scope to apply to income from foreign manufactures as long as 50 percent of the content of the goods sold is of U.S. content. Also foreign companies would not be prohibited from receiving the tax exemption if the foreign companies agree to be subject to U.S. tax. Under the proposed changes, companies would be able to receive the same tax benefits with respect to U.S. or foreign manufacture provided the property is used abroad.

On November 16, President Clinton signed the FSC Repeal and Extraterritorial Income Exclusion Act of 2000 (H.R. 4986). At present, it is unclear



In November, the United States Congress replaced the FSC provisions with legislation designed to comply with WTO rules.

whether the EU will accept the provisions under the new law as being WTO compliant.

The EU has announced that it plans to ask the WTO for permission to impose 100 percent tariffs on a list of about \$4 billion worth of goods imported annually from the United States unless the FSC provisions are deemed WTO compliant. The European Commission trade spokesman, Anthony Gooch said on November 1, "regardless of what happens, we will be publishing our list of sanctions on November 17th. As we have stated in the past, if the U.S. has a new FSC plan, we will request the WTO to halt its arbitration over our list of sanctions." If the WTO approves the EU's sanction request, sanctions are not likely to be imposed before the middle of 2001.

Now that the changes to the FSC provisions have been approved by the President, the Internal Revenue Service and the Treasury Department will provide assistance to U.S. businesses. ■

For further information about changes to the FSC legislation and how to take advantage of the provisions of the new statute, contact Elizabeth Beck, Office of the Associate Chief Counsel (International), Tel: (202) 874-1490, or Dirk Siringa, Office of Tax Policy, Treasury, Tel: (202) 622-1779.

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