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Sharing More than Just a Border

Strengthening Commercial and Cultural Ties with Mexico

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Baltic Baby Boomers: Small Countries for Small U.S. Exporters

The ATA Carnet: Your Key to Unlocking Customs

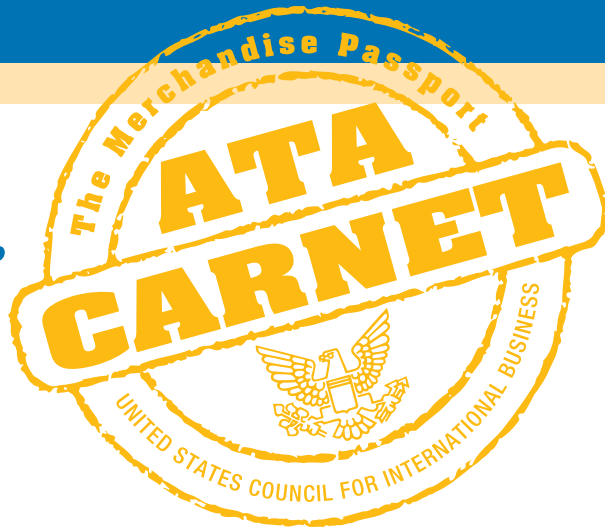
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U.S. DEPARTMENT OF COMMERCE
 International Trade Administration

Donald L. Evans
 Secretary of Commerce

Grant Aldonas
 Under Secretary for International Trade

Mary Brown-Brewer
 Director of Public Affairs

Cory Churches
 Editor

William Corley
 Associate Editor/Writer

Frank Deasel
 Printing Specialist

Kevin Cofer
 Printing Specialist

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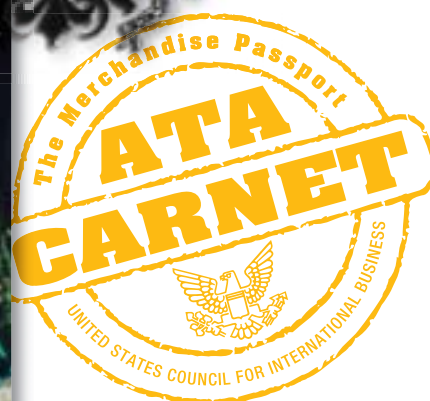
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Mexico is the fifth-largest country in the Western Hemisphere and is rich in natural resources such as petroleum and natural gas. The diversity of Mexico is seen in its landscape, artwork, food, and people.

Mexico was originally inhabited by numerous Native American civilizations, including the Maya and the Aztecs. The Maya resided predominantly in the southern and southeastern part of present-day Mexico. The Aztecs, who developed an extensive capital surrounded by a lake at Tenochtitlan, Mexico City's present site, dominated Central Mexico.

In the early 1500s, the Spanish conquest ensued which brought the Native American civilizations under their control. Unlike British settlers in North America, the Spaniards intermarried with the indigenous people, producing a growing population of *mestizos*, or people of mixed European and Native American ancestry. By the end of the 19th century, *mestizos* had become the largest ethnic group in the population. They now account for about 60 percent of Mexicans.

Mexico has a rich heritage in art and architecture and is recognized internationally for the contributions of its 20th-century mural artists, who created murals that reflected not only Mexico's history and culture, but also its current social issues. Mexico's blend of indigenous and European influences has affected many of its traditions and much of its culture. This ethnic heritage has contributed to the development of notable musical styles, folk art, and cuisine, all of which are also now found throughout the United States.

Mexico's efforts to develop and modernize its economy—one of the 15 largest

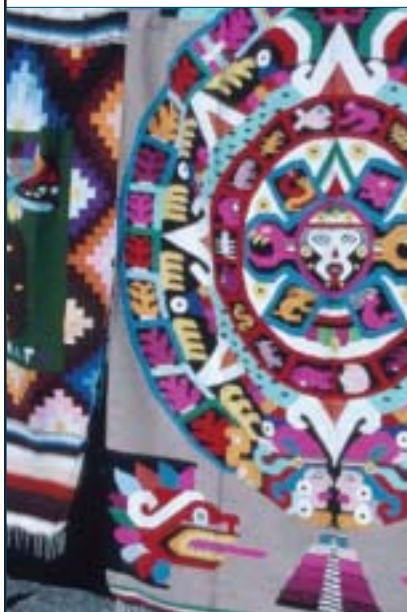
in the world—have been slowed by the nation's rugged terrain, limited farmland, a rapidly growing population, and a series of economic crises. The nation's capital, Mexico City, is one of the largest cities in the world. In Latin America, only Brazil has a larger population than Mexico.

Mexico and the United States share a border that is 1,900 miles long, much of which is formed by the Rio Grande, a major river known as the Río Bravo in Mexico. This international border is the longest in the world between an economically developing country and one with a highly developed, industrialized economy. This proximity has affected the culture of both Mexico and the United States, fostering the development of a number of communities along the border that mix the cultures of both nations.

This proximity and shared culture is a major reason that Mexico is the second-largest trading partner of the United States. Ten years of NAFTA have created an even closer bond between Canada, Mexico, and the United States, both in terms of economic development and cultural exchange. Our feature this month focuses on several aspects of the U.S.-Mexican relationship, including progress on the Partnership for Prosperity, best prospects for U.S. exports to Mexico, and a review of 10 years of NAFTA. Also in this issue are articles on using an ATA Carnet for temporary exports, and a guide to doing business in Austria.

Cory Churches

Cory Churches
Editor



GLOBAL NEWS LINE

SWITZERLAND

In the heart of Europe, Switzerland stands out as an affluent and highly developed test market for U.S. suppliers of orthopedic, rehabilitation, and home health care equipment.

The more than 7 million inhabitants of Switzerland boast one of the world's highest per capita incomes and one of the best health and social services systems, with more than 10 percent of GDP being spent on this sector. The use of medical equipment in health service facilities has doubled in the last 15 years; this trend will continue even more markedly in the future.

The Swiss have the second-highest life expectancy in the world. Life expectancy is growing faster than the birthrate, resulting in a higher proportion of elderly people to be cared for in the future and several projects for new residential care units. The state council has planned the construction of a significant number of new nursing homes between 2003 and 2010, financed by the Swiss Department of the Interior.

The country's liberal trade and investment policies, as well as public concern for the well-being of the elderly, the handicapped, and those in need of social services, favor access to a wide variety of products.

U.S. suppliers can best sell through experienced local distributors. With the proper commitment, and attention paid to the Swiss propensity for quality and durability, U.S. suppliers should be able to maintain if not expand their share of imports

DENMARK

Approximately 50 percent of electricity in Denmark is currently produced by combined heat and power (CHP).

The Danish government's target is to increase this proportion so that most of Denmark's heating needs and electricity consumption are met by the combined production of heat and electricity. To

understand the Danish energy market, it is important to grasp the nature of CHP and the many players in the electricity market.

Conversion of natural gas-based district heating plants to CHP has been rapid and is nearly finished. It has been more difficult for the district heating plants with biomass-based production, so the time frames for conversion have been extended. This is due to the fact that the development of new technologies (which were to make it technically and financially feasible to co-produce CHP from biomass) have progressed more slowly than expected.

The short-term challenges in Danish energy policy are to attain the carbon dioxide objectives and make structural changes in the energy market to improve efficiency. In the longer run, the security of supply and environmental concerns will be of increasing importance as deposits of oil and gas are depleted throughout Denmark. CHP and renewable energy solutions will be the main elements in Danish energy supply in the future.

Power plants producing within the limits of Danish consumption are generally of very high standards both in productivity and environmental protection. However, the Danish power sector is characterized by considerable overcapacity, and many of the plants representing this overcapacity are older facilities, which do not meet the same high environmental standards as those in relatively constant use.

There is a market opportunity in Denmark for U.S. companies with innovative products designed to increase efficiency of older power plants and make them more environmentally friendly. Denmark has a long tradition of promoting the use of efficient, renewable energy sources and developing a legislative framework that promotes and encourages the use of energy-efficient products. These

incentives increase the use of energy-efficient applications and create export opportunities for U.S. manufacturers of energy-efficient products and technologies.

LATVIA

The packaging industry has survived the transition from state planning to a market system and now plays a significant role in the economy of Latvia. This success is mainly due to the support of general government policy and legislative acts.

Since the early 1990s, Latvian legislation has addressed consumer rights protection issues, and several legislative initiatives were adopted that were indirect lobbying for the printing and packaging industry. Latvian law requires that all consumer goods, food, and drugs must have instructions and labels in the Latvian language. This requirement ensures steady orders for translation and printing services.

As an aspiring EU member, Latvia emphasizes environment protection and consumer rights, and the government has implemented much legislation geared toward waste recycling and minimizing damage to the environment. Latvia has significant forest resources and strong traditions in the packaging industry. The combination of all these factors provides good conditions for the development of some packaging industry subsectors.

Taking into account the government tax on packaging, which provides for its recycling, one may guess that its weight in Latvia's GDP is about 1 to 2 percent. While some types of packaging are manufactured locally and exported to other countries, others are imported, which balances out packaging trade figures. Products being imported versus those produced locally depend on the size of the individual segments of the market. Latvia has a population of only 2.3 million, which makes some

packaging (metal cans, for instance) not economically feasible.

RUSSIA

Investment in Russia's transportation infrastructure was deferred by the massive economic decline that Russia suffered in the decade following the collapse of the Soviet Union.

However, the robust economic growth of the last four years, coupled with political stability, has created the conditions under which new investment in upgrading Russia's infrastructure is back on the national agenda, and there is renewed interest in attracting foreign investment and technologies. Significant economic reforms implemented under the Putin administration and improvements in the legal environment have resulted in foreign investors and exporters taking a fresh look at Russia.

Russia's mass transit system is very well developed and heavily used. For the majority of Russians there is little alternative to mass transit in the foreseeable future. Although private car ownership is growing at around 9 percent annually (and likely to accelerate), it represents only 143 cars per 1,000 Russians—compared with more than 500 per 1,000 in Western Europe. Three-fourths of Russia's population of 144 million lives in urban areas, and Russia's mass transit system carries more than 120 million passengers every day. A well-functioning mass transit system is therefore vital to the economy and important to society.

The Russian market for mass-transit rolling stock is one of the world's largest and holds significant potential for foreign suppliers in the medium and long term. The existing fleet is obsolete and needs to be replaced. While local manufacturers are able to satisfy the demand for vehicles in the required volumes and at attractive prices, quality is relatively poor and operating costs relatively high compared with state-of-the-art products from Western manufacturers.

As Russia's economy expands, demand for modern, high-quality rolling stock

and vehicles meeting international technical and environmental standards is growing, giving a boost to the industry and creating opportunities for U.S. exporters. There are also increasing opportunities for suppliers of modern traffic management systems using advanced information and telecommunications technology, as well as for suppliers of transportation equipment and engineering and consulting services.

HONG KONG

Hong Kong has one of the largest film industries in the world.

Last year, 92 Hong Kong films were screened locally, generating \$45 million in receipts, while foreign films generated \$66 million. In March 2003, Hong Kong had 2,831 motion picture and other entertainment service-related establishments.

The United States is the largest exporter of films to Hong Kong. During the last few years, U.S. films constituted about 80 percent of the total import market. Hong Kong film importers recognize that U.S. films are known to have high budgets, strong story lines, scripts with universal themes, well-known actors and directors, established technical film capabilities, advanced technologies, and a proven production track record.

To increase their market share, U.S. exporters should consider selling relatively lower budget films to TV stations in the region that are always looking for content, as well as to Hong Kong agents for both the rights in Hong Kong and elsewhere in Asia. This will minimize potential copyright infringement issues by limiting the number of movie samples sent out.

GUATEMALA

The United States is the leading exporter of food processing and packaging equipment to Guatemala, with a 32-percent market share in 2002, followed by Germany, Mexico, El Salvador, Costa Rica, and Italy.

Guatemala's food processing and packaging machinery market is currently valued at \$142.7 million. Guatemala's imports of food processing

and packaging machinery totaled \$97.2 million in 2002. Even with an economic downturn, this industry is always growing. The average growth rate has been 15 percent for the last three years.

Domestic manufacture of food packaging and processing machinery is significant but generally low-tech output. The growth rate in domestic production during 2003 is expected to reach 15 to 20 percent.

In general, Guatemala is an excellent market for U.S. products. Guatemala's GDP reached \$22 billion, and U.S. exports to Guatemala totaled \$2 billion in 2002. Almost half of all Guatemalan imports come from the United States. With a population of 11.9 million, Guatemala is the largest country in Central America and accounts for one-third of the region's GDP.

With the U.S.—Central American Free Trade Agreement negotiations now under way, Guatemalan exporters will need to pursue expansion plans to increase production and enhance product quality. The best sales prospects for U.S. exporters include packaging equipment and agribusiness machinery. ■

NEED MORE DETAIL?

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

Whodunnit

DNA Testing Exporter Helps Make the Case (or Not)

by Curt Cultice

ITA Office of Public Affairs

This past summer, people in southern Louisiana were frightened. Six people had been murdered. Was there a serial killer loose, and if so, where would he strike next? The police, working hard to solve the case, soon arrested a suspect. Then the police turned to ReliaGene Technologies, a leading DNA laboratory and research facility specializing in human genetic identification and paternity testing. What would the evidence show? ReliaGene lab professionals went to work, identifying evidence from the fingernail of the sixth victim. It was matched with the suspect. Now awaiting trial, the suspected serial killer's guilt will soon be determined by Louisiana's judicial system.

"It is impossible to overstate the dramatic impact these genetic tests have had in law enforcement, but on a human scale as well," says Dr. Sudhir Sinha, president and laboratory director of the minority-owned, New Orleans company. Looking at a readout of data, he continues: "Our testing can affect child support cases, the criminal justice system, and whether an accused person goes to jail or not." Sinha, who



has more than 30 years of experience in chemical and biochemical research and management, started the firm in 1990, and oversees a staff of more than 60 scientists, analysts, researchers, and support personnel.

Since 1990, ReliaGene has successfully produced genetic profiles of well over 300,000 biological samples—testing everything from saliva, semen, and tissue to loose and mounted hair, bone teeth, fetal tissue, and nail scrapings. Many of these have involved difficult criminal cases—homicide, sexual assault, burglary, criminal paternity, and victim identification.

PUTTING IT TO THE TEST

The company's DNA analysis falls under three categories: nuclear STR is most frequently used for forensic and paternity testing—such as determining whether a child is the legitimate offspring of a particular individual.

Y-chromosome STR tests the male chromosome passed to male offspring, and can be used to identify assailants in rape cases. Mitochondrial DNA sequencing, which tests genes passed from a mother to her children, is useful for aged or damaged samples from which DNA is difficult to obtain. This includes human bones, mummified tissue, and cut hair. "We are a full-service company, and one of only five private labs in the U.S. certified to use these advanced technologies for forensic case work," Sinha says. "Things really get interesting around here. People call in and ask us all sorts of questions, ranging from criminal investigators asking about feasibility of testing an old cadaver to an anxious wife who thinks her husband is a cheater and asks us to scientifically prove or disprove her claim."

ReliaGene has also performed important work for the Innocence Project, a non-profit legal clinic at the Benjamin

N. Cardozo School of Law in New York City. The Innocence Project handles cases in which post-conviction DNA testing of evidence can yield conclusive proof of evidence. Founded in 1992, the Innocence Project has exonerated 138 convicted people.

Another case involving ReliaGene was that of Richard Alexander, who spent four years of a 70-year prison sentence in Indiana for rape. But there were always the doubters, including detectives who never felt they had the right person. Then in 2001, the case was reopened when another man confessed to the rape. But for Alexander's conviction to be overturned, physical evidence of his innocence was needed. ReliaGene used mitochondrial analysis to test a strand of hair found on the victim; it did not match Alexander's hair. He was a free man. "It is amazing how much DNA identification technology has advanced over the last 10 years," Sinha says. "It used to be that the chances of a statistical error were one in a thousand; now it's one in over 10 billion."

According to Sinha, most of ReliaGene's business comes from state crime labs, private citizens involved in paternity cases, and work contracted out by private labs. The FBI is often overwhelmed, especially now with threats of terrorism. State crime labs often come to the FBI for advice on where to go for testing, and ReliaGene is one of a few laboratories with the expertise. Representatives from ReliaGene have also testified in important cases, helping to solidify its reputation. An important selling point is that the company has a turnaround of about four to six weeks, which is very fast compared with the average of four to six months for state crime laboratories. Sinha says the procedure for handling evidence samples is tightly controlled, and that more than 20 steps are taken from login to how the samples are processed. "Everything has to be handled carefully to prevent contamination which might alter the evidence," he says. "Everything here is considered top priority."

TECHNOLOGY AND GLOBAL TRUTH-TELLING

In Panama, there had been a denial of atrocities for years, but through the work of the Panama Truth Commission, a gruesome fact was verified: Many people had been murdered through the dictatorial rule of Panama's former leaders. With the help of canines that can detect the smallest human remains, samples were provided to ReliaGene for mitochondrial DNA sequencing to analyze and identify some of the victims, bringing a sense of closure for at least some of the victim's families.

Then there's the case of Larry Hillblom, the deceased founder of the worldwide courier service DHL, who died in a plane crash, leaving an \$800 million estate. Shortly after his death, several women in Asia who had given birth while teenagers claimed that they had carried his illegitimate children. Lawyers for Hillblom's California estate quickly sealed off the executive's compound to prevent any DNA from falling into other hands. Luck was not on their side, however. Entering the case, ReliaGene compared DNA from Hillblom with that of his allegedly illegitimate children, and three of the four children were fathered by the DHL executive—resulting in the payment of millions of dollars.

ReliaGene has also worked on a number of important cases for Canadian law enforcement agencies, and for the U.S. armed forces to help make identifications. In addition, ReliaGene markets a genotyping kit for Y-chromosome STR that is exported to more than 40 countries, mainly in Asia and Europe. Its foremost application is forensic cases, often involving sexual assault. The testing can identify a minuscule amount of male DNA, and distinguish between two or more men, which is especially important in sexual assault cases. Altogether, about 10 percent of the firm's sales are exports.

ReliaGene is also pursuing trade leads provided by the Commerce

Department's New Orleans U.S. Export Assistance Center. The relationship first started in 2001, when Sinha attended a Commerce Department seminar on doing business in Japan, and met local trade specialist Don Van de Werken and a senior Commercial Service officer from the U.S. embassy in Japan. Shortly thereafter, trade specialist Clif Gaston was "on the case." "We continue to identify several crime labs and organizations around the world that would benefit from ReliaGene's genotyping kit," says Gaston. "These labs utilize DNA testing in their analysis, and this kit would give them better technology, enabling them to duplicate in their own labs what ReliaGene does at its facility."

Sinha says his company cannot follow up on the leads fast enough, and he recently traveled to Italy to participate in the Gold Key Service, where he met with several potential business partners all vetted and organized by the Commercial Service. "Working with the U.S. Commercial Service gives us access to a global network of marketing and export counseling services, saving our firm time and money, and that's especially important for a small company like ours," Sinha says. "We fully expect to generate even more exports as a direct result of this assistance." ReliaGene was also recently presented with the U.S. Commerce Department's Export Achievement Certificate, which recognizes business clients of the U.S. Commercial Service that have attained success in exporting.

Looking under the microscope, Sinha studies another DNA sample, looking to see whether a DNA match can be made. "Our reliability is very exact, and we provide the utmost accuracy and quality assurance," Sinha says with great satisfaction. "People's lives ride on our results; it's often a matter of life or death." ■

Baltic Baby Boomers

Small Countries for Small U.S. Exporters

by Karen Pilmanis
U.S. Commercial Service, Latvia

With Latvia's strong "yes" vote in September in the EU accession referendum, the three Baltic nations, Estonia, Latvia, and Lithuania, are set to join the European Union next May. The "back door" to the European Union will soon include another multi-country area without internal borders.

U.S. companies that have set up business in the Baltic region by then will have several advantages. The relatively small local markets and lower labor costs of the region provide advantages of appropriate scale to small and medium-sized U.S. businesses. The amount of upfront capital at risk can be substantially smaller than that in larger markets. Learning to operate in the EU market for small, new-to-export firms can be less daunting in a small region than in a large one. In addition, Baltic markets are less saturated with global players and thus can provide a more benign environment for entry into the European Union.

As EU accession approaches, awareness among small and medium-sized U.S. firms of the strategic value of this region is growing. The Nordic-Baltic region is increasingly being integrated into Western Europe. The U.S. Department of Commerce assigned its first commercial officer to the Baltic



states in 2001 in response to these very positive trends.

WHEN BALTIC EYES ARE SHINING

The Baltic states have experienced more rapid economic growth in the last three years than almost any other part of Europe. Their governments are committed to building a "knowledge economy," and Ireland is often cited as the model for how the Baltic countries would like to develop. In order to match the economic miracle of Ireland, however, the three Baltic countries need to expand the pool of English speakers, increase the use of Western management practices, and encourage entrepreneurship in order to attract foreign direct investment. The Baltic states also need to continue to combat corruption, which is one of the legacies of the breakup of the Soviet Union.

Government support for small and medium-sized enterprise is minimal

in these countries, and capital formation and enterprise development are consequently behind the curve. There is a widespread need to encourage risk-taking and reduce the stigmatization of commercial failure. Nevertheless, small niche technical companies have done well in attracting Western trading partners and investors. A good example is the software outsourcing industry. The Baltic states are said to be a competitor to India in high-end software development, and they have successfully attracted American investment.

LOW TECH MEETS HIGH TECH

Other promising high-tech businesses in the Baltic states include laser technologies and biotechnology. Mobile telephony has leapfrogged the fixed-line business, and computer use is widespread—although more in the workplace than at home. Local high-tech education is quite good. It is increasingly common for young people

from the Baltic states to pursue at least some of their college education abroad. The fact that these students return home to apply their newly acquired skills is a testament to their high level of optimism and expectations.

Small and medium-sized U.S. firms would be well advised to consider the Baltic region as a low-cost way to enter the European Union. Interestingly, Latvia will share the southernmost common border between the European Union and Russia in May of next year. This strategic location provides access to large developing markets in the east as well as to developed markets to the west, north, and south. East-West transit trade has always been important to Baltic economies. Baltic businesspeople are uniquely qualified to develop markets in Russia, Belarus, Ukraine, and elsewhere in the former Soviet Union, because a large part of the population to the east speaks Russian as well as various national languages and English. For many American firms, the Baltic states are a good match for trade.

LITHUANIA'S ITT SECTOR AT A GLANCE

Lithuania, once called the Silicon Valley of the Soviet Union, today serves as a cost-effective, efficient regional hub for foreign companies operating in European information technology and telecommunications (ITT) markets. Lithuania's economy continues to grow at a robust 6-percent rate, in contrast with the general European economic slowdown. The International Monetary Fund recently gave Lithuania high marks for economic performance and called it a success story. The Economist Intelligence Unit singled out Lithuania as having one of the best growth outlooks in Central and Eastern Europe. Foreign direct investment showed substantial gains in 2002 and is expected to continue to grow, further stimulated by Lithuania's anticipated EU membership in May 2004.

The Lithuanian ITT sector is currently experiencing rapid annual growth at

an all-time high of 25 to 30 percent (compared with only a 2.8-percent forecast for global ITT growth). The estimated market value of the sector is 1.5 billion euros. IT companies have been very successful in exporting software products and software development services.

Scandinavian and U.S. investors dominate the telecommunications sector in Lithuania. Telecommunications has been attracting an increasing amount of public and private investment, which has translated into new technology and overall modernization.

In fact, over the past five years, the mobile telecommunications market in Lithuania has grown more than 60 times (from 15,000 mobile phone users in 1996 to more than a million in 2002), and service providers say demand is still accelerating. The ITT sector employs more than 10,000 highly qualified specialists, with 700 fresh university graduates every year, allowing active and efficient development of information technology and telecommunications. High-tech fields of study are currently among the top choices for students in Lithuanian universities. Major Lithuanian ITT companies cooperate closely with leading technological universities, and such businesses even offer their own specialized internal training programs to students. Companies are thus able to attract a large number of qualified ITT specialists both for local and international projects.

Most international customers already working with Lithuanian ITT companies praise the expertise, quality, flexibility, realistic pricing, and professional services available in the Lithuanian market. Bentley Systems, Inc. (USA), British Telecom, the Danish Ministry of Finance, Ericsson Erisoft (Sweden), Merkantidata (Denmark), Nordic Telecom Company, and WM-data (Sweden) all do business in Lithuania. U.S. software company Oracle sees Lithuania as the fastest-growing market in the Baltic states. ■

NEW CE MARK GUIDE ON-LINE

The Trade Information Center and the Office of European Union and Regional Affairs have collaborated to produce a Web-enabled guide to help U.S. exporters comply with the requirements of the European Union's CE mark. The CE mark shows that a company has met the health and safety requirements needed for a product to be sold in much of Europe. The CE mark affects about half of U.S. exports to the European Union, or approximately \$80 billion worth of merchandise.

The CE mark guide provides step-by-step instructions for U.S. manufacturers and exporters to navigate the CE mark certification process. The European Union lists 21 CE mark directives covering areas such as machinery, electromagnetic compatibility, low-voltage electrical safety, medical devices, radio and telecommunications terminal equipment, toys, equipment for use in potentially explosive atmospheres, pressure equipment, and others. The guide contains the directives, a list of standards for each directive, and procedures that need to be followed in order for a particular product to be CE mark-certified and sold in the European Union.

The initial version of the on-line guide gives complete instructions for self-certification under the directives regarding electromagnetic compatibility, low voltage, and safety of machinery. These three directives cover the vast majority of products requiring a CE mark. The guide also helps to clarify the other directives, including how to determine if a directive applies to a product and how to approach certification. More comprehensive instructions for these directives will be added to the Web site in the next several months.

Besides providing instructions on certification, the guide offers other useful information for companies complying with CE mark requirements, such as a sample declaration of conformity, technical file procedures, a list of testing and certification laboratories, and sources for ordering standards.

The CE mark guide is available at www.export.gov/tic.

The ATA Carnet

Your Key to Unlocking Customs

by Cynthia Duncan

United States Council for International Business

Have you ever had your goods delayed at customs? Faced long procedures that waste your time and money? Look no further—the ATA Carnet unlocks customs for temporary exports.

WHAT IS AN ATA CARNET?

Created by international convention more than 40 years ago to promote world trade, the ATA Carnet is a global customs document that facilitates the duty-free, tax-free, and hassle-free temporary entry of goods into foreign countries.

If the goods are “tools of the trade,” commercial samples, or items for an exhibition, then they may travel on carnet and will be exempt from the payment of duty and taxes at the time of entry. More than 75 countries and territories throughout Asia, Australia, Europe, and North America accept the ATA Carnet. The countries of South America, Central America, and the Caribbean are not carnet convention signatories. Carnets may be accepted in these and other countries; however, the United States Council for International Business will not guarantee such acceptance as a temporary importation.

WHAT ARE OTHER BENEFITS OF THE ATA CARNET?

Not only do you avoid paying duty and VAT (15 to 25 percent of the total value of goods in the European Union, 27 percent in China), but an ATA Carnet

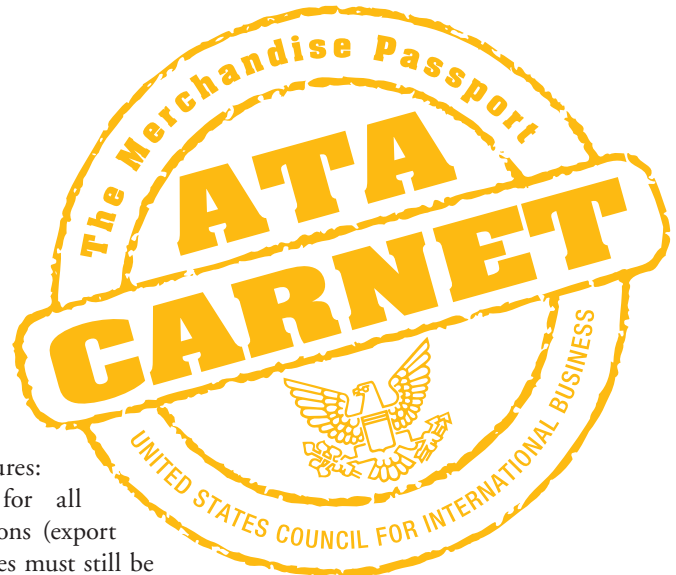
also enables you to avoid the following:

- Complicated customs procedures: one document for all customs transactions (export and import licenses must still be obtained, where necessary);
- Paying duty deposits;
- Posting temporary import bonds;
- Customs registration when departing the United States;
- Surprises: customs arrangements are made in advance at a predetermined cost (in U.S. dollars).

In addition, the ATA Carnet system enables you to reuse the carnet for unlimited exits from and entries into the United States and foreign countries for up to one year.

WHAT MERCHANDISE IS COVERED BY AN ATA CARNET?

ATA Carnets cover virtually all goods, including commercial samples, professional equipment, and goods for trade shows and exhibitions. Carnets cover ordinary goods such as computers, repair tools; photographic, video, and sound equipment; industrial equipment, vehicles, apparel, and jewelry. The ATA Carnet can also cover extraordinary items such as human skulls, Olympic horses, prototype cars, America’s Cup-class yachts, and instruments for philharmonic orchestras. Carnets do



not cover consumable goods (food and agricultural products), disposable and hazardous items, or postal traffic.

IS A SECURITY DEPOSIT REQUIRED?

Yes, as the ATA Carnet guaranteeing association, the United States Council for International Business requires a security deposit, usually equal to 40 percent of the total value of the goods. This deposit covers any customs claim that might result from a misused carnet. The security deposit may be in the form of a certified check or surety bond. Upon carnet cancellation, cash deposits are returned in full and surety bonds are terminated.

HOW MUCH DOES AN ATA CARNET COST?

The cost of the carnet is determined by the value of the goods, but a shipment equal to \$50,000 will typically cost \$450 (surety bond premium included). Ancillary and expedited services are also available for an additional fee. The carnet may be used for up to 12 months.

HOW CAN I APPLY FOR AN ATA CARNET AND HOW LONG DOES IT TAKE?

The quickest way to apply is on-line at www.merchandisepassport.org, where carnets can be processed and sent to the customer in as little as 24 hours. Free carnet application software is also available.

The United States Council for International Business is a non-profit organization that promotes an open system of world trade, finance, and investment. The council has managed the ATA Carnet system in the United States since its appointment by the U.S. Department of the Treasury and the U.S. Customs Service in 1968.

IF A COUNTRY DOES NOT ACCEPT CARNETS, WHAT ARE MY ALTERNATIVES?

For countries that do not accept carnets, companies can apply for a temporary import bond (TIB), a document that can be purchased from a customs broker at the time of entry. TIB deposits and payments are usually made in cash in the currency of the importing country. TIBs must also be posted each time a product is imported. Fees for posting TIBs vary across countries and depend on the type of product being imported. Companies should expect that it might take several months before the cash deposits are refunded. Companies should contact a customs broker in the importing country to post TIBs.

A partial list of countries that do not accept carnets can be found at www.merchandisepassport.org. ■

MORE INFORMATION

U.S. Council for
International Business
Tel: (800) 5-DUTY-FREE
(800-538-8937)
E-mail: atacarnet@uscib.org
Web site:
www.merchandisepassport.org

WORLD'S LARGEST ROLLING BIRTHDAY PARTY

Harley-Davidson celebrated its 100th anniversary with the Open Road Tour, and the ATA Carnet made it affordable. The tour covered 10 cities from July 2002 to July 2003, beginning in Atlanta, with shows in Baltimore, Los Angeles, Toronto, Dallas, Sydney, Tokyo, Barcelona, and Hamburg and then ending back at the company's headquarters in Milwaukee, Wis. Forty container loads and 10,000 items traveled in "the world's largest rolling birthday party," which was quite a logistical challenge.

As staff from Harley-Davidson and freight forwarder Eagle Global Logistics prepared for the international leg of the tour, they considered how to carry out the intricate job of temporarily importing thousands of items into multiple countries.

They found an answer in the ATA Carnet. The use of carnets would not only eliminate duties and taxes but also reduce the delays and costs of physically crossing international borders. Everything including classic bikes, artifacts, motorcycle parts, and the equipment needed to mount the global party would be going to several venues. Total values might reach \$16,000,000 or more. The cost of depositing duties and taxes would have been enormous. The ATA Carnet allowed Harley-Davidson staff to

confidently step back from this aspect of the event and concentrate on other tour and show business.



"The importance of this event to Harley-Davidson goes without saying," noted Allen Clam, director of global logistics purchasing, planning, and control of Harley-Davidson. "The 'crew' that we have assembled

is absolutely essential to always doing whatever is required to get the job done right the first time. We have come to depend upon [this] organization for needed carnet and customs support."

One of the carnet service providers of the Council for International Business, the Corporation for International Business (CIB), helped design a viable carnet program for the tour. The carnet and customs expertise became indispensable to the project. CIB worked with the Web-based inventory system of Harley-Davidson to convert the inventory in a carnet general list format. This provided multiple location access to the thousands of general list items and transmission of the vital electronic data to U.S. and foreign customs agencies. As a result, a typical three-day border crossing into Canada took three hours.

Austria

Frontier of a New European Union

by Kelly Parsons

Office of European Union and
Regional Affairs,
Market Access and Compliance

While often overshadowed by its much larger neighbor, Germany, a second glance at Austria reveals enticing export opportunities for U.S. businesses. Aside from the country's well-diversified and relatively resilient economy, Austria offers a business location at an international crossroads. In May 2004, the European Union will welcome 10 new members. Austria will then border two longtime EU member states, two non-EU countries, and four new EU members, making it an excellent springboard into a host of new markets. This new status will create a more competitive environment for U.S. companies seeking access to growing markets in Central and Eastern Europe. Already, some 360 U.S. firms have recognized this potential and use Vienna as a regional base of operations for their business endeavors in Central and Eastern Europe. The Austrian government plans to create a regional cooperation zone with Hungary, Slovakia, and the Czech Republic, all countries that will join the European Union next year. Austria's ties to the EU accession states and its developed, open economy make for an attractive combination



FACTS AND FIGURES

Total area:	2,562 square km (slightly smaller than Maine)
Population:	8.2 million
GDP:	\$240 billion (2003 forecast)
GDP growth:	2.2% (2003 forecast)
Inflation:	1.6% (2003 forecast)
GDP by sector:	services 65%, industry 33%, agriculture 2%
Main industries:	construction, machinery, vehicles and parts, food, chemicals
Currency:	euro
Exports:	machinery and equipment, motor vehicles and parts, paper and paperboard, metal goods, chemicals
Imports:	machinery and equipment, motor vehicles, chemicals, metal goods, oil and oil products
Official language:	German

Sources: CIA, EIU

for companies wishing to tap into a European market that will soon span an even greater share of the continent.

"Austria has transformed into a distinct niche-type market," says Joe Kaesshafer, senior commercial officer for Austria. "We've seen basically two types of U.S. exporters asking for our assistance

repeatedly. First, the small business that is intimidated by the size of the markets of Germany, France, or Italy, finds the size of the Austrian market to be quite manageable. Second, the small business or even very large company that looks at a map and realizes that in May 2004, the center of power in Europe moves in such a way that Austria can be a company's

linchpin or launching pad in dealing with the fast-growing EU accession countries.”

NEW KID ON THE BLOC NO LONGER

A relative newcomer to the European Union itself, Austrians know about the benefits of joining the economic bloc. Austria's EU accession in 1995 had a positive impact on foreign investment, inflation, and economic growth by providing access to the single market and by fostering liberal policies to promote competition and dismantle protectionism. Austria fully adopted the EU currency, the euro, at the beginning of 2002.

The economic liberalization of Central and Eastern Europe has already had a positive effect on Austria's economy. Austrian firms have invested significant amounts in these countries and continue to move labor intensive, low-tech production there. Austrian banks greatly expanded already established and extensive networks in many of the accession countries. All these conditions have attracted firms from around the EU seeking convenient access to newly emerging markets near Austria.

A BRIDGE BETWEEN EAST AND WEST

Austrian leaders like to emphasize the unique role the country still plays as a link between the East and West and as a frontier state in EU enlargement. Austria is also active in the United Nations and serves as a host to many global organizations. The capital city of Vienna serves as the headquarters of important international bodies such as the Organization for Security and Cooperation in Europe, the International Atomic Energy Agency, the Organization of Petroleum Exporting Countries, and a branch of the European Patent Office.

Austria's government also takes time to seek ways of keeping its own economy diversified and stable. It pursues investment in industries with high potential,

such as telecommunications, non-agricultural biotechnology, medical and pharmaceutical research, and electronics. For U.S. companies in these industry sectors, Austria represents a good opportunity for export, joint venturing, and investment.

PAVING THE WAY

While the road and railway infrastructure from Austria to the future EU states still needs improvement, Austria and several of its eastern neighbors have taken on the project of improving arteries of transportation as part of their cooperative regional efforts. Austria itself has a modern communications and transportation infrastructure and an extensive highway system that provides good access to major Western European industrial centers and ports.

Austrian goods also find their way to the United States, and vice versa. The United States is Austria's third-largest supplier of imports and largest trade partner outside of Europe. U.S. companies new to the Austrian market will benefit from this established exchange of goods and services between the two countries. U.S. exporters looking to Austria will find a highly competitive market closely linked to the economies of other EU member states, particularly Germany, and with demands for quality, service, and price.

The U.S. Commercial Service in Vienna has already completed research on a number of industry sectors in Austria and offers a variety of market research and promotional services for U.S. companies looking to export to Austria.

BEST PROSPECTS FOR U.S. EXPORTERS

Computer Software and Services

In 2002, total packaged software sales in Austria reached nearly \$1.2 billion, and the value of IT services totaled more than \$2.6 billion. The expected annual growth rate for 2003 will be close to 5 percent for software and over 7 percent for services, and over

OFFICIAL HOLIDAYS, 2004

January 1	New Year's Day
January 6	Epiphany
April 12	Easter Monday
May 1	Labor Day
May 20	Ascension Day
May 31	Whitmonday
June 10	Corpus Christi Day
August 15	Assumption Day
October 26	National Day
November 1	All Saints' Day
December 8	Immaculate Conception
December 25	Christmas Day
December 26	St. Stephen's Day



TOP U.S. EXPORTS TO AUSTRIA, 2002

(in millions of dollars)

Vehicles, not railway:	\$851
Aircraft, spacecraft:	\$393
Machinery:	\$268
Pharmaceutical products:	\$200
Electrical machinery:	\$175
Optical, medical instruments:	\$172



UPCOMING TRADE EVENTS

Unlike its services in large markets with a focus on trade shows, the Commercial Service in Vienna has a niche in providing locally organized, individual company promotions, industry-specific sales seminars, and its Gold Key Service. Please contact the Commercial Service for more information.

Date	City	Event
November 25, 2003	Vienna	Seminar on Internet Security Solutions
May-June 2004	Vienna	Nashville Health Care Trade Mission
September 2004	Vienna	MBA Fair 2004

WEB RESOURCES



U.S. Commercial Service in Austria
www.buyusa.gov/austria/en
 E-mail: officebox.vienna@mail.doc.gov
 Tel: +43-1-313-39-2297



Austrian Embassy in Washington, D.C.
www.austria.org/embassy.shtml
 3524 International Court, N.W.
 Washington, DC 20008
 Tel: (202) 895-6700 Fax: (202) 895-6750



Republic of Austria
www.austria.gv.at/e



U.S. Embassy in Austria
www.usembassy.at
 Tel: +43-1-31339-0



Austrian Press and Information Service
www.austria.org



Federal President of the Republic of Austria
www.hofburg.at/en/index.htm

12 percent for software and nearly 8 percent for services in 2004. The market for databases is growing, especially as Austrian companies develop e-commerce sites and as large firms discover the advantages of enterprise-wide information management, still relatively new ideas in this market. Sales of networking software totaled \$89.8 million in 2002, and are expected to grow over 11 percent annually through 2005. The best opportunities for sales of U.S. software in Austria appear to be in Internet systems engineering and applications consulting, database and communications software and office automation, education, and quality control.

Telecommunications Services

The telecommunications services sector is the largest sector in the telecommunications market and accounted for nearly 76 percent of the total market in 2002. It is largely liberalized, well developed, and extremely competitive. Licenses are required for wire-bound public voice telephony, public offering of line leases, and wireless voice telephony. A single simple registration requirement applies to all other telecommunication services. The convergence of mobile phone, Internet, TV, satellite, and cable services offers a potent mix of new services, especially to U.S. firms that are the most experienced suppliers for many of these services.

Telecommunications Equipment

The Austrian telecommunications equipment market is an open, well developed, and highly competitive market. Sales totaled about \$2.4 billion in 2002, an increase of around 4 percent from 2001. The expected growth rate for 2003 is 9 percent and 10 percent in 2004. Mobile communications continues to be the booming segment of the industry. The Austrian enterprise infrastructure and network access equipment market is expected to grow from \$182.2 million in 2001 to \$280.6 million in 2006, or a forecasted increase of 9 percent.

Drugs and Pharmaceuticals

In 2002, Austrian production of pharmaceuticals increased by 22 percent, while imports grew by 17 percent and exports by 30 percent. Despite the significant increase in exports, Austria still cannot point to a positive balance of trade in pharmaceuticals. More than half of all pharmaceuticals produced in Austria are imported, and only about 40 percent are produced domestically. Access to the Austrian pharmaceutical market is subject to strict national or EU legislation and a cumbersome, bureaucratic approval and pricing process. Nevertheless, products from the United States enjoy an excellent reputation with respect to quality and safety, and the Austrian market is highly receptive to U.S. imports in this field.

Aircraft and Parts

The Austrian market for civil aviation aircraft, parts, and equipment totaled approximately \$201 million in 2002 and is expected to grow by 5 percent in 2003. With domestic based manufacturing limited to one company, the vast majority of the market is served by imports. In terms of market position, U.S. companies represent 48 percent of imports.

Health Care Equipment

With its location in Central Europe and as an EU member state, Austria represents a desirable, affluent test market for U.S.-made advanced medical equipment. In 2002, U.S. manufacturers provided more than 20 percent of the health care equipment imports making them the second largest suppliers, following those from Germany. However, due to low population growth and public health care budget cuts, U.S. imports are not expected to grow in 2003. The best opportunities for new sales appear to be for state-of-the-art equipment. ■

This article was compiled with assistance from the Commercial Service staff in Vienna, Austria.





EMBASSY OF THE UNITED STATES OF AMERICA
MEXICO CITY, MEXICO

November 2003

ANTONIO O. GARZA, JR.
AMBASSADOR

To My American Business Friends:

The recent WTO meeting in Cancun has once again put trade at the forefront of international relations. The importance of focusing on trade as the principal means to ensure growth and development is now more apparent than ever. Expanded trade brings jobs, investment, and expertise into developing countries, and through increased integration into the global market, allows developing countries to benefit from the rising tide of global prosperity. As President George W. Bush stated in his first address to the U.S. Congress, "Free trade brings greater political and personal freedom."

Nowhere is the importance of free trade to economic development more evident than in Mexico. Since the markets of the United States, Mexico, and Canada were opened to each other under NAFTA in 1994, Mexican exports to Canada and the United States have increased by 225 percent, compared with only 9 percent to the rest of the world. U.S. exports to Mexico have also experienced double-digit growth nearly every year since the implementation of NAFTA, making Mexico our second-largest market in the world after Canada. These exports create American jobs, not just in the border states, but also in cities and towns all over the United States.

Mexico, the United States, and many nations have been challenged by the recent economic slowdown. But there are numerous indications that the world economy is improving. While at times like these it is difficult to contemplate changes, the reforms that we institute today will ensure that we all benefit from the coming upturn. The United States and Mexico should lead together.

To build a strong partnership, we must be strong partners. President Bush has seized the initiative with a package of pro-growth tax reductions. Leaders in Mexico are currently discussing a range of reforms as well, and if implemented properly, both nations will enjoy strong economic growth and job creation in the months and years ahead.

Presidents Bush and Fox will take further steps toward these goals at the Special Summit of the Americas, which will take place in Mexico in early 2004. With the world watching, they will join with the other leaders of the Western Hemisphere in promoting our common future as a community of democracies at peace, with open economies and shared values.

Now is the time for U.S. companies to establish or expand a foothold in the Mexican market. The opportunities are here. The U.S. Commercial Service, through its offices in the United States and Mexico, stands ready to help and support your commercial endeavors. I wish you all great success.

Sincerely,

Antonio O. Garza, Jr.

■ Sharing More than Just a Border

Strengthening Commercial and Cultural Ties with Mexico

by the U.S. Commercial Service, Mexico

The bilateral relationship of Mexico and the United States is of paramount importance for both countries. It is a complex relationship reflecting cultural differences, economic disparities, mutual interests, shared problems, and growing interdependence. The two countries cooperate on trade, finance, narcotics, immigration, labor, the environment, science, technology, and cultural relations. Beyond these diplomatic and official contacts, extensive networks of commercial, cultural, and educational ties flourish, especially along our 2,000-mile border, where state and local governments as well as citizens' groups closely interact.

The most outstanding feature of this bilateral relationship in the past decade has been the North American Free Trade Agreement (NAFTA), which created a free trade region for Mexico, the United States, and Canada. Since the enactment of NAFTA in January 1994, Mexico's imports from the United States have

grown exponentially, totaling \$98 billion in 2002. The U.S. share of Mexico's trade has likewise increased with NAFTA, accounting for nearly 78 percent of Mexico's total trade in 2002. Mexico is now the second most important U.S. trading partner after Canada. U.S. exports to Mexico are greater than U.S. exports to the rest of Latin America combined.

Mexico's size and diversity is often underappreciated by U.S. exporters. It can be difficult to find a single agent or distributor to cover this vast market. The principal commercial centers of Mexico City, Guadalajara, Monterrey, Ciudad Juarez, and Tijuana each offer a different mix of leading industries and often a distinctive business culture. In addition, a host of secondary commercial centers offer significant market opportunities.

The Mexican legal system differs in many significant ways from the U.S. system. U.S. firms should consult with legal counsel before entering into any business agreements with Mexican partners.

The banking system in Mexico is generally weak and undercapitalized, and interest rates are high. Only about 36 percent of Mexican companies utilize or have access to bank financing. Most importing is conducted on open account. Consequently, U.S. companies need to conduct thorough due diligence before entering into business with a Mexican firm, and should be conservative in extending credit and alert to payment delays.

Mexican customs regulations, product standards, and labor laws may confound U.S. companies. U.S. embassy commercial, agricultural, and labor attachés are available to counsel firms with respect to regulations that affect their particular export product or business interest.

Have patience. Everything takes more time to accomplish in Mexico than what U.S. companies are used to or would like. It is important to take time to develop a personal relationship with a potential business partner—this is the keystone to successfully doing business in Mexico. ■

NAFTA

TEN YEARS LATER

by Andrew Rudman

*Office of the Western Hemisphere,
Market Access and Compliance*

Since its implementation on January 1, 1994, NAFTA has been more successful than even the most optimistic analysts had predicted. Trade between the United States and Mexico has nearly tripled. The United States now trades more with Mexico in a day than with Paraguay in a whole year, more in a week with Mexico than with Chile in a year, and more in a month with Mexico than with all of the Mercosur countries in a year. In addition to the increased volume and diversity of trade among the NAFTA partners, the economies of Canada, Mexico, and the United States are more closely integrated than ever before, and the private sector is responsible for much of this integration. As we look forward to the next decade of NAFTA, it seems appropriate to ask, "What comes next?"

Following the free trade agreement, some might expect the next step to be a customs union along the lines of the European Union, requiring the three NAFTA countries to surrender autonomy in several key policy areas, including labor and immigration. While the political climate at this time does not appear to support such a bold step, integration within North America will continue to evolve. Sectoral integration, enhanced public-private sector partnerships, and greater policy coordination will all require our attention, even in the absence of an official governmental decision.

INDUSTRY ADAPTATION

Since NAFTA's implementation, two sectors in particular have taken advantage of tariff provisions to create economies of scale within each market. While integration in the automotive industry predates NAFTA, the tariff elimination schedule contained in the agreement promoted far more extensive expansion of cross-border production in all three countries. In 2002, U.S. shipments of new passenger vehicles and light

NAFTA Certificate of Origin Tool

The International Trade Administration has developed an on-line tool to help U.S. exporters in filling out the North American Free Trade Agreement (NAFTA) Certificate of Origin. The agreement provides important benefits for U.S. goods that are exported to our NAFTA partners, Mexico and Canada. NAFTA-qualifying goods (goods with sufficient North American content) are eligible for lower tariff rates than non-NAFTA goods. The NAFTA Certificate of Origin is used to show customs officials that your product is entitled to preferential tariff rates under NAFTA.

Because filling out the NAFTA certificate can be difficult, the Trade Information Center and the ITA Office of the Chief Information Officer have cooperated in developing this interactive tool to provide U.S. exporters and manufacturers with line-by-line instructions and detailed descriptions of terminology on the certificate. Through the Trade Information Center's on-line NAFTA pages, users of the NAFTA tool are also directed to help in determining Harmonized System numbers, given guidance on establishing preference criteria and finding rules of origin and other NAFTA information, and provided with examples of how products may qualify for preferential tariff treatment. The NAFTA certificate can be filled out on-line and saved for later use.

The NAFTA Certificate of Origin tool can be found on-line through www.export.gov and www.export.gov/tic.

trucks to Mexico, for example, were 38 times greater than such shipments in 1993. The integration of automotive industries is so complete that there are few if any cars produced in the United States that do not contain Mexican or Canadian parts.

The steel sector also has made use of NAFTA to integrate North American markets. Not only has the industry developed production patterns to maximize the advantages of the North American market, but it also has begun to speak with a single voice when dealing with the various governments. North American steel producers share common concerns and objectives and have worked to influence policy decisions within the region. Governmental cooperation in the OECD steel talks is but one example of this coordinated approach. In fact, in December 2002, the three governments issued a "NAFTA" statement—the first such statement in the history of NAFTA. More recently, the NAFTA Free Trade Commission announced the formation of a North American Steel Trade Commission that will provide opportunities for industry to meet jointly with government officials.

As mentioned previously, the private sector is behind much of the

integration in these and other sectors. NAFTA implementation created the conditions for integration, but governments cannot mandate it—rather it must come from the U.S., Mexican, and Canadian private sector. The U.S.-Mexico Partnership for Prosperity (see page 19) is one initiative that fosters integration within North America. It is hoped that this bilateral, largely government-driven partnership, can be expanded to include Canadian participation and would ideally evolve into a private sector-led endeavor.

A third area of regional integration is in policy. As the economies of the United States, Mexico, and Canada continue to integrate, policy decisions facing the three governments should increasingly converge. For example, the need to identify new markets for our "joint" exports will lead to the promotion of North America as one export source, as a producer of high-quality goods and services. This just makes sense from both policy and business perspectives. Over the next decade and beyond, through the continued integration of our economies and the promotion of a common vision, other nations will learn to see North America as a single trading partner, which in turn will bring our countries even closer together. ■

The Partnership for Prosperity

SPREADING THE BENEFITS OF NAFTA

by Jerry K. Mitchell

U.S. Commercial Service, Mexico

In 2001, Presidents Fox and Bush launched the Partnership for Prosperity, a bilateral initiative to realize the economic potential of all Mexican citizens, particularly those in less developed areas of Mexico. Spreading the benefits of NAFTA to more citizens means greater economic prosperity for all, more purchasing power in all regions of Mexico, and less reason to migrate to large Mexican cities or neighboring countries.

The partnership launched a new era of cooperation between the United States and Mexico. Joined by dozens of U.S. and Mexican government agencies, the partnership has produced many concrete results, led to new opportunities for U.S. businesses, and increasingly involved the private sectors of both countries in corporate responsibility projects.

The goals of the partnership are simple:

- To execute infrastructure projects;
- To create employment, especially among small and medium-sized enterprises through new cooperative ventures with U.S. firms; and

- To implement newer and better ties between Mexican clients and U.S. suppliers.

To achieve the partnership's goals, the U.S. Agency for International Development has initiated a seven-year program, worth \$50 million, to strengthen the capacity of educational institutions at the university level. The U.S. Small Business Administration has established small business development centers throughout Mexico to teach the fundamentals of business success to Mexican small businesses. U.S. government agencies have conducted seminars

a more competitive environment in the transmission of funds between the United States and Mexico. In 2002, Mexicans and Mexican-Americans in the United States sent \$10 billion home to family members and friends in Mexico. The cost of these remittances as well as the speed, reliability, security, and convenience are factors in the actual amount of money that goes into the hands of the intended recipients. More competition in financial services will lower the related fees and help make sure that more money gets to the people who need it most and strengthen regional economies.

Bilateral Agreement to Pave Way for Full OPIC Activity

The United States and Mexico signed a bilateral agreement in June of this year, which, upon ratification by the Mexican congress, will allow the Overseas Private Investment Corporation to offer all its programs and services in Mexico. Under the agreement, OPIC will initially focus on projects in the education, municipal infrastructure, environmental, housing, and water sectors. The agreement will allow both Mexican and U.S. companies to benefit from the wide variety of financial services offered by OPIC, particularly for small and medium-sized companies.

in venture capital, mortgage financing, and electronic commerce, all designed to stimulate productivity and capital markets in order to spread the benefits of NAFTA to more Mexicans.

Perhaps the Partnership for Prosperity has had the most success in creating

Remittances are the second-largest source of foreign exchange for Mexico, surpassed only by revenues from oil exports. During the most recent meeting in San Francisco, the U.S. Federal Reserve Bank and the Bank of Mexico announced the establishment of an automated clearinghouse for cross-border transactions. The International Electronic Funds Transfer System will reduce the cost of financial transactions to less than one dollar.

What does this mean for U.S. business? Spreading the benefits of NAFTA to more regions in Mexico increases Mexican purchasing power. This in turn increases business opportunities and trade between our two countries. Under the Partnership for Prosperity, the Export-Import Bank of the United States has extended a \$100 million line of credit to the Mexican development bank (Banobras) to finance environmental projects in Mexico. The U.S. Trade and Development Agency is funding feasibility studies in the transportation, energy, and infrastructure



U.S. Department of Commerce

Commerce Secretary Don Evans, joined by Mexico's Secretary of Economic Affairs Fernando Canales during the Partnership for Prosperity event in San Francisco.

Best Prospect Sectors in Mexico

sectors, which will increase U.S. exports. The U.S. Overseas Private Investment Corporation has aggressive programs to assist small and medium-sized U.S. companies set up franchises and other business ventures in Mexico in order to help develop local economies.

Some 800 U.S. and Mexican businesses came together in June 2003 in San Francisco to discuss joint opportunities in housing, automotive supply, infrastructure, information technology, and agribusiness. The U.S. Departments of Commerce and State and the Mexican government, under the auspices of the Partnership for Prosperity, organized the conference. As a result, we expect many new business ventures to develop. We can expect another similar conference in 2004 to highlight other key industry and service sectors.

Lastly, as a result of the Partnership for Prosperity, U.S. and Mexican companies are undertaking corporate community projects to help the workers, families, and the communities in which they live and work. Dozens of corporations have stepped forward to provide examples of housing projects, orphanages, and health and safety programs that they sponsor each year. We are encouraging them to expand, replicate, and develop new community-minded programs to show that there is more at work in Mexico than just satisfying the bottom line. The Good Partner Award has been established to recognize corporate efforts in this area.

After 10 years, NAFTA is more than just a trade agreement. Increasingly, Mexico, the United States, and Canada, are becoming integrated into a North American marketplace. To be successful, that integration needs to bring benefits to citizens throughout our countries. The Partnership for Prosperity is designed to do exactly that, while increasing the economic and commercial opportunities available to both U.S. and Mexican firms. ■

by John D. Breidenstine
U.S. Commercial Service, Mexico

Given the enormous volume of trade between the United States and Mexico, market opportunities exist across the board for internationally competitive U.S. goods and services. The industries briefly detailed in this article are only a sampling of "best prospect sectors." These and other product and service sectors have good growth prospects and account for a large percentage of U.S. exports to Mexico. If a particular sector is not on the list, this does not mean that the product lacks market potential in Mexico. More detailed information on Mexico and industry sectors is available in the *Country Commercial Guide* for Mexico at www.export.gov or www.buyusa.gov/mexico/en.

AFTERMARKET AUTO PARTS

The Mexican automotive parts market grew 6 percent, from \$17.1 billion in 2001 to \$18.2 billion in 2002. The growth was less than expected due to the U.S. economic slowdown, which affected the auto parts industry more than other sectors.

Mexican auto parts and aftermarket auto parts manufacturers and distributors are confident that the sector will increase more than 7 percent during 2003, especially in the aftermarket segment because there has been an increase of some 46 percent in the number of vehicles in circulation since 1997. The increase from 13.9 million in 2001 to 18.4 million cars as of mid-2003 was basically due to the temporary opening of the border to used vehicles over 10 years old. Mexico's total motor vehicle sales reached the 1 million-unit mark in 2002 (including production of 25,000 heavy trucks).

Best prospects for U.S. exports of aftermarket auto parts include rims and tires, chemicals (lubricants, waxes, polishes), sound equipment, engine replacement parts (rings, pistons, carburetor parts, fuel injection parts), air-conditioning parts and accessories, electrical systems, and automatic transmission replacement parts.

ELECTRONIC COMPONENTS

The electronics industry in Mexico is evolving. Fueled by NAFTA, the



industry has moved into new product lines including automotive electronics, network equipment, game consoles, printers, high capacity servers, storage media, and even semiconductor design. As the second most important export industry in Mexico, the electronics industry imports 92 percent of electronic components required, 85 percent of which come from U.S. suppliers. However, more and more components are being imported from other areas of the world, mainly Asia and Eastern Europe.

There are competitive advantages for Mexican electronics firms to import components from U.S. suppliers under NAFTA, including short lead times in transportation, virtually 100 percent duty-free electronic components, and streamlined customs procedures. In addition, NAFTA has led to increased foreign direct investment, and many of the original equipment manufacturers are U.S. investment operations that use U.S. components in their designs. U.S. market share has declined, however, due to the Mexican government's PROSEC program, which established most-favored nation tariffs of 5 percent for many categories of industrial inputs, and eliminated other tariffs, thereby eroding the value of NAFTA duty-free entry for U.S. suppliers.

As a result of the slowdown of the U.S. consumer electronics market, Mexican imports of U.S. components for assembly and re-export decreased significantly in 2002. This trend is expected to continue in the near future until the U.S. economy recovers.

There are two centers for the electronics industry in Mexico—Baja California (Tijuana) and Guadalajara.

LOW INCOME AND PREFABRICATED HOUSING

Low-cost and prefabricated housing initiatives or projects are a priority for the majority of the 32 Mexican states, as well as for the federal government. Governors promote low-cost housing

projects, and most of them seek private investment in order to accomplish their goals. The federal and/or local housing government agencies cannot afford to solve the housing deficit by themselves; they need and request the support of private industry.

If a U.S. firm is interested in entering the construction market, the best option is to enter into a joint venture agreement with any of the Mexican firms already established and that play a significant role in the housing industry.

Currently, the market is expected to grow at 4.5 percent during the next three years. In addition, the market is open and Mexican firms are searching for new and rapid construction techniques and new materials (with high quality, low prices, and ease of use and installation). U.S. products and/or services are well accepted in Mexico, and U.S. firms have the additional benefit of selling most products duty- and tax-free.

Official sources estimate that at the end of year 2002, Mexico had a deficit of more than 8 million homes. Major housing construction companies are planning to build over 1 million new, low-end and middle-income homes between 2003 and 2005.

National investment in this sector at the end of 2002 exceeded \$110 million, of which investment in construction was more than \$43 million. The segments of the market that will demand the most building materials are the lower- and middle-income levels. They are expected to grow at an average of 20 percent and 14 percent respectively during the next three years.

The National Population Council estimates that Mexico will require 30.2 million dwellings by the year 2010. Considering that Mexico has now a stock of 22 million houses according to the census of 2000, this means the requirement of 8.2 million additional housing options in the next eight years.

MEDICAL DEVICES

The Mexican market for medical devices is very dynamic. This is especially true now that President Fox has made it a priority to improve the quality of the health care services offered by public institutions and to create new programs and systems for people not covered by social security and who do not have the resources to look for care at private hospitals.

At the same time, the government is implementing new regulations for hospital certification that force all private hospitals and clinics to have the appropriate resources for the kind of service they offer.

As part of these policies, the public sector is replacing obsolete equipment, building and equipping new hospitals and clinics, and purchasing equipment for those units that did not have enough resources. The private health care sector is also remodeling existing clinics and replacing obsolete equipment, and it is also building new hospitals and clinics nationwide.

Under NAFTA, most equipment and medical devices of U.S. origin can be imported duty-free into Mexico. ■

For product-specific market information about these and other sectors, please visit www.export.gov or www.buyusa.gov/mexico/en and consult Mexico's *Country Commercial Guide*, *Industry Sector Analysis* and *International Market Insight* reports, and other market research. Alternatively, you may want to contact the U.S. Commercial Service in Mexico at +52-55-5140-2600 and ask to speak to a sector specialist. For information on food and agricultural best prospects, please visit www.fas-la.com/mexico or contact the Agricultural Trade Office at +52-55-5280-5291 or e-mail atomexico@usda.gov.

U.S. Embassy in Mexico

Tel: +52-55-5080-2850
 Fax: +52-55-5514-1187
www.usembassy-mexico.gov

Embassy of Mexico

1911 Pennsylvania Avenue NW
 Washington, DC 20006
 Tel: (202) 728-1600
 Fax: (202) 728-1698
 E-mail: mexembusa@sre.gob.mx
www.embassyofmexico.org

U.S. Commercial Service, Mexico

Tel: +52-55-5140-2601
 Fax: +52-55-5705-0065
www.buyusa.gov/mexico/en

American Chamber of Commerce in Mexico

Tel: +52-55-5140-3800 / 3820
 Fax: +52-55-5703-2911 / 3908
 E-mail: jsweeny@amcham.com.mx
www.amcham.com.mx

United States–Mexico Chamber of Commerce

1300 Pennsylvania Avenue NW, Suite 270
 Washington, DC 20004
 Tel: (202) 371-8680, ext. 817
 Fax: (202) 371-8686
www.usmcc.org



Making Money South of the Border

SMALLER COMPANIES FIND SUCCESS

by Rebecca Balogh

U.S. Commercial Service, Mexico

Since the implementation of NAFTA in 1994, the United States has experienced double-digit growth nearly every year in its exports to Mexico. Of course, much of this export success is due to the participation of large firms in infrastructure and other major projects. However, small and medium-sized businesses have been increasingly successful in this market, both as suppliers to the *maquiladora* sector near Mexico's border with the United States, and as exporters of products sold throughout Mexico.

In recent months, a number of small businesses have made impressive sales to distributors and end users in Mexico. For example, Second Chance Body Armor, of Michigan, sold armored vests to a Mexican state police force; Seal King North America, South Carolina, sold double-sided adhesive tape to a Mexican distributor; and, Sea Sweep, Inc., Colorado, sold pollution control equipment to Pemex, the government-owned petroleum company. While many other U.S. small businesses have found distributors and agents or won contracts, we would like to highlight one case that shows how a partnership between public and government entities can help U.S. companies of all sizes succeed in challenging markets like Mexico.

WORKING TOGETHER

DentalEZ of Malvern, Pa., had already been selling its dental equipment and instruments in Mexico for nearly 20 years, but was suddenly shut out of a government tender. DentalEZ has been a client of the Philadelphia U.S. Export Assistant Center (USEAC) for many years, working to export its products to Mexico and other countries around the world. In May 2003, following the advice of the USEAC and its Mexican lawyer, DentalEZ sought out the services of the Commercial Service in Mexico to raise its concerns about the Mexican Institute of Social Security (IMSS). IMSS had disqualified DentalEZ from

participating in a multimillion dollar tender without providing sufficient explanation.

Working closely with DentalEZ, Alicia Herrera of the Commercial Service in Mexico alerted a number of key Mexican officials of the possibility of unfair treatment. During the next six months and after substantial consultation among a wide array of U.S. and Mexican officials, IMSS not only re-admitted DentalEZ to the tendering process, but also awarded the company a purchase order for several hundred complete dental workstations.

This and other experiences of U.S. companies, large and small, show that no matter what foreign market has piqued one's interest, patience and persistence are the keys to success. As one successful U.S. exporter, Bob de Pena of Second Chance Body Armor emphasizes: "I hear about a lot of U.S. companies that say they come to Mexico but don't get immediate sales. You can't come and just leave your fax number and expect people to respond. You have to pay attention to the market and be committed to it. Like anywhere in the world, you have to develop the market and have a presence there. If you do that, the rewards will follow."

Communication is another key factor to success in the Mexican market, both with your customer (or potential buyer) and with the Commercial Service offices in Mexico. Penelope Martinez of the Mexico City office comments, "We have had a very close working relationship with Second Chance. It really has been a win-win situation. The company kept me informed about what it was doing so we could stay engaged and help whenever necessary. As a result of our successful relationship, Second Chance is now working closely with the Export Assistance Center in Houston and our Commercial Service operations throughout Central America to enter the markets there." ■

Trade Events

YOUR DOOR TO SALES IN MEXICO

by Bryan Larson

U.S. Commercial Service, Mexico

With U.S. Commercial Service support, even companies that have never visited Mexico can take advantage of the opportunities that locally based trade events offer. These events enable a U.S. firm to meet potential customers, agents, distributors, and representatives, learn more about the market for its products and services, realize direct sales, raise the company's profile, and demonstrate its commitment to the market and its customers.

Through exhibitions, trade missions, and promotional seminars, the U.S. Commercial Service in Mexico supports U.S. companies in a variety of ways.

EXHIBITIONS

The support provided to U.S. firms at exhibitions in Mexico can range from a market briefing to directly recruiting and supporting a group of U.S. exhibitors in a U.S. pavilion. U.S. pavilions organized by the Commercial Service in Mexico at local exhibitions are becoming increasingly popular for good reason. U.S. company participants receive greater visibility, greater access to key decision-makers, and significant logistical support. Best of all, the price is right; it is the same as or slightly higher than any other similar-sized booth at a show. At a few exhibitions, we also offer a catalog show option called a product literature center. For a fraction of the cost of exhibiting at a show, your company's product literature will be displayed and distributed and any trade leads collected. This is a great way to participate in an event that you might otherwise miss.

TRADE MISSIONS

Every year, the Commercial Service in Mexico supports a number of trade missions made up of U.S. companies and usually led by high-level U.S. federal or state government officials. We arrange meetings with Mexican government officials and company representatives, conduct market briefings, and host

Study USA at Universitaria: Education and Training

Mexico City, Nov. 28–30, 2003. Contact Martha.Sanchez@mail.doc.gov

Las Americas Security Show

Mexico City, Jan. 28–30, 2004. Contact Penelope.Martinez@mail.doc.gov

EXPO COMM Mexico: Telecommunications, the Internet, and Networking

Mexico City, Feb. 10–13, 2004. Contact Angeles.Avila@mail.doc.gov

Expo Vacaciones: Tourism

Mexico City, Feb. 16–18, 2004. Contact Juan.Carlos@mail.doc.gov

Expo Manufactura: Manufacturing

Monterrey, March 2–4, 2004. Contact Josefina.Martinez@mail.doc.gov

Exintex: Textiles and Textile Manufacturing Equipment

Puebla, March 9–12, 2004. Contact MariCarmen.Campos@mail.doc.gov

U.S. embassy networking receptions. Trade missions offer participants highly visibility and, consequently, significant attention from high-level, public and private sector decision-makers. In addition, U.S. participants are able to accomplish a great deal in a very short amount of time.

PROMOTIONAL SEMINARS

What if there is not a trade mission or exhibition in Mexico that fits your company's interests or schedule? Our answer is the single company promotion, a stand-alone event that we can organize and host. We can provide companies with as little or as much logistical support as they need. One of the greatest benefits that companies derive from this service is the interest that a U.S. embassy-hosted event generates in Mexico.

For a complete list of events, products, and services, visit www.export.gov or www.buyusa.gov/mexico/en. ■



Trade Events

November 2003–May 2004

DATES	EVENT	LOCATION
November 12–14	Cosmoprof Asia 2003 This event is the Asia-Pacific region's largest showcase for products and services in cosmetics, toiletry, perfume, hairdressing, spa, and beauty sectors. Celebrating its eighth year in Asia, Cosmoprof will feature more than 600 exhibitors and a large-scale U.S. pavilion.	Hong Kong
November 13–17	InterCHARM 2003 The cosmetics market in Russia has great potential for U.S. companies. InterCHARM is the largest beauty and health products exhibition in Eastern Europe. In 2002, more than 600 companies from 23 countries participated, along with 65,000 visitors. The cosmetics and health products market is one of the fastest-growing markets in Russia.	Moscow, Russia
November 20–22	Expo Pesca 2003 Expo Pesca 2003 is an international trade show of equipment, supplies, and services for the fishing and fish farming industries. The U.S. Commercial Service in Lima will have a booth at the show and will host a catalog exhibition for U.S. firms unable to exhibit directly. Fishing is the second-largest industry in Peru, representing more than 5 percent of GDP and over 10 percent of total exports.	Lima, Peru
November 26– December 6	Essen Motor Show This show features automotive tuning and racing equipment and accessories, as well as classic and antique vehicles. In addition, a wide range of customizing items are displayed, and part of the show concentrates on auto high-fidelity equipment and related products. Although the Essen Motor Show mainly attracts consumers, wholesalers and distributors also visit the show to view the newest products in each sector.	Essen, Germany
December 3–5	Natural Products Asia 2003 This show features all products, edible and non-edible, related to healthy lifestyles and developing a healthy planet. It includes 200 exhibitors and 5,000 professional buyers. This fair will allow U.S. companies in the natural products industry to establish ties, and demonstrate their products to buyers, in Asia.	Hong Kong
January 1–5, 2004	Componex–Electronic India Componex–Electronic India is the premier electronics event in India, featuring over 500 exhibitors from 16 countries and attracting more than 18,000 visitors from India and other neighboring countries in Asia. The event also includes a two-day conference on electronic components, materials, and production equipment.	New Delhi, India
January 8–11, 2004	International CES International CES is the world's largest annual trade show for the broad-based consumer electronics technology market. It is the premier event bringing together consumer electronics manufacturers, distributors, researchers, and content developers.	Las Vegas, Nev.
January 9–11, 2004	Reisemarkt Rhein-Neckar-Pflaz This regional consumer travel show attracts approximately 22,000 visitors from the Rhein-Neckar region of Germany (2 million inhabitants). In 2002, there were 240 exhibitors from 18 countries. U.S. tourism firms can benefit from increased exposure through a unified U.S. tourism presence. Literature should be in German if possible.	Mannheim, Germany
January 18–21, 2004	Arab Health 2004 Arab Health is the premier medical show in the Middle East. This is the 27th year this show will be held in Dubai, featuring exhibitors from more than 75 countries and attracting 8,000 to 10,000 professional visitors.	Dubai, United Arab Emirates
January 19–22, 2004	International Builders' Show This show is the largest building industry trade show in the United States and also includes the largest number of construction related meetings, seminars, and workshops in the world. There are more than 1,000 individual manufacturers and suppliers who exhibit.	Las Vegas, Nev.
January 23–26, 2004	International Lingerie This trade show features more than 450 brands from 24 countries. More than 21,000 international visitors are expected to attend this important event.	Paris, France
February 2–5, 2004	Environment and Energy 2003 Environment and Energy 2003 will focus on relieving strains on the environment in Middle Eastern and North African countries. Emphasis is being placed on clean air, water supply, waste disposal, alternative energy sources, renewable energy, health, and safety.	Abu Dhabi, United Arab Emirates

HIGHLIGHTED EVENTS

INDUSTRY CONTACT INFORMATION

Cosmetics, Perfume, Toiletries, and Natural Products
 Swee-keng Cheong
 Tel: +852-2521-5233
 E-mail: Swee-keng.Cheong@mail.doc.gov

Cosmetics and Toiletries
 Edward Kimmel
 Tel: (202) 482-3640
 E-mail: Edward_Kimmel@ita.doc.gov

Refrigeration, Fishing, and Food Processing Eq.
 Cesar Jochamowitz
 Tel: +511-434-3040
 E-mail: Cesar.Jochamowitz@mail.doc.gov

Automotive Parts, Service Equip., and Tools
 Linda Spencer
 Tel: (202) 783-6007
 E-mail: LindaS@sema.org

Processed Foods, Food Processing and Packaging Eq.
 Barry Friedman
 Tel: +852-2521-7173
 E-mail: Barry.Friedman@mail.doc.gov

Electronic Components
 Robert Blankenbaker
 Tel: (202) 482-3411
 E-mail: Robert_Blankenbaker@ita.doc.gov

Computers/Peripherals, Computer Software, Electronic Components
 Andy Bihun
 Tel: (202) 482-3663
 E-mail: Andy.Bihun@mail.doc.gov

Travel/Tourism Services
 Elizabeth Powell
 Tel: +49-69-956204-17
 E-mail: Elizabeth.Powell@mail.doc.gov

Biotechnology, Dental Eq., Drugs/Pharmaceuticals
 Elizabeth Ausberry
 Tel: (202) 482-4908
 E-mail: Elizabeth.Ausberry@mail.doc.gov

Building Products
 Joseph English
 Tel: (202) 482-3334
 E-mail: Joseph.English@mail.doc.gov

Apparel
 Lawrence Brill
 Tel: (202) 482-1856
 E-mail: Lawrence_Brill@ita.doc.gov

Pollution Control, Renewable Energy, and Water Resources Eq./Svcs.
 Nancy Charles-Parker
 Tel: +971-2-627-3666, ext. 11
 E-mail: NCharles@mail.doc.gov

AEROSPACE EXECUTIVE SERVICE AT DUBAI 2003

UNITED ARAB EMIRATES
 DECEMBER 8-10, 2003

The U.S. Commercial Service's office in Dubai, United Arab Emirates and the International Trade Administration's aerospace and defense technology team are organizing an aerospace executive service at Dubai 2003: The Eighth International Aerospace Exhibition.

The aerospace executive service affords low-cost access to small and medium-sized businesses by allowing them to participate in Dubai 2003 without taking on the enormous expense of purchasing and staffing booth space.

The Eighth International Aerospace Exhibition, a biennial event, will take place December 7-11 at the Airport Expo. After the mega-shows of Paris and Farnborough, the aviation industry has ranked the Dubai show number three in terms of importance and size (along with Asian Aerospace in Singapore).

Contact:
 Diane Mooney
 Tel: (206) 553-7251
 E-mail: Dmooney@mail.doc.gov

HEALTH CARE TECHNOLOGIES TRADE MISSION

BELGIUM AND THE NETHERLANDS
 FEBRUARY 9-13, 2004

The Office of Export Promotion Services, U.S. Department of Commerce, is organizing a trade mission to Brussels and Amsterdam. The mission will focus on health care technologies. The mission seeks to match U.S. companies with potential agents, distributors, representatives, licensees, and joint venture partners in health care markets.

Contact:
 Bill Kutson
 Tel: (202) 482-2839
 E-mail: William.Kutson@mail.doc.gov

DATES	EVENT	LOCATION
February 12–14, 2004	Baby and Kids Fair This fair is the only international trade fair in Japan that focuses on baby and children's products and services. About 1.2 million babies are born in Japan each year, and Japan now has about 8 million babies and pre-schoolers. Last year's event featured 21 exhibitors in the U.S. pavilion.	Tokyo, Japan
February 16–18, 2004	Stadia China 2004 In order to prepare for the 2008 Olympic Games, Chinese officials have scheduled this event to attract the world's best builders and managers of stadiums and arenas. There will be 300 exhibitors from 20 countries, including 100 U.S. participants.	Beijing, China
February 24–29, 2004	Asian Aerospace 2004 Asian Aerospace is the world's second-largest air show after the Paris Air Show. More than 700 exhibitors from 36 countries were at the last show, which attracted over 23,000 visitors from 78 countries. Approximately \$3.2 billion worth of trade deals were made as a result of the show. For more information, see www.asianaerospace.com .	Singapore
Mar 1, 2004	Telexpo 2004 Telexpo is Brazil's largest and most important telecommunications and information technology event. The attendees and conference delegates are managers and directors from the telecommunications, IT, and enterprise markets, representing the largest technology buying companies. The Commercial Service in Brazil plans to organize a U.S. pavilion at the event.	São Paulo, Brazil
March 12–16, 2004	Internationale Tourismus Boerse ITB is the leading travel trade fair in the world. The U.S. pavilion, with more than 250 exhibitors, makes up the largest foreign delegation at the show. Exhibitors can expect to make contact with trade visitors (tour operators and travel press) from Germany and other European countries.	Berlin, Germany
March 29–April 4, 2004	FIDAE 2004 Building on more than two decades of success as the gateway to aerospace business in Latin America, FIDAE 2004 will again present an unparalleled opportunity for aerospace and defense companies intent on establishing or maintaining strong positions in Latin America. For further information, see www.fidae.cl .	Santiago, Chile
April 14–17, 2004	International ICT Expo This event showcases all types of products and services for the information and communications technology industries. The fair will have more than 400 exhibitors from approximately 150 countries. Buyers' delegations will come in from mainland China as well as from other countries. This is an ideal venue for U.S. companies that are considering expanding their business by partnering with Hong Kong companies to penetrate the Chinese market.	Hong Kong
April 20–24, 2004	Expomin 2004 Expomin has rapidly become the premier mining show in Latin America and one of the largest of its kind in the world. Expomin has grown from a national event with 4,000 attendees to a major international exhibition with more than 45,000 business visitors.	Santiago, Chile
April 20–23, 2004	Food and Hotel Asia 2004 The 2002 event attracted 2,462 exhibiting companies from 67 countries, 83 percent of which were from overseas. A total of 32,931 international buyers from 93 countries visited the show. For more information, see www.foodnhotelasia.com .	Singapore
April 22–24, 2004	South East Asian Health Care Show This annual trade event covers a broad range of health care products and services and is especially suited for promoting hospital and electro-medical equipment and supplies, pharmaceuticals, home care, and health information technology.	Kuala Lumpur, Malaysia
May 13–16, 2004	InterZoo 2004 InterZoo is the largest trade show for the pet industry in Europe. Excellent opportunities exist for U.S. firms in this sector. For U.S. companies wishing to sell in Germany and throughout Europe, it is important to participate in this trade fair in Nuremberg. Attendance is strictly limited to qualified buyers.	Nuremberg, Germany

INDUSTRY CONTACT INFORMATION

Apparel, Books/ Periodicals, Furniture, Toys/Games	John Fleming Tel: +81-3-3224-5070 E-mail: John.Fleming@mail.doc.gov
Architectural, Construc- tion, and Engineering Svc.; Building Products, Computer Svcs., Health Care Svcs.	Sam Dhir Tel: (202) 482-4756 E-mail: Sam.Dhir@mail.doc.gov
Aircrafts and Parts; Avionics and Defense Technology	Haw Cheng Ng Tel: +65-6746-9037 E-mail: Hawcheng.Ng@mail.doc.gov
Telecommunications Eq. and Svcs.	Ebe Raso Tel: +55-11-3897-4040 E-mail: Ebe.Raso@mail.doc.gov
Travel/Tourism Services	Elizabeth Powell Tel: +49-69-956204-17 E-mail: Elizabeth.Powell@mail.doc.gov
Aircraft/Aircraft Parts	Patricia Jaramillo Tel: +56-2-330-3402 E-mail: Patricia.Jaramillo@mail.doc.gov
Computers/Peripherals, Software, Services, Telecommunications Eq.	Andy Bihun Tel: (202) 482-3663 E-mail: Andy.Bihun@mail.doc.gov
Mining Industry Eq., Oil/Gas Field Machinery, Telecommunications Eq.	Matthew Wright Tel: (202) 482-2567 E-mail: Matthew.Wright@mail.doc.gov
Food and Drink; Food Service Equip./Supplies; Restaurant, Catering, Hotel Equip./Supplies	Luanne Theseira O'Hara Tel: +65-6476-9416 E-mail: Luanne.Theseira@mail.doc.gov
Drugs/Pharmaceuticals, Health Care Services, Medical Eq.	Natila Ahmad Tel: +60-3-2168-5101 E-mail: Natila.Ahmad@mail.doc.gov
Pet Food and Supplies	Edward Kimmel Tel: (202) 482-3640 E-mail: Edward_Kimmel@ita.doc.gov

INFORMATION AND COMMUNICATIONS TECHNOLOGIES TRADE MISSION

**SINGAPORE, MALAYSIA, AND THAILAND
MARCH 15-23, 2004**

The U.S. Department of Commerce is organizing an information and communications technologies trade mission to Malaysia, Singapore, and Thailand. The mission will target companies in all sectors of the ICT industry. Delegation participants will be matched with potential agents, distributors, representatives, licensees, and joint venture partners in these markets.

Contact:
Matthew H. Wright
Tel: (202) 482-2567
E-mail: Matthew.Wright@mail.doc.gov

MEDICAL DEVICE TRADE MISSION

**CHINA
APRIL 19-23, 2004**

Next spring, Assistant Secretary of Commerce Linda M. Conlin will lead a trade mission to Beijing and Chengdu, China. The mission will include representatives of U.S. medical and dental equipment and supply firms. Following the mission, participating firms may further leverage their presence in China through optional visits to Shanghai, Guangzhou, or Hong Kong, for additional business meetings under the Gold Key Service of the U.S. Commercial Service. The mission is also open to representatives of U.S. medical device and dental equipment trade associations.

The United States is the leading exporter of medical devices to China, accounting for more than a third of the country's medical device imports. Between 1999 and 2002, the value of U.S. medical device exports to China (not including Hong Kong) rose from \$204 million to \$350 million. In the first six months of 2003, U.S. medical device exports to China totaled \$228 million, up 48.6 percent over the same period of 2002. U.S. exports to Hong Kong, which serves as a distribution hub for sales to the rest of China, remain strong, increasing from \$215 million in 1999 to \$274 million in 2002. U.S. exports to Hong Kong in the first half of 2003 rose 17 percent over the first half of 2002.

Contact:
Jay Biggs
Tel: (202) 482-4431
E-mail: Jay_Biggs@ita.doc.gov

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

■ Going On-line

E-exporting

by Lauren Saadat and Damon Greer

Office of Information Technology and Electronic Commerce, Trade Development

The Internet's worldwide reach has made marketing products and services abroad a low-cost alternative to traditional international business. Today, corporate Web sites offer portals to the global marketplace previously unavailable or too expensive for a small or medium-sized firm. Whether a firm's site publicizes its products and services via an electronic catalog that features on-line ordering and tracking or it provides an electronic inventory of a company's business segments, product applications, and technical specifications with on-line technical support, the company's Web presence is a valuable marketing tool to build customer awareness, advertise the firm's technical prowess in a particular business segment, and alert on-line visitors to authorized representatives and dealers found in their localities. Web site construction and maintenance costs vary widely, which allows a small or medium-sized enterprise to invest in e-business internationally without incurring significant marketing expenses characterized in "brick and mortar" marketing processes. Thus, a small or medium-sized company can marshal its available resources to broaden its market presence internationally by employing electronic business practices.

As with traditional commerce, international e-business includes categories such as business to consumer (B2C) marketing or e-retailing, business to business (B2B), government to business (G2B), and peer to peer (P2P) or e-marketplaces. By far, B2C activities

surpass the activities of all the other categories on an international level. Commercial and industrial e-marketplaces have been established and have had some success in countries such as Brazil, Mexico, and the United States.

■ WHY USE ELECTRONIC COMMERCE FOR INTERNATIONAL BUSINESS?

Today, more than 600 million people throughout the world are connected to the Internet. This global interconnectedness offers a tremendous potential customer base for entrepreneurs. B2B e-commerce is rising significantly as well. Increasingly, corporations in Europe, Asia, Latin America, and Africa are migrating many of their marketing programs on-line to seek new business in regions and countries they had heretofore thought beyond their resources. They also seek new supply sources, services to meet their internal needs, and partners to share manufacturing and marketing responsibilities.

For certain industries, products and services, going on-line reduces variable costs associated with international marketing. Tasks such as order processing, payment, after-sales service, marketing (direct e-mail), and advertising on various sites, may lower an enterprise's international market development costs that would be incurred if the firm employed conventional market penetration strategies. One important caveat: although English is spoken in many countries around the world, it is still important to consider using the languages prevalent in the countries targeted in a company's e-business strategy.

A firm's marketing department or executive should study electronic commerce as an innovative approach to exporting beyond the traditional commercial model. E-commerce influences marketing, production, and consumption. Information gathered from customers via on-line stores is used to customize products, forecast demand, and develop business strategies. Consumers not only pay on-line for products and services, but also search for information about products, negotiate with vendors, and reveal their preferences via their purchasing patterns.

However, the marketing executive should be familiar with the steps necessary to make the firm's Web site e-export capable. Many U.S. companies have Web sites that fulfill one or more marketing functions tailored to their business specialties. These sites feature one or more of the following characteristics:

Transactional site: Transactional sites are full-service and allow clients to search for, order, and pay for products on-line as well as allowing them to contact the company for after-sales service. The most sophisticated sites create efficiencies by integrating the transaction process with back-office systems such as accounting, inventory, and sales administration.

Information delivery site: This type of site generates sales by promoting awareness of a company rather than facilitating on-line transactions. Its function is similar to a brochure, providing information about products or services, as well as contact information

on how to proceed with a purchase. An information delivery site is ideal for companies that market products and services that cannot be delivered on-line or goods that cannot be sold on-line.

E-marketplaces: These sites are market makers; they bring buyers and sellers together to facilitate transactions. Participation in a brokerage often provides an efficient way of finding a customer without the expense of building a proprietary transactional Web site. Types of brokerages include auctions, virtual malls, and business partner matching services.

MARKETING ON THE WEB

Building an On-line Image

An on-line exporter may choose domain names localized for his target markets. Locally branded domain names can increase brand awareness, promote Web site address recall, and stimulate brand loyalty. Most local search engines only display locally relevant content by filtering the search results to include local country-code domains only. A company that wants to have a local domain name must research the rules by country, as registration requirements vary.

Register Your Site with Search Engines

On-line exporters should register with search engines popular with their target audiences in target markets.

Choose a Web Host

Web hosting services often go beyond Web site maintenance to include domain name registration, Web site design, and search engine registration. For some on-line exporters, it may be most feasible to use a Web host in their target markets to take advantage of all of these localized services.

Web Site Content

As with the physical world, companies that market on-line to foreign countries should be concerned with local preferences, client tastes, and historical consumption and usage trends (consumer,

commercial, and industrial market segments). It is important to research local commercial codes, standards, and import requirements to assure that foreign products and services comply with local laws. Adapting one's Web site to meet the linguistic, cultural, and commercial requirements of a targeted market may be incorporated into the enterprise's strategy for Web site and business development.

CODES OF CONDUCT AND BUSINESS PRACTICES FOR THE ON-LINE EXPORTER

Essential to building a strong consumer base in the on-line world is establishing a strong sense of consumer confidence. It is especially important to the e-exporting firm because its competition is much more intense and consumer choices are far more extensive than in the physical world. The Council of Better Business Bureaus and its subsidiary BBBOnLine have found that many on-line studies have revealed common consumer reservations about doing business on-line. Many of these apply to e-business as well. These concerns range from uncertainty that one's personal information including credit card or payment mechanisms are secure, deceptive commercial practices, misrepresentation of products or services, incomplete guidance on return policies, warranties, and independent verification that a company is legitimate. These studies also found that it was critical to have an adequate means of resolving disputes with between the buyer and the seller in order to build a high degree of trust in a vendor's enterprise.

BBBOnLine offers a Web business guide, *Code of Online Business Practices*, which delineates five principles for ethical "business to customer" conduct. These principles encompass sound, prudent commercial practices that reputable companies have followed for years:

- Truthful and accurate communications
- Disclosure (information about the business, products, and transactions)
- On-line security and privacy policies

- Customer satisfaction (provide a means for resolving disputes that is impartial, prompt, and courteous)
- Protection of children

The guide may be obtained at www.bbbonline.org. Additionally, the Better Business Bureau system offers alternative dispute resolution services for some foreign markets as part of its Reliability seal. Privacy is of great concern for many consumers; some seals or "trustmarks" guarantee privacy and mediation of complaints.

In partnership with the U.S. Department of Commerce, the Council of Better Business Bureaus has developed the Global Trustmark Alliance, which establishes partnerships with comparable organizations in several regions of the world to design and implement a global trustmark. When awarded and displayed on a company's Web site, this trustmark will give consumers confidence that the company has adopted a code of conduct to protect its customers' privacy and individual transactions, as well as enacted business practices to guarantee Web site security. The council will host a series of Web exporting seminars to showcase how small and medium-sized enterprises can do business on-line. For more information, see www.bbbonline.org/conferences and www.export.gov. ■

The U.S. Department of Commerce has created two tools to assist companies with IT assessment. Both tools are available for free on the Internet. The IT Management Planning Tool helps companies determine how IT can improve their business operations and helps identify technologies that can lower costs, increase competitiveness, or improve service delivery. The eScan Security Assessment is a diagnostic tool designed to assess the electronic security infrastructure of a small business and provide an action plan for improving it. See the IT Management Planning Tool at www.myinfotech.org and the eScan Security Assessment at <http://escan.nist.gov/sat/index.nist>.

For more guidance on doing business with consumers internationally, see the OECD Guidelines on Consumer Protection in the Context of Electronic Commerce at www.ftc.gov/opa/1999/12/oecdguide.htm.

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