

# EXPORT *America*<sup>®</sup>

December 2003

Volume 4 Number 12

<http://exportamerica.doc.gov>

THE FEDERAL SOURCE FOR YOUR GLOBAL BUSINESS NEEDS

**Growing Market  
and Partnership  
Opportunities  
in Russia**  
CAUTION ADVISED

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**Ask the TIC: Electronic  
SED Filing**

**Afghanistan and Iraq: Rebuilding  
for a New Era**

**There's No Place Like Dome:  
Exporting Prefabricated Housing**



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# EXPORT America

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*Prepared with the assistance of the U.S. Commercial Service*

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

Annual subscription rate is \$58.  
**All subscription inquiries**  
should be sent to the Government  
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**T**he thought of Mother Russia once brought to American minds cold unrelenting winters, vodka, onion-domed buildings, Sputnik, and a socialist system that employed as many citizens as possible. But this picture is not historically accurate.

The contributions to global culture by Russians prior to the Soviet era are undisputed. Names like Tchaikovsky, Rachmaninov, and Stravinsky, as well as Tolstoy, Dostoyevsky, and Chekhov, Chagall, and Kandinsky instantly bring to mind a rich tapestry of literature, music, and art that rank among world classics. And today, modern Russia is filled with entrepreneurs, high-tech equipment, democratic elections, foreign investment, and private property.

After the collapse of the Soviet Union in 1991, Russia began transforming itself into a democratic society with an economy based on market mechanisms and principles. Russia has made many successful changes: There have been free elections at all levels of government; private ownership of property has been legalized; and large segments of the economy are now privately owned.

The transformation is far from complete, however. In the economic sphere, privatized

assets have not been allocated fairly among the population and privatization of land is still in its infancy. Russia must also deal with the large-scale environmental destruction and other problems inherited from the Soviet Union. In the political arena, a stable society based on citizen involvement in local, regional, and national affairs has yet to develop.

The richness of Russia in terms of culture and commerce is why this month our feature focuses on the economic progress of the past few years. A close commercial relationship between the United States and Russia lends itself to the expansion of opportunities in oil and gas exploration, health care, and business development. Progress on corporate governance and establishment of rule of law are evident in modern Russia as well. As our relationship with Russia matures, our exchange of ideas and experiences will flow more freely and lead to economic and political stability for all.

*Cory Churches*

Cory Churches  
Editor



## GLOBAL NEWS LINE

### MEXICO

**The Mexican demand for lumber is led by the construction industry, even though building techniques differ from the United States.** Interior decoration, furniture, and accessories are also large growth markets. Windows, doors, plywood, poles, and posts are among the best prospects for U.S. exports. Domestic production is estimated at 10 million cubic meters annually, some of it harvested illegally, and includes temperate and tropical hardwood as well as softwood. Structural bottlenecks, limited funding, and obsolete methods hamper expansion.

The United States accounts for 70 percent of the lumber import market in Mexico, followed by Chile, Indonesia, Canada, and Brazil. Several countries have significant investments in Mexico's production of wood products. Growth of the import market is limited by a flat overall demand, the small size and undercapitalization of many importers, and recent difficulties in the construction sector. The materials handling industry offers potential for expansion and new applications, and the textile, agricultural, and chemical sectors present additional opportunities.

Distribution is usually through local representatives selling to major distributors or directly to the construction companies. Contacts within the public construction sector are essential, considering the large demand for wood. Several promotional opportunities are available throughout the year in the country's major distribution centers.

### COSTA RICA

**Demand for medical equipment in Costa Rica is expected to increase in the next three to five years, due to the need for hospitals to replace obsolete equipment.** The slowdown in both the Costa Rican and U.S. economies in 2001 caused a decline of 29.4 percent in imports to about \$11.5 million for the year. Imports increased to almost \$17 million in 2002, representing a

48-percent increase over 2001. Market growth for the 2003–2005 period is expected to average approximately 5 to 7 percent annually. The United States has the largest market share in this sector.

The consensus within the local industry is that the U.S. market share for medical equipment for 2003–2005 is expected to grow at an annual rate of 3 to 5 percent. In 2002, the U.S. market share of medical equipment was 48.5 percent. Industry sources point out that despite economic constraints, the Costa Rican government's efforts are focused on improving CCSS (national social security system) services and replacing obsolete equipment in its hospitals. A newly elected government took office in May 2002. In August 2003, the Costa Rican president established a competitiveness council, whose mission was to analyze each sector of the economy, including the medical sector. The council determined that the medical sector was lagging, due to obsolete facilities and equipment.

There is no significant local production of medical equipment in Costa Rica. Major U.S. competitors in this sector are from Germany, Japan, Italy, Mexico, and Spain. High quality, reliability, durability, favorable prices, good maintenance service, and timely delivery are the main factors for increasing U.S. sales in the medical sector. Although import duties are high for medical equipment, registered importers of this kind of equipment can obtain import tax relief from the Costa Rican government.

### BRAZIL

**Five years after the beginning of privatization, the Brazilian railroad transportation system is undergoing reorganization to restore confidence in the infrastructure of this sector.** The modernization and recovery of the railroad network and the development of multimodal logistics centers represented major steps to make the

system viable. After five years in the hands of private enterprises, Brazilian railroad companies are becoming more complex and sophisticated. Companies that in the past were offering port-to-port services now are able to offer door-to-door services utilizing sophisticated storage, materials handling, and transfer systems.

The railroad companies are experiencing drastic changes and reviewing their concessions with the government to adapt to more realistic scenarios. Statistics from the Brazilian Cargo Handling and Logistics Association show that costs related to logistics, transportation, cargo handling, and storage represented around 17 percent of GNP, or \$452 billion in 2002. Of this figure, transportation costs alone represented \$33 billion. According to a recent plan presented by the executive secretary of the Ministry of Transportation, Keiji Kanashiro, the Brazilian federal government's plan for 2004–2007 includes projects that will require investments of approximately \$3.7 billion in transportation infrastructure. Highways should get investments of approximately \$2.2 billion, railroads \$770 million, waterways \$280 million, and ports \$470 million.

Rail transportation represents a solution for companies seeking ways to improve customer service and reduce costs. Transportation companies from different sectors are integrating efforts in order to provide the comprehensive services demanded by industry. Presently, the Brazilian sectors that offer best prospects for American exporters are highways, railways, and waterways.

### FRANCE

**Estimated at \$48.2 billion, the French IT market ranks third in Europe by value after that in Germany and the United Kingdom, with 17 percent of the overall IT market.** France is also the leading European nation in IT software services, with \$28.5 billion in sales in 2002.

The French package software market is valued at \$7.6 billion. The year 2002 represented one of the most challenging years for the IT industry since the early 1990s. During this period, demand for software applications dropped 3 percent. Demand is expected to grow by 5 percent in 2003, as long as a forecasted recovery in the economy triggers public and private sector investments in IT.

Packaged software is a key factor in making French corporations more competitive, especially small and medium-sized firms, which purchased \$400 million worth of software packages in 2002. Demand for packaged software covers primarily applications for networking, business software, multimedia, and security.

French software services firms rank first in Europe for the volume and scope of services they provide. Their offerings include sophisticated software packages that respond to the needs of a wide variety of sectors, including finance, defense, aerospace, and manufacturing. However, France imports 70 percent of its packaged software, primarily from the United States, but also from Germany, the United Kingdom, the Netherlands, and Italy.

American firms control the French packaged software market with products for database, spreadsheet, CAD/CAM, word processing, groupware, and Internet applications. New distribution methods have further enhanced the position of U.S. firms, which have very successfully offered their products on a subscription basis.

Thanks to their leading position in IT, American software firms stand to benefit greatly from several trends affecting the French market, including a liberalized market for telecommunications, the rising popularity of e-commerce, the availability of cutting-edge wireless solutions, and a growing concern for systems security.

## ISRAEL

**Israel has one of the highest proportions of dentists to the general population in the world, with some**

**8,000 dentists currently practicing, and about 300 new ones joining the profession each year.**

The market is driven by the private sector rather than by the public health system, with limited government cost regulatory involvement. The dental equipment market is estimated at \$60 million, approximately half of which derives from local production and half from imports. U.S. exports of dental equipment and supplies to Israel totaled \$12 million in 2002, ranking Israel 13th on the list of export markets for U.S. dental products. Israel is the largest trading partner for U.S. dental supplies in the Near East. This market is highly receptive to U.S. dental products and technology and presents U.S. exporters with good prospects. Opportunities exist for U.S. dental equipment, materials, and services, including educational services.

Unlike other health services, Israel's national health legislation does not cover dental care except for general diseases that affect oral health. Some special groups, such as needy and elderly people, active military personnel, and school age children, receive free basic dental treatment in public dental clinics. Public services include only very basic dental care treatment and do not include dental reconstruction or implants. The majority of the population sees a dentist on a private basis. Private practices are managed by independent dentists and by two of the four HMOs. Currently, only about 10 to 15 percent of the population is covered by private dental insurance, either independently or through their employers. Many Israelis rely on private clinics for quality dental care, and many opt to pay out of pocket for services rather than acquire dental insurance. Although highly competitive, the market is dynamic and highly receptive to U.S. products and technologies. There are good opportunities for U.S. exporters of dental equipment and services. Israeli dental schools have few places available each year, and a good number of Israeli students apply to schools in other countries. There are opportunities for American dental schools with undergraduate and

postgraduate programs to expand their recruitment efforts.

## RUSSIA

**Russia inherited from the Soviet Union one of the world's largest, integrated petrochemical industries.**

By the mid-1990s, the industry had disintegrated to the point where separate enterprises were only operating at 20 to 30 percent of total capacity. From a leading position in world chemical production, Russia ended up losing 50 to 80 percent of its output of a variety of products. In 1998, for example, polymer film production was just 4 percent of the 1988 level.

After 10 years of decline and disintegration, midstream industry and company managers finally realized the need for vertical integration among regional and interregional groupings, particularly in the processing of hydrocarbons.

Although the trend is toward integration, concurrent with merger and acquisition fever, there are still substantial negative conditions in the Russian petrochemical industry, including owners with little experience in the industry, mismanagement, inappropriate company and industry structures, and a lack of marketing know-how. Particularly damaging were the many hasty acquisitions of new assets and consequent misguided diversification rather than focus on modernization and efficiency of existing assets.

Major concerns in the industry include insufficient raw materials, equipment obsolescence, insufficient processing sophistication, relatively low levels of automation and integrated process-control systems, and distortions in price and taxation policies. ■

### 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).

# There's No Place Like Dome

## Exporting Prefabricated Housing

by Doug Barry

*U.S. Commercial Service*



For developing countries in need of efficient, inexpensive housing, a Memphis company has just the thing: domes. In fact, domes are what the company is all about.

Domes International manufactures the bulbous structures out of molded fiberglass. Some look like igloos, others big marshmallows. Among the most attractive benefits is that they require little maintenance. Energy-efficient, the domes also provide protection against dangerous weather conditions including severe monsoons, which cause horrific damage and loss of life in certain areas of the world.

For more than five years, Domes International has been a client of the U.S. Commercial Service. It was through the Commercial Service that the company was able to begin exporting its dome houses to India.

Steve Pope, who does marketing for Domes International, says that India is

in need of several million houses right now: "In all my years of experience, I have never seen a product that has the appeal and demand that this product has produced."

After its initial success in India, the company decided to establish a manufacturing facility there, in order to better serve its new Indian customers, and with the possibility of later supplying nearby countries such as Pakistan, Afghanistan, Bangladesh, and Sri Lanka. The factory opened in October, and the first customer is an Indian state government, which intends to use the structures to house the area's homeless.

### DOMES SWEET HOME

Aren't modes of housing to some extent cultural and might people used to clay or wood or cinder block reject a domicile that could look to them like an inverted soup ladle? Pope says that clients in many countries are more concerned about a solid roof than about aesthetics, though he points out that local interior designers are hired to advise on room layouts and amenities

that might have a cultural basis. The domes also come in colors other than standard white, though no one has yet requested any.

Also, the domes don't have to be just domes. A square facade can be placed around the dome, if residents prefer a more geometrically familiar structure.

Pope says the real appeal of the domes, and one that sold the U.S. military on buying hundreds of them for housing on an island in the Pacific, is their low maintenance cost. The domes cost 50 cents a square foot annually, compared with \$15 per square foot for masonry and wood structures. Pope says that in addition to being virtually indestructible, upkeep consists of a "bucket, a mop, and some soap and water."

In addition to selling houses worldwide, Pope says that the company is also planning to donate homes to needy areas of the world.

According to Ree Russell, the U.S. Commercial Service's trade specialist



in Memphis who works with Domes International, "What's so impressive about Steve [Pope] is that he takes the time to go to these places." Where next? "We're trying to finalize a deal in Nigeria," says the globe-trotting Pope.

**LOCAL ASSISTANCE**

Pope and his colleagues are making use of government assistance to expand their business through exports. He says that the Commercial Service in India helped spread the word about his company and product, and soon the phone was ringing off the hook with prospective investors, partners, and government officials looking for solutions to their housing problems.

There was a brief glitch at the Mumbai port clearing components for the new factory. "We didn't know the Commercial Service could help resolve customs issues, too," says Pope, still annoyed with himself for not requesting help sooner.

With the help of the Commercial Service, Domes International received financing of \$1.2 million from the Overseas Private Investment Corporation. "This project offers many developmental benefits to the region," explains OPIC President and CEO Dr. Peter Watson. "It will serve a market of 50 million people by providing affordable housing that will survive even the harshest conditions, and could further support businesses and even schools and farms with much-needed facilities and storage."

Pope adds that Domes International also builds domed warehouses, office

buildings, and water collection facilities, among others: "We can fit so many needs for different countries."

Pope says that building dome assembly plants in other countries is a win-win proposition. "The jobs created help the local economy," says Pope, "while we benefit stateside because the master molds and other pieces are manufactured here."

The success of Domes International can be traced back to its founder, Joel Nichols, described by Pope as a Mississippi dirt farmer with a third grade education. He made all kinds of things out of fiberglass, and one day, so the story goes, a local investor, who was an undertaker by profession, asked Pope if he could make 50 fiberglass chicken coops. Nichols agreed but said it would take between five and 10 years to make the coops on his workbench. So the undertaker bought Nichols out and built a manufacturing facility. Nichols still works with the company as a kind of on-site guru. He is in India getting the new factory there ready for operation.

Says Pope, "He invented these designs, then manufactured, perfected, and

sold the houses out of his barn for 18 years."

Was the barn a dome? No, but that's not a bad idea for the "genius and artist" who is introducing dome living to thousands of grateful people all over the world. ■



Photos courtesy of Domes International.

# Business Ethics

## Managing a Responsible Business

by Igor Y. Abramov and Kenneth W. Johnson  
 ITA Good Governance Program Ethics & Policy Integration Centre

Over the past few decades, governments, international institutions, transnational organizations, organized labor, and civil society have been engaged in an ongoing dialogue about the role of businesses as responsible stewards. Though the profit motive is understood and accepted, people do not accept it as an excuse for ignoring the basic norms, values, and standards of being a good citizen. Standards, procedures, and expectations to define the norms and values of responsible business conduct are emerging worldwide. Modern businesses are increasingly expected to be responsible stewards of community resources, which contribute to the growth and success of both their companies and their communities. Enterprises and markets that are unaware of these, or fail to plan with them in mind, will be unable to participate in the global dialogue and will risk being left behind as the world economy expands.

To help leaders in government, business, and civil society develop the conditions and social capital needed for businesses to flourish, we are publishing a manual to help busy owners and managers design and implement programs to meet emerging global standards of



responsible business conduct: *Business Ethics: A Manual for Managing a Responsible Business Enterprise in Emerging Market Economies.*

### IMPROVING PERFORMANCE ETHICALLY

Businesses around the world are designing and implementing business ethics programs to address the legal, ethical, social, and environmental issues they face. By addressing these issues in a systematic way, enterprises have found that they can improve their own business performance, expand opportunities for growth, and contribute to the development of social capital in their markets. There is, of course, no one right way to design and implement a business ethics program, but the manual offers a step-by-step process by which owners and managers can explore the emerging body of global standards, procedures, and expectations. With the manual as a guide, they can adopt or adapt standards and procedures on a sector-by-sector and enterprise-by-enterprise basis, taking into account their particular circumstances, such as applicable laws and

regulations, the size of the enterprise, and its purpose.

The manual is intended to be a practical resource for owners and managers, and it therefore endeavors to provide a comprehensive framework for designing and implementing business ethics programs by addressing issues such as the following:

- What it means to be a responsible business;
- How to approach responsible business conduct as a strategy;
- Which structures and systems help management foster reasonable expectations among enterprise stakeholders as well as guide employees and agents to meet them;
- How to communicate with stakeholders about enterprise standards, expectations, and performance—and secure stakeholders' feedback;
- How to align management practices with core enterprise beliefs through a business ethics program; and
- How to evaluate performance under a business ethics program and learn from it.



For those enterprises ready to design and implement business ethics programs, the manual offers worksheets and appendices to aid owners and managers in collecting and analyzing data necessary to build effective programs.

#### IMPLEMENTING A BUSINESS ETHICS PROGRAM

The manual is organized according to the flow of business ethics program design and implementation—from defining key terms and addressing global standards and best practices through evaluating the business ethics program as a part of organizational learning. The manual first addresses the challenges enterprises often face, especially in emerging market economies. It argues that to be part of the solution to emerging-market problems and challenges, business enterprises need to improve their business performance, contribute to the social capital of their communities, and work with leaders in government and civil society to develop a market-oriented legal framework and reliable judicial

institutions. The manual then introduces the reader to the elements of a business ethics program, its function as a business strategy, and the emerging global standards and best practices of responsible business conduct:

- Setting and implementing policies, standards, and expectations;
- Building the structures and systems that owners and managers use to implement a business ethics program;
- Communicating with an enterprise's stakeholders about standards, procedures, and expectations, as well as about the enterprise's performance;
- Aligning its practices with an enterprise's core beliefs and the expectations created through its business ethics program; and
- Evaluating a business ethics program as an integral part of organizational learning and of what it means to be a responsible business enterprise.

The audience for this manual includes decision-makers in enterprises of all

sorts: business, government, academia, and civil society—and their professional advisers. Special attention is given to the unique needs of small and medium-sized enterprises. The owners and managers of such enterprises face particular challenges, and most chapters discuss specific issues facing smaller businesses. Some chapters have tables comparing the best practices of large, complex enterprises and cost-effective solutions for small and medium-sized businesses.

The challenges facing modern business are many. We hope that the manual will assist business leaders, owners, and managers to construct their own frameworks for being responsible stewards of their communities as they face challenging opportunities, demands, and constraints. ■

# Afghanistan and Iraq

## Rebuilding for a New Era

Adina Renee Adler  
*Afghanistan Reconstruction Task Force*

and

Mercedes Fitchett  
*Iraq Reconstruction Task Force*

Commerce Secretary Donald Evans created the Afghanistan Reconstruction Task Force and the Iraq Reconstruction Task Force in February 2002 and March 2003, respectively. The objective of these task forces is to tackle challenges and identify opportunities for U.S. companies working in these post-conflict areas. The task forces draw on expertise from various units within the International Trade Administration to promote exports, develop business prospects, and engage in U.S. government trade policy. Each task force has a Web site that acts as

a comprehensive resource for commercial developments in both countries. Visit [www.export.gov/afghanistan](http://www.export.gov/afghanistan) and [www.export.gov/iraq](http://www.export.gov/iraq) for information on current events, tenders, business opportunities, and links to many more resources within the U.S. government and the multilateral institutional community. Commercial guides are available to assist companies as they pursue potential opportunities. Contact information also is available for business counseling from task force trade specialists.

Secretary Evans visited Baghdad and Kabul during the week of October 13, 2003. He personally assessed the progress of reconstruction in both

countries and uncovered the potential for greater U.S. private sector involvement in these rapidly changing markets. Both countries show remarkable progress in establishing institutions and creating environments conducive to modern commerce. Secretary Evans discovered that contrary to daily media reports, business conditions are improving and authorities in both countries are taking the appropriate steps to compete in the global business arena. Congress recently authorized a bill worth \$87.5 billion in additional assistance that will promote economic stability in both Iraq and Afghanistan. President Bush signed that bill on November 6, 2003.

## AFGHANISTAN: MOVING RIGHT ALONG

### INCREASED COMMERCIAL INTEGRATION

The Afghan government has taken several important steps to attract foreign trade and investment, most notably the Law on Domestic and Foreign Private Investment in Afghanistan, signed by President Hamid Karzai in September 2002. The law created a High Commission on Investment to oversee the business and investment license approval process. Investment incentives provide for 100-percent foreign ownership of

enterprises, and include tax holidays and repatriation of profits abroad. The Afghan Ministry of Commerce is currently updating the law, but the text can be reviewed at [www.export.gov/afghanistan/commercial/index.html](http://www.export.gov/afghanistan/commercial/index.html). The Afghan Commerce Ministry also opened a new Afghanistan Investment Support Agency in September 2003 to serve as a central location for potential investors seeking information and paperwork for opening facilities and pursuing investment opportunities.

The United States has approved measures to enhance economic development in Afghanistan through increased bilateral trade and economic assistance programs:

- U.S. assistance: The U.S. has earmarked \$1.2 billion to humanitarian, security, and reconstruction assistance since September 2001.
- U.S.-Afghan trade: Normal trade relations were reestablished in June 2002, paving the way for Afghan



Photo courtesy of the U.S. Embassy, Kabul.

Secretary Evans meets first and second graders at Kabul's Zarghona School for girls. More than 1 million Afghan girls are now enrolled in schools, a total number greater than at any other time in Afghanistan's history.

products to receive non-discriminatory treatment in the U.S. market. A presidential proclamation in January 2003 extended duty-free treatment to thousands of eligible products from Afghanistan.

- Road building: The Kabul-Kandahar road project will be completed by the end of 2003.
- Economic governance: USAID economic governance programs target reforms in the banking sector, commercial laws, and budgeting procedures.

#### THE SECRETARY'S MISSION

During his visit, Secretary Evans paid special attention to U.S.-Afghan commercial policies that have fostered better economic integration between the two countries. His meetings with U.S. and Afghan companies in Kabul focused on private sector contributions to Afghanistan's economic development. The private sector has an obligation to work with Afghanistan's authorities in order for the government to approve economic policies that promote business while protecting

investors' rights. Secretary Evans challenged the companies to uphold good business practices and to work in unison, with other private sector players as well as government authorities, toward achieving profitable objectives.

Secretary Evans congratulated Afghanistan's Commerce Minister Sayed Mustafa Kazemi for his leadership in promoting economic development through diversification and integration. The secretary noted that the Afghan High Commission on Investment had approved more than 8,000 business and investment licenses since September 2002, and said that the Investment Support Agency would streamline approvals and set the stage for more investment in the country. The secretary also made special note of the ministry's emphasis on women's entrepreneurship, including the newly created special office to promote women's economic development and inclusion in Afghanistan's overall progress. The secretary visited a girls' school to highlight the access that Afghan

women have to education and their inclusion in all sectors of society.

#### INTERNATIONAL ARENA

The rest of the international community continues to contribute assistance to Afghanistan. The World Bank, Asian Development Bank, and the International Monetary Fund are targeting assistance to capacity and institutional building for the government, key economic sectors, and the financial system. The United Nations Assistance Mission in Afghanistan and United Nations Development Program are coordinating activities for several U.N. agencies to build Afghan administrative capacity and strengthen institutions of good governance, law and order, and security. More than 40 countries, with European Union, Japan, Germany, and the United Kingdom as leading contributors after the United States, have also contributed significantly to rebuilding Afghanistan.

Afghanistan has also worked to expand trade opportunities with its neighbors. The World Bank and the

## Several U.S. companies, large and small, have found a niche in the nascent Afghan market.

Asian Development Bank both sponsored ministerial conferences in 2003 to address regional trade and transit impediments between Afghanistan and primary regional players. The Economic Cooperation Organization, an economic development alliance of Central Asian countries, agreed to trade liberalization mechanisms to increase cross-border trade between Afghanistan and the six nations that border it. In addition, Pakistan and Iran have negotiated transit trade agreements that will allow Afghanistan to use their ports.

### DEPARTMENT OF COMMERCE GUIDANCE

The Afghanistan Reconstruction Task Force provides business counseling and services to assist U.S. companies in the Afghan market. The Commerce Department and the U.S. Trade and Development Agency co-sponsored the Afghanistan: Rebuilding a Nation conference in June 2003 to highlight 35 rebuilding projects and present specifications for U.S. companies willing and able to bid on these projects. Senior Afghan government officials gave detailed project presentations. The task force continues to monitor progress in these and other sectors.

The task force represents business needs and interests as the U.S. government defines its economic policies for Afghanistan. The Commerce Department strongly supported the resumption of normal trade relations and extension of Generalized System of Preferences (GSP) duty-free benefits to Afghan goods. The Commerce Department and the U.S. Trade

Representative's office hosted a government working group with the Afghan Ministry of Commerce to discuss various commercial policies and issues that affect trade and investment between the two countries.

Several U.S. companies, large and small, have found a niche in the nascent Afghan market. American companies are opening offices in Kabul, successfully winning government projects, and filling Afghanistan's shops with American-made consumer products. American technology can be found in local Internet cafes, at construction sites, and on the streets. George Russell, vice president for strategic marketing for CaseNewHolland Construction Equipment, notes: "CNH sees great opportunities in the reconstruction of Afghanistan as evidenced by our senior management's active participation in the Commerce Department's Afghanistan reconstruction conference held in Chicago last June. Through our office in Kabul, CNH is exploring the option of working with a local partner to expand sales of its equipment in the country. More than 500 kilometers of roads will be built and a broad range of other infrastructure and agricultural development projects will be undertaken in the near future. With the help of the department's Afghanistan Reconstruction Task Force, we hope to assist in these worthy endeavors."

The U.S. embassy in Kabul works closely with the Afghanistan Reconstruction Task Force to help facilitate private sector activities in Afghanistan. The *Afghanistan Country Commercial Overview* is updated periodically with current information

on the commercial environment and general "how-to" business principles. The document is a comprehensive overview of Afghanistan's business environment and provides contact information for U.S., international, and Afghan organizations available to assist companies in Afghanistan. In addition, the U.S. embassy has created a business primer that offers a concise approach to setting up a business venture in the country. For more on reconstruction projects, the Afghan business environment, the commercial guide, the business primer, and other information, visit [www.export.gov/afghanistan](http://www.export.gov/afghanistan) or call the task force at (202) 482-1812. Trade specialists are available to advise companies on international tenders, project bids, or general market and business information.

Afghanistan is on a long path toward integration into the international economy. The country's application for membership in the World Trade Organization will be the catalyst for ensuring the government promotes and enforces laws to protect business interests and opens Afghanistan's markets to international trade. ■

# RECONSTRUCTING IRAQ

FULL SPEED AHEAD



Photo courtesy of AP/Anja Niedringhaus.

Paul Bremer, left, U.S. civilian administrator in Iraq, listens to Don Evans, U.S. secretary of commerce, as they tour the central distribution hub for Iraq's new currency at Baghdad Airport.

"Tell 'em to come here like I did," exclaimed U.S. Secretary of Commerce Don Evans on his October trip to Baghdad, Iraq. Secretary Evans' two days in Iraq left him impressed with the free-market spirit of the Iraqis, as well as the number of foreign companies eager to set up operations even in the face of continuing security risks. Secretary Evans met with faculty and students at the business school of the University of Baghdad. He also met with as well as businesswomen, young entrepreneurs, and business leaders. "I went to Iraq expecting to find a frightening environment, a feeling of desperation. I found anything but that."

But the situation was much different before March 2003. During the more than three decades of Baath Party rule, Saddam Hussein ran a centrally

controlled economy with most large businesses owned or operated by the state. The government also managed the import of most goods. There was only a small and limited private sector in Iraq that faced a bureaucratic maze controlled by Saddam's cronies. All of this has now changed.

Since the end of hostilities, considerable progress has been made on the ground:

- A governing council of Iraq has been created, and interim Iraqi ministers have been appointed.
- The banking system throughout the country is starting to reopen, and Iraq has a new and convertible currency, the dinar.
- Power and oil production as well as water supplies are steadily increasing and have surpassed prewar levels.

- Domestic and foreign company registration procedures are being streamlined.
- Schools have reopened.

## IRAQ RECONSTRUCTION TASK FORCE

To address U.S. business interest in Iraq, Secretary Evans established the Iraq Reconstruction Task Force to help U.S. companies by serving as a clearinghouse of information on how to participate in the economic rebuilding of Iraq. "The resources of the Iraq Reconstruction Task Force will provide a one-stop shop for U.S. companies looking for information and counseling on Iraq reconstruction efforts," said Secretary Evans. "Businesses that are accustomed to an environment of opportunity and fairness can be our best ambassadors for democracy and

## U.S. BUSINESS CASE STUDY

Rick Kelley, of Industry & Energy Associates out of South Portland, Maine, has worked extensively in international business, and has effectively used the Iraq Reconstruction Task Force: "The task force has responded to every one of my questions whether face-to-face, via telephone, or e-mail. They've provided a seamless operation with their civilian and military colleagues in Amman and Baghdad to provide essential information to my company. We're currently developing a partnership with an Iraqi company to position ourselves to submit solid bids for current and upcoming contracts from the Coalition Provisional Authority or their prime contractors, and for a long-term presence in Iraq. We plan to visit Baghdad after consolidating our security arrangements in Amman to consolidate our company's business prospects in Iraq." And Mr. Kelley will not be alone in Baghdad, Kirkuk, or Mosul, where several foreign business delegations have already undertaken business development missions.

freedom." The task force maintains a Web site, [www.export.gov/iraq](http://www.export.gov/iraq), with regularly updated sections including "Doing Business in Iraq" and "Frequently Asked Questions," as well as a hotline, (866) 352-IRAQ or (866) 352-4727, as a part of this effort.

### BREAKING ECONOMIC NEWS

In September 2003, the Iraqi Governing Council announced sweeping economic reforms. Foreign investment has been liberalized so that all foreigners now have similar standing as Iraqi investors, and the right to own businesses and repatriate 100 percent of shares and profits. Starting January 1, 2004, Iraq will have a flat tax system under which individual and corporate incomes tax rates will not exceed 15 percent (instead of the present 45 percent), and Iraq's new import tariff or "reconstruction

levy" will be 5 percent. On the banking side, six of the 17 private sector banks will be available for 100-percent foreign ownership, applications for two banks will be expedited to provide financing for small Iraqi businesses, and the remaining banks will be available for 50-percent joint venture partnerships.

### REENGAGEMENT OF THE INTERNATIONAL COMMUNITY

In Madrid on October 23–24, the international community gathered for the International Donors' Conference on Reconstruction in Iraq. Representatives from 73 countries and 20 organizations met to pledge their support for the political, economic, and social revitalization of Iraq. Attendees reviewed the assessments prepared by the World Bank and the United Nations in 14 critical areas: transportation and tele-

communications; education; agriculture, water resources, and food security; the financial sector; the investment climate; employment, livelihoods, and reintegration; health; mines; housing; and electricity.

Never before had such a donors' conference resulted in pledges totaling so much combined pledges of financing for 2004 and beyond totaled more than \$33 billion. Concurrent with the conference, there was a private sector forum that attracted great interest from more than 332 companies from 46 countries, an important signal as private investment and trade will influence growth in the Iraqi economy in the long run.

### U.S. GOVERNMENT SUPPORT CONTINUES

On November 6, 2003, President George W. Bush signed into law an \$87-billion spending bill for Iraq and Afghanistan. Approximately \$18.6 billion is devoted to Iraq reconstruction and covers a wide range of critical areas, including national security, infrastructure development, and civil and human rights institution building. For example, the cost breakdown includes approximately \$5.7 billion for electrical systems, \$2.1 billion for oil infrastructure, \$3.7 billion for potable water, sewer systems, and related public works, and \$3.7 billion for water resources, transportation and telecommunications, housing and construction, health, and private sector development. The spending bill also

## IRAQI BUSINESS CASE STUDY

Iraqi companies, newly exposed to the international business community, have just as many questions as U.S. companies. Shatha Al-Zuhairy, CEO of Al-Yaqut Company in Baghdad, explains fully the Iraqi company situation: "The United States has the best corporate philosophy and the most dynamic corporations in the world . . . there is nothing better for an Iraqi company than to be associated with an American corporation. But Iraqi companies are weak right now—we lack access to finance, managerial expertise, technology, and training. This is what we want and need from business partnerships." Any U.S. company interested in a partnership with an Iraqi company should understand these potential drawbacks, as well as the strengths that Iraqi companies bring to the table in terms of a local understanding of the business environment, a skilled and educated workforce, and tremendous goodwill in rebuilding their country.





includes a separate USAID request for proposals on capital construction worth approximately \$1.5 billion.

With these new developments, should your company consider Iraq as a market?

#### WHAT TO DO IF CONSIDERING IRAQ AS A MARKET

- Do your homework by reviewing [www.export.gov/iraq](http://www.export.gov/iraq), especially “Doing Business in Iraq” and “Frequently Asked Questions.”
- Learn as much about local customs as possible, and develop a security strategy for your personnel and the facilities or services you are engaged in.
- Assess your risk tolerance—Iraq is a risky, but developing long-term market. Develop a solid game plan and resources at headquarters and regionally to implement it.
- Network with colleagues at domestic and international conferences on Iraq, including Outreach 2004, on January 11–13, 2004, in Amman, Jordan. It is the first U.S. Commerce Department-certified and American-organized trade show designed to facilitate U.S. company involvement in the entire Middle East region, with a particular focus on Iraq. ■

For further information, contact the Iraq Reconstruction Task Force at (866) 352-IRAQ, or [iraqinfo@mail.doc.gov](mailto:iraqinfo@mail.doc.gov).

#### WEB SITES

U.S. Department of Commerce  
[www.export.gov/iraq](http://www.export.gov/iraq)  
[www.export.gov/afghanistan](http://www.export.gov/afghanistan)

U.S. Agency for International Development  
[www.usaid.gov/afghanistan](http://www.usaid.gov/afghanistan)  
[www.usaid.gov/iraq](http://www.usaid.gov/iraq)

The World Bank  
[www.worldbank.org/af](http://www.worldbank.org/af)  
[www.worldbank.org/iq](http://www.worldbank.org/iq)

United Nations Development Program  
<http://mirror.undp.org/afghanistan>  
[www.iq.undp.org](http://www.iq.undp.org)

#### Afghanistan

The Development Gateway  
[www.developmentgateway.org/node/134111](http://www.developmentgateway.org/node/134111)

(project database and resource guide to Afghanistan)

United Nations Assistance Mission  
[www.unama-afg.org](http://www.unama-afg.org)

State Department: Donor Assistance  
[www.state.gov/p/sa/rls/c8130.htm](http://www.state.gov/p/sa/rls/c8130.htm)

#### Iraq

Coalition Provisional Authority  
[www.cpa-iraq.org](http://www.cpa-iraq.org)

Iraqi Business Center  
[www.iraqibusinesscenter.org](http://www.iraqibusinesscenter.org)

Kirkuk Business Center  
[www.kirkuk-business-center.org](http://www.kirkuk-business-center.org)

# Ask the TIC

## Electronic SED Filing

by Susan Lusi

Trade Information Center, Trade Development

*Electronic filing of the SED, or shipper's export declaration, now accounts for 88 percent of all eligible export shipments. While filing paper SEDs is still acceptable for most exports, a recent regulatory change makes electronic filing for certain exports mandatory. Further, electronic filing for all exports that currently require an SED will become mandatory in April 2004.*



### UNDER WHAT CIRCUMSTANCES MUST AN SED BE FILED?

The U.S. Bureau of the Census and the U.S. Bureau of Customs and Border Protection use an SED or its electronic equivalent, called an Automated Export System (AES) record, to compile trade statistics, track exports, and if necessary prevent illegal shipments. The Automated Export System is an electronic way for exporters to file shipment information (and ocean carriers to file manifest information) directly to U.S. Customs. An SED or AES record must be filed for any shipment valued over \$2,500, or for any item that requires an export license.



### WHAT IS THE AUTOMATED EXPORT SYSTEM?

The AES is a joint venture between U.S. Customs, the Foreign Trade Division of the Bureau of the Census (Commerce Department), the Bureau of Industry and Security (Commerce Department), the Directorate of Defense Trade Controls (State Department), other federal agencies, and the export trade community. It is the central point through which export shipment data required by multiple agencies is filed electronically to Customs, using the efficiencies of electronic data interchange (EDI). The AES provides an alternative to filing paper SEDs. Export information is collected electronically and edited immediately, and errors are detected and corrected at the time of filing. The AES was designed to ensure compliance with and enforcement of export-related laws, improve trade

statistics, reduce duplicate reporting to multiple agencies, and improve customer service. Filers of SEDs (USPPIs—see below—and authorized U.S. forwarding agents) and filers of ocean manifests (ocean carriers) can use the Automated Export System.



### HOW DOES THE AES WORK?

When an exporter decides to export merchandise, the exporter or his authorized agent makes shipping arrangements (a booking) with a carrier. The exporter or the authorized agent transmits the commodity (SED) information using the automated system. This information can come directly from the exporter or the authorized agent. The AES validates the data and generates a confirmation message or error messages back to the filer. It also validates the transportation data and then generates either a confirmation message or an error message. Any error messages generated by the automated system must be corrected and the corrections transmitted back to it.



### WHAT ARE THE BENEFITS OF THE AES?

Whether you are an exporter or a service provider, the automated system has advantages for you. Here are some of them:

**Ensure Export Compliance:** The AES ensures your compliance with current U.S. export reporting requirements. The system returns an internal transaction number as confirmation that you have successfully filed your export documentation.

**Decrease Your Costs:** The system eliminates the cost of corrections with on-the-spot editing of data. It eliminates the costly delays of paper handling. It also eliminates duplicate reporting.

**Eliminate Paper Review of Licenses against Shipments:** The interface with the Commerce Department's Bureau of Industry and Security and the State Department's Directorate of Defense Trade Controls electronically validates data on export shipments against previously approved licenses and transmits the transaction to the appropriate government agency.



### HOW DOES AN EXPORTER USE THE AES?

The system is flexible. It uses standard technology available to both large and small businesses.

The AES offers options for transmitting export shipment data. You have the choice of using

- Software developed by an AES user.
- Software purchased from a vendor.
- A value-added network electronic mailbox.
- *AESDirect*, a free Internet application supported by the Bureau of the Census ([www.aesdirect.gov](http://www.aesdirect.gov)).



### HOW DOES MANDATORY AES FILING CHANGE HOW AN SED IS FILED?

As of October 18, 2003, AES filing is now mandatory for the export of commodities on the U.S. State Department's U.S. Munitions List (USML) or the U.S. Commerce Department's Commerce Control List (CCL), which currently require an SED. The mandatory AES requirement generally affects all items that require an export license, any items going to an embargoed country, and any items on the CCL valued over \$2,500, regardless of whether a license is required. To determine if your product needs a license, see [www.bis.doc.gov](http://www.bis.doc.gov). For guidance on filling out an SED, see [www.census.gov/foreign-trade/www](http://www.census.gov/foreign-trade/www). For more information on export documentation, see "The Fundamentals of Export Documentation," *Export America*, October 2003, or visit [www.export.gov/tic](http://www.export.gov/tic).

The changes affect an estimated 5 percent of all U.S. exports. However, in April 2004, AES filing will become mandatory for all export shipments that currently require an SED, regardless of their license status.



### WHO MUST FILE THE SED OR AES RECORD?

The U.S. principal party in interest (USPPI) is responsible for filing the paper SED or its electronic equivalent. The USPPI is defined as "the person in the United States who receives the primary benefit, monetary or otherwise, of the export transaction. Generally, that person is the U.S. seller, manufacturer, order party, or foreign entity. The foreign entity must be listed as the USPPI if in the United States when the items are purchased or obtained for export."

The USPPI may authorize another party, for instance a freight forwarder, to file the SED or electronic record by granting the party the power of attorney.



### HOW ARE FREIGHT FORWARDERS INVOLVED?

Freight forwarders are often equipped with software to file electronically. A freight forwarder may file an AES record on behalf of a USPPI if the forwarder has been authorized

by the USPPI's power of attorney. If the USPPI has filed the AES record before submitting the shipment to the freight forwarder, the USPPI must state that on the shipping instructions. This essentially makes the forwarder exempt from filing.



### WHAT OTHER CHANGES AFFECT SED FILINGS?

The mandatory electronic filing of SEDs for CCL and USML items was the most important regulatory change in the export declaration process, but there are other requirements that affect both electronic and paper filers. The following additional information must be provided by the USPPI, or its authorized agent: a complete address for the location from which the merchandise begins its journey to the port of export, as well as the name, address, and employer identification number (EIN) of the authorized forwarding agent of the USPPI. In addition, new conditions govern the time and place to present either the paper SED, the proof of electronic filing, or an exemption statement. The time and place mandated is "when the cargo is tendered to the exporting carriers," before cargo is loaded.

As of October 18, 2003, the U.S. Bureau of the Census requires a new SED form, available at [www.census.gov/foreign-trade/regulations/forms](http://www.census.gov/foreign-trade/regulations/forms). (The new form is actually dated July 18, 2003.) U.S. Customs will accept both old and new paper versions of the SED through January 17, 2004. After that date, U.S. Customs will accept no versions of the SED other than the form dated July 18, 2003. ■

#### FOR MORE INFORMATION

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

# ■ Growing Market and Partnership Opportunities in Russia

Caution Advised

by Tracy Theisen

*Office of Eastern Europe, Russia, and Independent States, Market Access and Compliance*

Closer political and security relations are encouraging better economic relations between the United States and Russia. The U.S. Department of Commerce is working to open the Russian market for small and large U.S. companies. The department has been especially active in the energy, health care, pharmaceuticals, and railroad sectors, as well as in the promotion of good governance. This issue highlights these sectors and related Commerce Department programs.

## Positive Indicators

Positive business trends have been reaffirmed by recent transactions such as Tenneco Automotive's announcement that it will produce auto mufflers in Tolyatti, Oracle and Russian telephone line monopoly Svyazinvest's announcement of a contract worth \$150 million for an automated management system, and Marathon's purchase of a Russian oil company.

Moody's Investors Service raised Russia's sovereign credit rating to investment-grade status in October, recognizing the Russian government's impressive fiscal progress, especially an

improved ability to service debt, and well as economic reform.

## EXPANDING THE POTENTIAL

A World Bank study concludes that Russia's GDP growth of recent years is still largely dependent on high international oil prices, with neither domestic consumption nor domestic investment yet able to sustain high levels of growth. The bank estimates that the direct and indirect effects of oil price increases accounted for 3 percent of the 7.2 percent economic growth in the first half of 2003. However, consumer spending has contributed more to economic growth than energy in the last two years, indicating that Russia may be on the way to becoming a consumer-driven economy.

## Investment

In the first half of 2003, foreign direct investment was up 35 percent over the same period of 2002 to \$2.35 billion, and overall capital inflows (including loans and foreign subscriptions of Russian government and corporate bonds) rose 51 percent. Russia's stock market—dominated by natural resource companies—hit record highs in September before falling back under pressure from the Yukos affair, which

involves the arrest of one of Russia's wealthiest "oligarchs." U.S. firms continue as leaders among direct investors in Russia. Estimates of cumulative U.S. foreign direct investment in Russia range from \$5 to \$6 billion. U.S. companies made direct investments in excess of \$600 million into Russia in 2002, and this level is expected to increase markedly in 2003, based on anecdotal reports of expansion plans by several U.S. firms operating in Russia.

## Trade

U.S. exports to Russia in 2003 through August were on pace to total \$2.2 billion for the year—a 4 percent drop from 2002, partially due to a 30-percent plunge in U.S. meat and poultry exports following the imposition of Russian quotas. Leading U.S. exports to Russia include machinery and heavy equipment, meat and poultry, medical devices, chemicals, and pharmaceuticals.

## Energy

Prospects for expansion of U.S.-Russian economic ties depend significantly on the ongoing revitalization of Russia's oil and gas industries, where U.S. technology can facilitate development. The oil and gas industry is expected to

remain the leading sector both in size of market and potential growth—not simply because of continuing high oil prices but also because of ongoing Western investment projects and evolving pipeline projects. This September, Secretary of Commerce Donald Evans led a trade mission of 13 companies to St. Petersburg and Moscow and hosted, together with Secretary of Energy Spencer Abraham and Russian counterparts, a second U.S.-Russia Commercial Energy Summit aimed at encouraging more partnerships between U.S. and Russian companies. See the article on the summit on page 21.

## REGIONAL OPPORTUNITIES

Because Moscow and St. Petersburg are very competitive markets, some foreign companies find that moving to the regions may be the best way to expand into Russia.

### Moscow Oblast

Moscow oblast, the region surrounding Moscow, offers a unique mix of opportunities to local companies and foreign investors. Foreign companies enjoy proximity to Moscow's consumer market while retaining relatively low production and overhead costs. The region offers a well-developed infrastructure including a transportation network, telecommunications, and a services market. Much the same can be said for Leningrad oblast, the territory surrounding St. Petersburg.

### Sverdlovsk Oblast

Sverdlovsk oblast is one of the Russia's most urbanized areas. Yekaterinburg, Russia's fourth-largest city, is a major road and rail hub. Its banking infrastructure is the best in the Urals, with about 30 banks and many branches of commercial banks from other regions. Sverdlovsk oblast leads the Urals in investment potential, although local government interference with investments is a hindrance to further development. Sverdlovsk's top industries are steel, copper, chemicals, and titanium. The region's forests and wood processing industries offer other opportunities.

### Sakhalin Oblast

Sakhalin Island is positioned to become one of the most important centers in the Russian Far East for commercial and investment activity. Considered to be Russia's North Slope, oil and gas projects on Sakhalin are now attracting one in every four dollars of foreign direct investment in the Russian economy. As much as \$45 million may be invested in coming years in foreign-led oil and gas projects. Supporting projects will include improving existing airports and seaports on Sakhalin, road and bridge construction, telecommunications, and transportation services. Already, Sakhalin has the third-highest concentration of expatriates in Russia. This translates into construction projects for new housing and offices. There will be demand for everything from medical services and household goods to Western foods and dry cleaning equipment.

## BEST PROSPECTS FOR EXPORTS

### Consumer Goods

Russia's already expanding consumer market appears poised for accelerated growth based on rising personal incomes, decades of pent-up demand, and rapidly expanding availability of consumer credit. Consumer credit is likely to have particularly pronounced impact in a market where consumers previously had no alternative to saving up to pay full purchase prices in cash. Shopping malls and retail outlets accounted in 2002 for the biggest share of foreign direct investment in Moscow, estimated at \$750 million. Retail sales growth in Russia exceeded 9 percent in 2002, and sales of consumer durables grew even faster when financing was available. Banks have begun mass marketing of credit cards, and the number of people holding debit

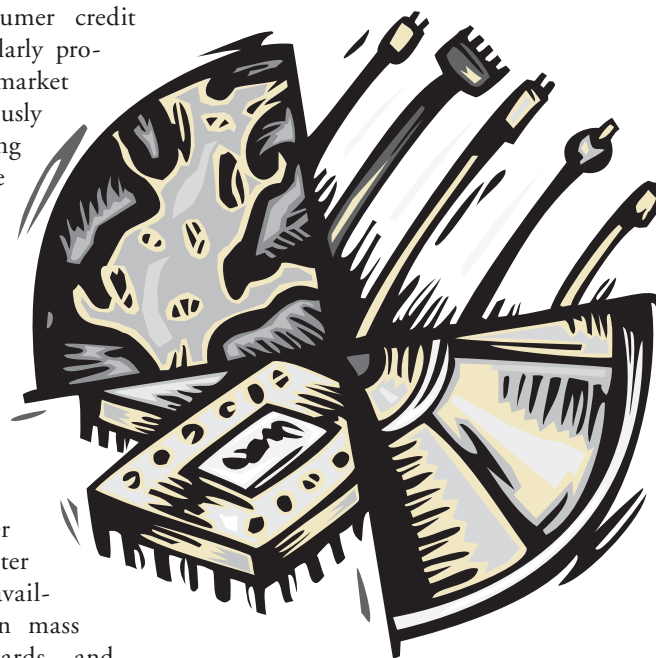
cards, currently exceeding 14 million, is expanding more than 30 percent annually. Responding to expansion of consumer demand, Russian banks are beginning to enter the consumer finance sector, where they perceive the possibility of larger profit margins and lower risk than in the business loan sector.

### Housing and Construction

Housing construction should receive a significant boost in coming years from greatly expanded availability of mortgages from the current very small base of 40,000 mortgages as of mid-2002. The government-sponsored housing mortgage lending agency has begun selling bonds to finance mortgage programs, and the European Bank for Reconstruction and Development and the World Bank plan to lend \$100 million to Delta Credit, which accounts for over half the value of mortgages in Russia.

### High Tech and Telecommunications

After energy, telecommunications is the next strongest sales and investment prospect, as Russia shows a strong demand for state-of-the-art communications infrastructure. There is large demand from consumers for computers



and related technology. However, low levels of disposable income mean that relatively expensive American computer hardware will be limited primarily to corporate customers for some time.

### Health Care and Pharmaceuticals

In 2002, the United States exported \$350 million of pharmaceuticals and medical devices to Russia. The Department of Commerce participates in the Russian-American Interagency Coordination Council on Harmonization in the Health Care Sector to reduce the burden of unnecessary regulations and to foster U.S. exports and position the United States as a stronger partner in Russia's health care sector.

### Beauty and Health Products

The beauty and health products market is one of the fastest-growing sectors in Russia. According to Staraya Krepost Association, which unites leading Russian cosmetic manufacturers, in 2001 the Russian cosmetic market ranked sixth among the world's fastest-growing cosmetic markets.

### Rail Sector

The reorganization of the former Russian ministry of railroads has led to the creation of the joint-stock company Russian Railways, with a capitalization of \$50 billion. Given the territorial vastness of Russia, rail is one of the primary modes of transportation for a number of goods, yet investment in railways and rail services has dwindled in the last decade. Thus, commercial opportunities may be developed by U.S. companies in areas such as production of locomotives and cars, supply of equipment, project finance, and consulting. In Spring 2003, the Department of Commerce led a railway business mission of 18 U.S. rail supply companies to Russia. The mission included meetings with the Ministry of Railroads, the Union of Car Builders, and the Association of Rolling Stock Owners.

### Selected Markets

There are likely to be substantial sales opportunities in such areas as mining

and construction equipment, automotive equipment, general aviation, and agricultural and food processing equipment. In the near term, industries such as aluminum, food processing, and forestry products seem to have sufficient cash flow and organization to be potential prospects for trade and investment. In the longer term, there should be high demand in such sectors as electrical power and agricultural equipment.

## CAVEATS

### Rule of Law

Weak rule of law in the business environment continues to create potential hazards for U.S. firms. Small firms, both foreign and domestic, report that corruption and red tape in the Russian bureaucracy is an outright barrier. Larger companies report that the same issues are costly but more of a nuisance. These businesses may reconsider expanding operations in Russia or investing. Although in 2002 some steps were made in court and legal reform, law enforcement and judicial systems remain unpredictable and susceptible to corruption. Noting that investors will not put large volumes of capital at risk unless they can be confident in the integrity of the Russian marketplace, U.S. government officials are concerned about rule of law issues raised by recent legal proceedings against executives of Yukos.

### Corporate Governance

Poor corporate governance has been one of the primary impediments to investment. During the last two years, both the Russian government and the private sector have made efforts to improve the quality of corporate governance in Russia. In 2002, the federal Commission for the Securities Market issued a corporate governance code, and the Russian Union of Industrialists and Entrepreneurs has established a commission for corporate ethics and a national council for corporate governance in order to improve Russia's business culture. However, these efforts may not be sufficient for attracting

investment if the Russian government and major companies do not demonstrate in practice their full commitment to the rule of law. More about rule of law and the Commerce Department's Good Governance Program can be found on page 8 in this issue.

### Intellectual Property Rights

U.S. industry characterizes Russia's IPR situation as one of the most serious of any country in the world, because of the international growing impact on other markets. Of particular concern is a recent surge of exports of optical media from Russian pirate plants into markets in Western Europe, with U.S. industry estimating its worldwide losses of up to \$1 billion annually. Piracy is a major burden for other industries, including software, multimedia, pharmaceuticals, and consumer goods.

## DEPARTMENT OF COMMERCE ASSISTANCE

Companies considering business expansion to Russia should conduct their own due diligence before entering into business ventures. The Department of Commerce can help companies by providing business information and counseling through the U.S. Commercial Service ([www.buyusa.gov/russia/en](http://www.buyusa.gov/russia/en)), which has offices in Moscow, St. Petersburg, Vladivostok, and Yekaterinburg. The Commerce Department's BISNIS program ([www.bisnis.doc.gov](http://www.bisnis.doc.gov)), with offices in Washington, D.C., and across Russia, provides free country and industry reports, market information and counseling, and sales and partner leads to U.S. companies. Additionally, the Special American Business Internship Training (SABIT) program ([www.mac.doc.gov/sabit](http://www.mac.doc.gov/sabit)) offers grants to U.S. companies interested in doing business in Russia. A grant allows a U.S. company to form associations with current or prospective partners by hosting an intern from the Russian firm. ■

# U.S.-Russia Commercial Energy Summit

Managing Strategic Resources

by Rachel Halpern

*Energy Division, Trade Development*

In May 2002, Presidents Bush and Putin launched a new energy dialogue to enhance global energy supply and security, as well as promote U.S.-Russian cooperation in developing energy resources. A major initiative of the new energy dialogue was the first U.S.-Russia Commercial Energy Summit, held in Houston, Texas, in October 2002, which was co-chaired by U.S. Secretary of Commerce Donald Evans, U.S. Secretary of Energy Spencer Abraham, Russian Minister of Energy Igor Yusufov, and Russian Minister of Trade and Economic Development German Gref. More than 450 U.S. and Russian senior corporate and government officials participated in the event.

On September 22–23, 2003, the second U.S.-Russia Commercial Energy Summit took place in St. Petersburg, Russia, again co-chaired by Secretaries Evans and Abraham and Ministers Gref and Yusufov. More than 500 representatives from U.S. and Russian government agencies and energy industries took part in the summit to discuss expanding partnerships and new



opportunities for investments between the energy industries of both countries. At this summit, participants explored new areas of cooperation beyond oil and gas, such as electric power, gas development, and alternative energy sources. Participants also discussed potential new energy export routes, including an oil terminal and liquefied natural gas terminal in Murmansk.

## RUSSIAN ENERGY SECTOR

Russia is currently the world's top energy producer, when total production of both oil and natural gas is considered. Russia's proven oil reserves total about 60 billion barrels, and the Russian government estimates that production of oil in 2003 will average 8.2 million barrels per day (bpd). Russia's 1,680 trillion cubic



feet (tcf) of proven gas reserves make up about 30 percent of the world's gas resources. Russia's 1,680 trillion cubic feet (tcf) of proven gas reserves make up about 30 percent of the world's gas resources.

Although there has been limited U.S. involvement thus far in working in Russia's upstream oil and gas sector (except for a few joint ventures, and the Sakhalin-I project in the Russian Far East), Russia is currently the fifth-largest export market for U.S.-made oil and gas field equipment. In 2002, U.S. exports of oil and gas field machinery to Russia totaled \$328 million, an increase of 16 percent from 2001.

Russia's oil exports in 2002 totaled more than 5 million bpd, and over the past year the United States has become an important export destination. In August 2003, Russia was exporting an average of 288,000 bpd of crude oil to the United States, making it the country's eighth-largest supplier of crude oil to the United States. But despite these impressive statistics, one of the main problems facing oil producers is an inability to export oil due to quotas imposed

by the government and a lack of export pipeline capacity. The Russian government and industry leaders are considering ways to address the latter problem through several new initiatives, including the proposed oil and gas terminals in Murmansk, oil pipelines to China and Japan, and more.

Russia is also seeking to attract billions of dollars of investment over the next decade to rehabilitate and modernize its deteriorating electric power system. With the goal of attracting this investment, Russia's electric power monopoly, Unified Energy Systems (UES) has put forward an ambitious restructuring plan, which after years of discussion and debate has finally been approved by the government. Over a period of several years, the plan will allow UES to spin off its generating assets into independent companies, create a competitive wholesale market for electricity, set up a new federal grid company and a new system operator, and abolish limits on foreign ownership in the electric power sector.

#### ENERGY SUMMIT HIGHLIGHTS

The four summit co-chairs signed a joint statement affirming the importance of energy security, energy price stability, and environmentally oriented approaches to energy resource development. The statement calls upon the U.S. and Russian governments to work together to establish an energy investment climate that is based upon the rule of law and transparent business practices, and to work to expand Russia's energy export capacity through the improvement of existing Russian pipeline infrastructure as well as new projects. The government officials from the United States and Russia also agreed to establish a joint program on oil spill prevention and response. In addition, the U.S. Overseas Private Investment Corporation signed an agreement with Lukoil to provide \$130 million in loan guarantees for the construction of an oil products export terminal near St. Petersburg.

#### U.S.-RUSSIA COMMERCIAL ENERGY DIALOGUE

At the summit, the U.S.-Russia Commercial Energy Dialogue (CED) issued a report on ways the governments of the United States and Russia can promote more cooperation between the two countries' energy industries.

The report put forward recommendations, which included

- Revising Russia's subsoil law with the input of energy companies;
- Reforming Russia's licensing system for exploration and development;
- Establishing a special tax regime for technically difficult and expensive oil and gas projects in Russia;
- Defining the rights of investors in private pipelines in Russia;
- Measures to protect small and medium-sized enterprises in Russia's oil and gas sector; and
- Harmonizing Russian standards for energy equipment and services with international standards.

The CED was established in October 2002 at the first U.S.-Russia Commercial Energy Summit in Houston. It is a private sector-led group of U.S. and Russian energy companies, co-chaired by the American Chamber of Commerce in Russia and the Russian Union of Industrialists and Entrepreneurs.

#### BUSINESS DEVELOPMENT MISSION

In conjunction with the energy summit, Secretary Evans led a 13-member business development mission to St. Petersburg and Moscow, September 21–25, 2003. Trade mission members participated in the summit, met with the heads of several major Russian oil and gas companies, and had individual meetings with potential customers and partners. See page 23 for more information. ■



# Mission to Russia Highlights Energy Sector

U.S. Firms Foster Relationships for New Business

by Jennifer Andberg

*Office of Business Liaison, U.S. Department of Commerce*

This past September, Donald L. Evans, secretary of commerce led a delegation of 13 U.S. executives on a business development mission to Russia. These executives, representing medium-sized companies in the oil and gas to St. Petersburg to participate

in the second U.S.-Russia Commercial Energy Summit, and to Moscow to meet with potential business partners. This mission was a direct result of the close commercial relationship that has developed between the United States and Russia over the past few years, as well as the unique friendship between President Bush and Russian President Vladimir Putin.

As a result of this bilateral relationship, the United States has become increasingly involved with Russia in energy issues. In May 2002, Presidents Bush and Putin announced a new energy dialogue, with the goals of increasing global energy supply and security, and promoting U.S.-Russian cooperation in developing energy resources. The first event of the dialogue was the U.S.-Russia Commercial Energy Summit, in October 2002, in Houston, Texas.

This historic summit brought together top officials and executives from the U.S. and Russian governments and energy industries. The U.S. secretaries of commerce and energy, and the Russian ministers of energy and trade and economic development, chaired the summit. Summit attendees agreed to strengthen energy cooperation between the United States and Russia by working toward the diversification of energy supplies, improvement of the bilateral investment environment, expansion of commercial partnerships, and development of resources in an environmentally responsible way. They also agreed to form the U.S.-Russia Commercial Energy Dialogue. This consists of U.S. and Russian energy companies, and it provides a forum



Secretary Evans gathers with the members of the commercial delegation in Moscow during the business mission to Russia in September 2003.

Photo courtesy of U.S. Department of Commerce.

## U.S. BUSINESS DELEGATION

- Apache Corporation: an independent oil and gas exploration and production company
- Argus Limited: provider of oil and gas pipeline equipment and services
- Ariel Corporation: manufacturer of gas compressors
- CARBO Ceramics Inc.: manufacturer of proppants for oil and gas production
- Clock Spring Company: rehabilitation and repair of pipelines
- The George E. Failing Company: manufacturer of drilling machinery
- The Hanover Company: manufacturer of gas compressors
- Key Energy Services, Inc.: provider of oil field services
- Motorola Inc.: provider of communications for the oil and gas industry
- Randall & Dewey, Inc.: provider of energy investment banking and advisory services
- STARCON International, Inc.: construction and maintenance of refineries and petrochemical facilities
- TIEC, Inc.: management and technical consulting
- Tiger Machinery Company: dealer of Caterpillar equipment

for discussing issues affecting the U.S.-Russian energy relationship.

### BUSINESS MISSIONS PROMOTE TRADE

The Department of Commerce, through the U.S. Commercial Service, sponsors trade events to help U.S. businesses enter international markets. These events include local trade seminars, international trade shows, and trade missions. The Commercial Service has more than 1,700 trade specialists in over 260 key business centers in the United States and around the world who work with U.S. businesses to promote their products and services and to protect their interests abroad.

The business development mission to Russia, led by Secretary Evans, aimed to further U.S. commercial policy objectives and to advance specific U.S. business interests. The goals of the mission were to

- Assess the commercial climate as well as trade and investment opportunities in Russia;
- Advance business interests of the mission's members by introducing them to government officials as well as potential clients and business partners;
- Assist new-to-market firms to gain a foothold in Russia and increase the visibility of U.S. companies already operating in this very competitive market;
- Support U.S. government efforts to eliminate market access problems encountered by U.S. firms in Russia;
- Encourage continued progress in economic reforms in Russia; and
- Promote U.S.-Russian energy cooperation.

The mission was organized to facilitate these goals and to provide participants with exposure to high-level contacts and access to the Russian market. The schedule of events included detailed briefings on the economic and political climate, and current trade and investment opportunities in Russia, as well as

opportunities for the U.S. executives to meet potential business partners.

In addition to large group meetings and seminars, Commercial Service trade specialists in St. Petersburg and Moscow worked with each delegation member to arrange numerous individual business appointments that were tailored to meet each of their current and prospective business needs.

### OIL AND GAS SECTOR

At the conclusion of the trip, delegation members expressed optimism in their ability to develop business in Russia over time. All of the members recognized that Russia represents a very promising market, and that the country has made important strides toward being a free-market economy. While being hopeful, various members of the delegation clearly saw that impediments to doing business in Russia still exist, particularly revolving around corruption-related issues and the need for security.

Karen Buchwald Wright, president and chief executive officer of Ariel Corporation, summarized the mission experience well:

“The world’s energy supplies will continue to affect every aspect of life, from opportunities in the developing world, to political and philosophical strategies in the developed world. Clearly, furthering partnerships between Russia and America, in this most crucial of arenas, will have a positive and stabilizing impact on the entire world. As Americans, we are pleased to be given the opportunity to further strengthen our relationship with Russia and provide growth opportunities for our companies. The trade mission venue is a good role for government to play, not trying to be in business, but rather fostering the introduction, which is all we need to seize the opportunity.”

For information on future trade missions, visit [www.export.gov/tradeevents](http://www.export.gov/tradeevents). ■

# Health Care in Russia

Making Inroads into the Pharmaceutical and Medical Device Markets

by Richard Paddock

*Office of Microelectronics, Medical Equipment,  
and Instrumentation, Trade Development*

and

William Hurt

*Office of Chemicals, Pharmaceuticals,  
and Biotechnology, Trade Development*

The United States and Russia have an enduring relationship that has traversed the distance from adversarial to collaborative. The current relationship between Russia and the United States is one of close alliance and partnership. This partnership extends to business and government alike, and several industry dialogues are emerging to encourage Russia's economic development and help U.S. firms gain access to new markets. One of those areas is health care and specifically the pharmaceutical and medical device sectors. In an effort to liberalize the health care market in Russia, the United States government has established a government working group, which includes training programs designed to assist Russia in developing standards, regulations, and a legal framework to help the industry flourish as well as open the market to U.S. manufacturers. Despite the problems and barriers facing the health care industry in Russia, there are still many opportunities for U.S. firms.

Russia's health care sector is experiencing sustained growth and is on target to

be a promising export market for U.S. manufacturers of medical devices and pharmaceutical products. However, due to redundancy in testing, a lack of a transparent regulatory system, inconsistent standards, and instances of preferential treatment and corruption, manufacturers within and outside of Russia often find it difficult to meet the demands of the market.

## MEDICAL DEVICES

The 1998 economic crisis served as a spur for a number of Russian medical equipment and device manufacturers, which, having taken advantage of the sharp rise in prices of imported medical equipment, managed to increase their share of the total market. In general, however, imported medical equipment and supplies still play a predominant role and currently supply 71 percent of the total market. Despite the fact that the quality of some of the medical devices and supplies produced in Russia has improved, it is in many cases not up to comparable foreign products. Foreign-made, high-end medical equipment, sophisticated medical devices, and many medical products

and supplies in the majority of cases do not have Russian analogues.

Russia's existing customs classification of medical equipment in two groups (medical equipment itself and medical items, or supplies) sometimes causes confusion at ports of entry. The customs authorities refer to the duration of the registration certificate issued by the Ministry of Health as a basis for determining the VAT rate. Classification systems used in Russia contribute to the fact that the whole regulatory system is less adapted to the general trend of harmonization of global approaches to regulating the medical device industry, and make it more difficult for the Russian medical equipment industry to be more involved in international trade.

## PHARMACEUTICALS

Prior to Russia's economic crisis, pharmaceuticals was one of the fastest-growing and most lucrative markets in Russia. The pharmaceutical market in Russia today continues to present great potential, but the obstacles to foreign investment cannot be underestimated. The major obstacles in developing the pharmaceutical market in Russia are

lack of transparency in the registration and certification systems, as well as inadequate IPR protection and a large percentage of counterfeit medicines. According to various analysts, counterfeit drugs currently represent up to 12 percent of the pharmaceutical market.

Russia has a developed pharmaceutical market with major Western drug manufacturers represented in the country. Despite the fact that total value is still lower than in 1997, the pharmaceutical market has been growing rapidly over the past three years. By 2004–2005, the market is expected to fully recover. In 1997 the Russian pharmaceutical market reached its highest pre-crisis level of \$3.1 billion. The market was reduced by the economic crisis to \$1.7 billion in 1999. The total value of the pharmaceutical market in 2002 was estimated at \$2.9 billion. It is forecast that in 2003 the market will reach the pre-crisis level. The Russian pharmaceutical market appears to present good opportunities to Western drug manufacturers, especially in the high-end quality product segment. Best prospects for U.S. pharmaceutical exports to Russia include cardiovascular, cancer, asthma, neurological and hormonal drugs, as well as insulin, antibiotics, analgesics, vitamins, vaccines, and psychotropic drugs. According to the State Customs Committee, Russia's pharmaceutical imports totaled \$2.24 billion in 2003. Total imports from the United States in 2003 totaled \$156 million.

#### COLLABORATION AND TRAINING

Working hand in hand, the pharmaceuticals and medical device industries are providing training for Russian officials on topics that affect the Russian health care industry, including global harmonization, the role of standards in regulation,

risk management for medical devices, and incorporation of U.S. and EU medical device regulatory systems. A formal framework for training culminated in June 2003 in Russia, where a host of U.S. officials and industry professionals



guided approximately 200 participants through sessions that touched on key issues for the industry. The training sessions were divided between pharmaceuticals and medical devices.

The goals of the training program were to:

- Reduce review times for regulatory approvals in Russia for medical devices and pharmaceutical products;
- Ensure better enforcement in limiting the use of counterfeit drugs on the Russian market;
- Encourage participation of Russian medical device regulators in international fora, in particular, the Global Harmonization Task Force; and
- Reduce costs for U.S. medical product manufacturers for regulatory

compliance in exporting their products to Russia.

#### Medical Devices

Personnel conducting the training sessions not only provided information relevant to the topics but also responded to numerous questions from the participants. Some of the topics covered during the training session included the Global Harmonization Task Force (GHTF), quality systems for medical devices, the role of standards for regulations, risk management, incorporation of standards into U.S. and EU medical-device regulatory systems, global activities toward regulatory harmonization, and the U.S.-EU medical devices mutual recognition agreement.

Topics that were discussed during the training touched on key areas that will help define the medical device market in Russia:

**Definition of a medical product:** Russia uses a unique process for defining “medical devices” and “medical equipment,” both of which are open to interpretation. Essentially medical devices are classified as products that have relatively short life spans under five years, and medical equipment has life spans greater than five years. In practice, there are no clear criteria to determine whether a medical product is in the medical equipment or the medical device category.

**Testing:** Russia tests most medical devices at Ministry of Health laboratories. The trainers for the June 2003 Russia regulatory seminar noted that the EU and U.S. no longer perform product testing as part of the medical device approval process. It is far more effective to ensure product safety through plant auditing, quality systems, and post market vigilance.

**Regulatory system based on existing model:** It was recommended that Russia should eventually abandon its own unique regulatory system, in favor of a new system based upon certain U.S. or EU practices, or, preferably, based upon GHTF guidance documents. It is redundant for Russia to subject FDA-approved or CE-marked medical devices to further testing or reviews, since this does not enhance public safety and only makes the process of getting advanced medical technologies to Russian citizens a more lengthy and costly process.

### Pharmaceuticals

Topics covered in the training on pharmaceuticals included an overview of the FDA, quality, safety and efficacy general approaches, FDA registration (new drugs/generic drugs), certification programs, and the role of product testing.

**Definition of registration and certification:** Several attempts were made to explain that the FDA does not “certify” pharmaceutical products, as this is the responsibility of the manufacturer. The FDA registers a product and expects that the product be produced according to specifications mutually agreed to by the applicant and the FDA.

**Standards:** The instructors pointed out that it is far more effective to ensure product safety through plant auditing, quality systems, and post market vigilance.

There was also a session on ways to combat counterfeit products. Other issues covered included government measures to combat counterfeit pharmaceuticals. Both these presentations elicited many questions, which emphasized the importance of allowing the Russian Ministry of Health, and specifically the Pharmaceutical Inspection Department, necessary powers to properly act against counterfeiters.

Finally, a presentation was given entitled the role of patents, intellectual property

rights, and data exclusivity. Specifically highlighted was the important role the Ministry of Health plays in protecting data and the need to exercise controls over all documents provided by the pharmaceutical applicants.

Building on the initial success of the training held in Moscow, a delegation of Russian health care officials visited Washington, D.C., in October 2003. The focus of their visit was to meet with several U.S. bodies that play an integral role in the health care industry. The delegation had appointments with the National Institute of Standards and Technology, National Institutes of Health, U.S. Pharmacopoeia, and the Food and Drug Administration. The delegation was in Washington primarily for the second meeting of the Russian-American Interagency Coordination Council on Harmonization in the Health Care Sector.

As a result of the meeting in October, the council formalized a plan that puts forth a future commitment to continue work on the exchange of regulatory information and experience to help Russia develop a sound health care strategy. ■



# Trade Events

January–June 2004

DATES	EVENT	LOCATION
January 1–5	<b>Componex–Electronic India</b> 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 neighboring countries in Asia. The event also includes a two-day conference on electronic components, materials, and production equipment.	New Delhi, India
January 14–17	<b>Heimtextil 2004</b> Heimtextil is the largest international business venue for household textiles and provides the main orientation point worldwide for home textiles and fashions. For 34 years, this trade fair has been the optimal forum for contacts and innovations, reflecting current lifestyles and setting the trends for trade, industry, and handicrafts.	Frankfurt, Germany
January 18–21	<b>Arab Health 2004</b> 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	<b>International Builders' Show</b> 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	<b>International Lingerie</b> 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
January 25–29	<b>Dental Show</b> The Dental Show is the largest dental event in Latin America. This show is one of the best opportunities for new-to-market companies to find business partners in Brazil. The show will include a wide variety of dental hygiene products and equipment. The U.S. Department of Commerce in São Paulo will offer the Gold Key matchmaking service for U.S. exhibitors who are looking for partners in Brazil.	São Paulo, Brazil
January 28–February 1	<b>Fitur 2004</b> Fitur is Spain's largest travel and tourism fair and is also the third-largest professional tourism industry fair in Europe. The event takes place in Madrid on an annual basis and provides an excellent opportunity for U.S. travel and tourism destinations and companies to gain valuable exposure in the European market.	Madrid, Spain
February 2–5	<b>Environment and Energy</b> Environment and Energy 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
February 12–14	<b>Baby and Kids' Fair</b> 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	<b>Stadia China 2004</b> 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	<b>Asian Aerospace 2004</b> 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 <a href="http://www.asianaerospace.com">www.asianaerospace.com</a> .	Singapore
March 1	<b>Telexpo 2004</b> 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

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## HIGHLIGHTED EVENTS

### U.S. MICROELECTRONICS TRADE MISSION

SHANGHAI AND SUZHOU, CHINA  
MARCH 15-19, 2004

The International Trade Administration's Office of Microelectronics, Medical Equipment, and Instrumentation is organizing a trade mission to China. This mission will center on the widely acclaimed Shanghai exhibition, Electronic China, in conjunction with Semicon China. Centering the mission on a major trade fair will allow participating firms to have individual meetings scheduled for them by the Commercial Service in Shanghai, as well as an opportunity to make additional business contacts at the exhibition.

Trade mission participants will include representatives from U.S. firms specializing in microelectronics design, manufacturing, and distribution, including semiconductor devices, integrated circuit design services, semiconductor manufacturing equipment, clean room equipment, and electronics packaging.

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### INFORMATION AND COMMUNICATIONS TECHNOLOGIES TRADE MISSION

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

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.

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<b>DATES</b>	<b>EVENT</b>	<b>LOCATION</b>
March 12–16	<b>Internationale Tourismus Boerse</b> 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	<b>FIDAE 2004</b> 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 <a href="http://www.fdae.cl">www.fdae.cl</a> .	Santiago, Chile
March 31–April 2	<b>Globe 2004</b> Globe 2004 provides a unique opportunity for companies to network with decision-makers from around the world. It is an excellent forum for introducing technological innovation to environmental business leaders. It is also a great venue for the dissemination of technical products such as research reports.	Vancouver, Canada
April 6–8	<b>Medicare India 2004</b> With a market of \$21 billion and growing at an estimated 17 percent a year, India's health care industry is a prime target for medical and health care equipment and services. About 80 percent of India's medical equipment is imported. U.S. companies should take advantage of this opportunity to garner their share of this growing market by participating in Medicare India 2004.	New Delhi, India
April 14–17	<b>International ICT Expo</b> 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	<b>Expomin 2004</b> 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	<b>Food and Hotel Asia 2004</b> 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 <a href="http://www.foodnhotelasia.com">www.foodnhotelasia.com</a> .	Singapore
April 22–24	<b>Southeast Asian Health Care Show</b> 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	<b>InterZoo 2004</b> InterZoo is the largest trade show for the pet industry in Europe. Excellent opportunities exist for U.S. firms in this sector. For U.S. companies wishing to sell in Germany and throughout Europe, it is important to participate in this trade fair in Nuremberg. Attendance is strictly limited to qualified buyers.	Nuremberg, Germany
June 1	<b>Surf Beach Show 2004</b> This event consists of three simultaneous trade fairs, with more than 300 exhibitors and almost 500 brand names represented. This event highlights the latest trends in beach, surf, and leisure wear. More than 38,000 retailers from all over the world are expected to visit. The U.S. Commercial Service in Brazil plans to organize a U.S. pavilion at the event.	São Paulo, Brazil
June 1–4	<b>Hospitalar 2004</b> Hospitalar is the largest medical event in the Latin America. This show is one of the best opportunities for new-to-market companies to find business partners in Brazil. This event covers a wide variety of medical products such as rehabilitation, diagnostic products, medical equipment, medical services, home care, drugs, and pharmaceuticals.	São Paulo, Brazil



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**ENVIRONMENTAL TECHNOLOGIES  
TRADE MISSION TO SOUTHEAST ASIA****MARCH 29–APRIL 6, 2004****MALAYSIA, THAILAND, AND VIETNAM**

U.S. companies offering environmental equipment or services will not want to miss this trade mission to Southeast Asia—a lucrative growth market for environmental technologies. The event is open to U.S. firms in all environmental sectors, with special focus on air pollution, water and wastewater treatment, waste management, waste recycling, and contaminated soil remediation.

Malaysia's environmental market is estimated at \$800 million, with imported equipment totaling approximately \$270 million. The United States is Malaysia's leading foreign supplier, especially in the water and wastewater treatment sectors. Thailand's \$140–200 million environmental market is expected to grow significantly over the next year, with regulatory enforcement heavily implemented by the Royal Thai Pollution Control Department. Vietnam faces many environmental challenges stemming from industrialization, urbanization, and population growth. The country's \$450-million market for pollution control equipment and services is dominated by projects financed with overseas development assistance.

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**VINITALY****APRIL 1–5, 2004****VERONA, ITALY**

Vinitaly, held annually, is the world's largest international wine and spirits show. The Foreign Agricultural Service's Trade Show Office is partnering with Veronafiore and the Foreign Agricultural Service in Rome for the first time to organize a U.S. pavilion. Vinitaly offers a great opportunity for the American wine industry to showcase its diverse and unique wines, meet Italian industry players and the large number of international visitors and exhibitors, educate European consumers and press about the wine regions of America, study the latest trends, discuss the newest technologies, and identify ways to enter European markets.

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

# Russian Trade Statistics

## TOP 10 MARKETS

EXPORT					
All commodities, 2000–2002					
Partner	U.S. dollars (thousands)			Percent Share	Percent Change
	2000	2001	2002		
World	877,493.00	68,415.96	75,483.86	100.0	10.3
Netherlands	4,144.61	4,702.47	6,665.78	8.8	41.8
China	3,745.18	3,954.83	5,143.68	6.8	30.1
Italy	7,215.16	4,805.41	5,046.56	6.7	5.0
Germany	8,982.27	4,786.74	4,708.53	6.2	-1.6
Ukraine	4,975.41	3,730.88	4,252.23	5.6	14.0
Poland	4,432.83	3,204.43	3,013.28	4.0	-6.0
United States	2,842.65	2,857.77	2,887.97	3.8	1.1
Finland	3,071.38	2,638.09	2,490.42	3.3	-5.6
United Kingdom	3,334.46	2,528.60	2,380.83	3.2	-5.8
Switzerland	1,995.47	1,176.65	2,179.45	2.9	85.2

IMPORT					
All commodities, 2000–2002					
Partner	U.S. dollars (thousands)			Percent Share	Percent Change
	2000	2001	2002		
World	29,756.89	36,416.49	40,753.58	100.0	11.9
Germany	3,835.79	5,444.73	6,133.36	12.9	12.7
Ukraine	3,496.61	3,679.24	3,116.69	11.8	-15.3
United States	2,520.42	2,846.05	2,556.00	8.5	-10.2
China	932.89	1,589.75	2,340.43	3.1	47.2
Italy	1,197.69	1,653.26	2,142.05	4.0	29.6
France	1,177.38	1,460.39	1,835.89	4.0	25.7
Kazakhstan	2,063.39	1,789.59	1,665.72	6.9	-6.9
Finland	945.05	1,203.91	1,397.16	3.2	16.1
Brazil	387.34	916.52	1,295.01	1.3	41.3
Poland	685.26	902.85	1,220.41	2.3	35.2

## TOP 10 COMMODITIES

EXPORT					
2000–2002					
Description	U.S. dollars (thousands)			Percent Share	Percent Change
	2000	2001	2002		
All commodities	87,749.3	68,416.0	75,483.9	100.0	10.3
Mineral fuel, oil	51,499.9	34,235.2	41,100.6	54.5	20.1
Iron and steel	6,239.0	5,685.1	6,394.2	8.5	12.5
Aluminum and articles thereof	5,277.5	4,398.2	3,657.6	4.9	-16.8
Wood	2,408.9	2,809.9	2,927.8	3.9	4.2
Machinery; reactors, boilers	2,872.7	3,285.8	2,921.6	3.9	-11.1
Nickel and articles thereof	1,690.7	1,120.5	1,743.3	2.3	55.6
Fertilizers	1,577.0	1,670.9	1,641.2	2.2	-1.8
Electrical machinery, etc.	1,179.6	1,315.6	1,198.4	1.6	-8.9
Organic chemicals	1,241.5	1,124.3	1,157.4	1.5	3.0
Vehicles, not railway	843.9	777.4	1,020.4	1.4	31.3

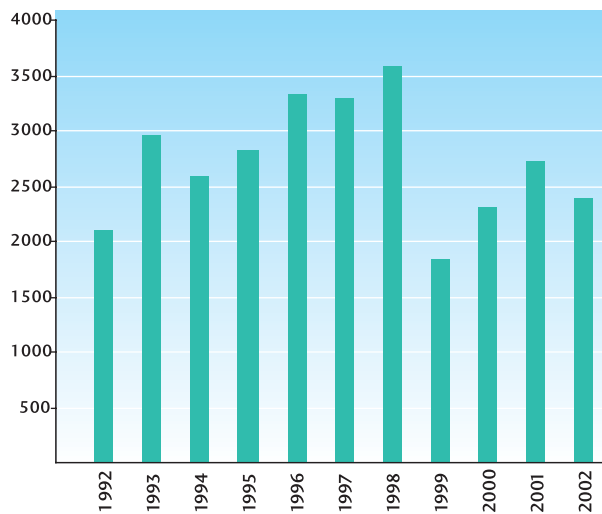
IMPORT					
2000–2002					
Description	U.S. dollars (thousands)			Percent Share	Percent Change
	2000	2001	2002		
All commodities	29,756.9	36,416.5	40,753.6	100.0	11.9
Machinery; reactors, boilers	4,262.4	5,578.8	6,798.4	16.7	21.9
Electrical machinery, etc.	1,906.9	2,964.7	3,709.4	9.1	25.1
Meat	1,014.5	1,729.8	2,294.8	5.6	32.7
Vehicles, not railway	1,103.9	1,762.0	2,246.4	5.5	27.5
Pharmaceutical products	1,241.6	1,778.7	1,559.6	3.8	-12.3
Plastic	776.2	1,091.2	1,385.4	3.4	27.0
Optical, medical instruments	1,047.7	1,458.5	1,336.8	3.3	-8.3
Paper, paperboard	730.9	995.0	1,188.5	2.9	19.5
Iron and steel products	904.8	1,057.8	1,114.9	2.7	5.4
Sugars	894.6	1,348.4	992.6	2.4	-26.4

U.S. exports of goods to Russia, 2002. Product categories are based on end-use classification.

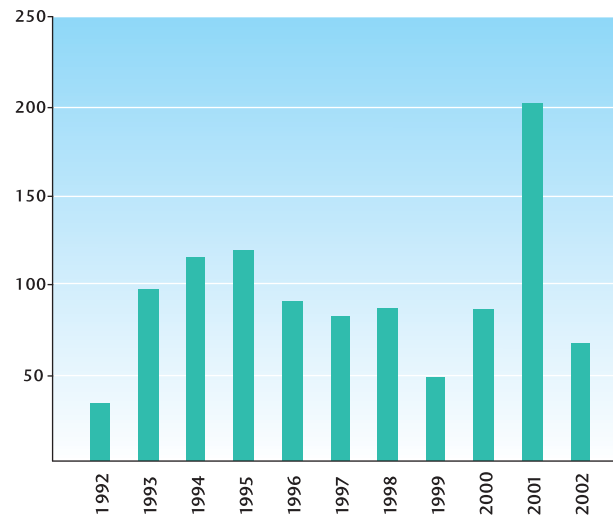
Source: Bureau of the Census. Additional information is available from the International Trade Administration ([www.ita.doc.gov/tradestats](http://www.ita.doc.gov/tradestats)) and the Bureau of the Census ([www.census.gov/foreign-trade/www](http://www.census.gov/foreign-trade/www)).

## U.S. EXPORTS TO RUSSIA

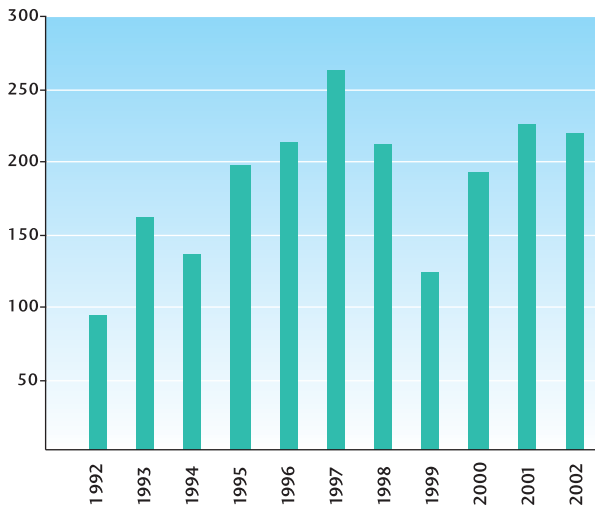
Value of U.S. Exports to Russia, in thousands of dollars



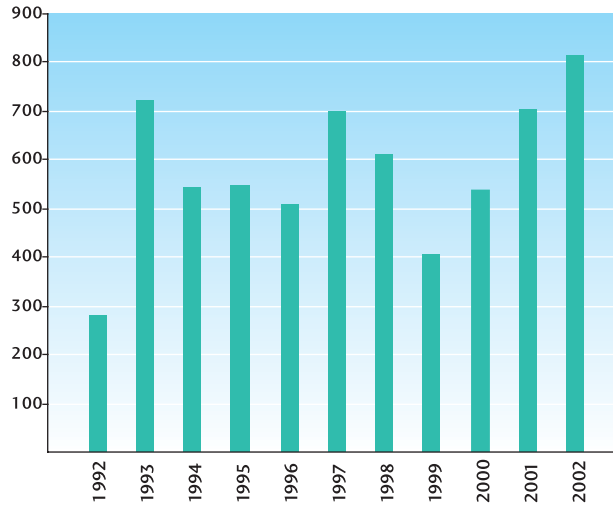
Consumer Durables



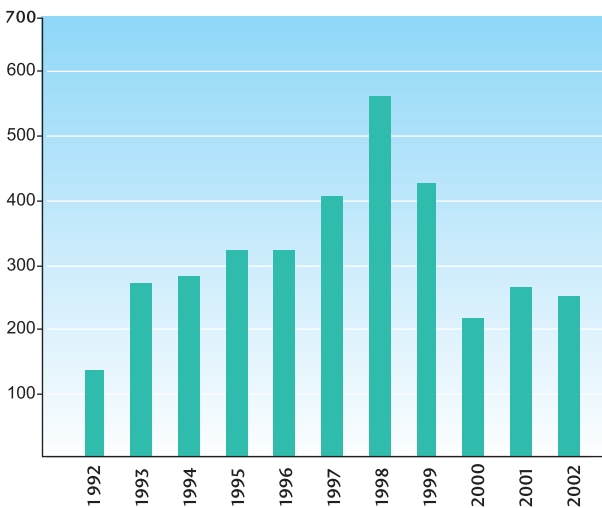
Materials



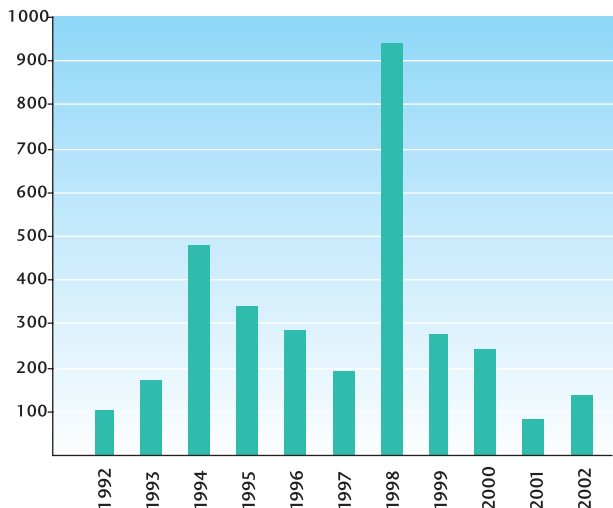
Machinery



Electronics and Instruments



Transportation Equipment (Civilian)



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