TRADE PROMOTION COORDINATING COMMITTEE

The 2006 National Export Strategy

The Administration's
Trade Promotion Agenda

UNITED STATES OF AMERICA

The Trade Promotion Coordinating Committee (TPCC) is an interagency group chaired by the U.S. Secretary of Commerce. The Export Enhancement Act of 1992 established the TPCC to provide a unifying framework to coordinate the export promotion and financing activities of the U.S. government, as well as to develop a comprehensive, strategic plan for implementing such programs.

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Letter from the Secretary of Commerce

Dear Mr. President and Mr. Speaker:

On behalf of the Administration, it is my privilege to present to you the 2006 National Export Strategy. We have entered a new era in world economic growth and prosperity. Consumer and industrial demand in traditional markets, such as Europe and North America, as well as in the emerging markets, such as China and India, is healthy and poised for sustained growth. Technology and falling trade barriers have made the conduct of international business simpler, less costly, and less risky than ever. There have never been fewer barriers to success in the global marketplace.

The United States, as the innovation and productivity leader of the world, should stand to benefit from these trends in the global economy. Those U.S. businesses that export abroad tend to win. Evidence shows that U.S. firms engaged in international trade and investment are more productive and innovative than their purely domestic counterparts. Yet only a small percentage of U.S. companies are making the leap. The number of U.S. companies selling in foreign markets has leveled off in recent years, and exports remain at about 10 percent of the U.S. Gross Domestic Product.

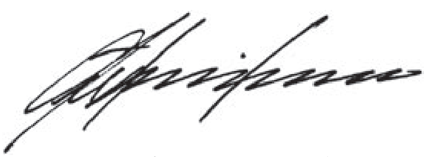
While many things determine overall U.S. export performance, one important factor that has kept U.S. companies from seeking more sales in foreign markets is the sheer size and attractiveness of the U.S. home market. Although 96 percent of the world's customers reside outside the United States, most U.S.

companies never think of foreign markets and do not realize that foreign sales opportunities are now well within reach. Changing business attitudes on trade will require a new focus on promotion. We must encourage more U.S. companies to begin exporting. And companies already exporting to only one or two countries should be encouraged to consider additional markets.

Achieving such a goal calls for putting public-private partnership at the heart of the government's outreach to the business community. Our partners in the private sector and in state and local governments can reach the tens of thousands of U.S. companies—large and small—that have the potential for greater foreign sales, including the ranks of very small companies (fewer than 20 employees) that make up a growing share of all exporting firms. This year's National Export Strategy Report, therefore, puts partnership at the center of the Administration's trade promotion agenda and invites all potential private partners to join with the government in broadening the base of U.S. exporters.

The trade promotion agencies of the Federal Government will continue to be a force for achieving more strategic and effective coordination. We will continue to leverage resources in priority markets. But this year and in the years to come, the agencies will also increasingly reach out to, and rely upon, new partners to promote greater participation of U.S. companies in the global economy.

Sincerely,
Carlos M. Gutierrez



Secretary of Commerce and
Chairman of the Trade Promotion
Coordinating Committee

Executive Summary

U.S. PARTICIPATION IN A GROWING GLOBAL ECONOMY

Over the last several years, we have seen a leveling off in the number of U.S. companies that export, as well as in the percentage of the Gross Domestic Product (GDP) accounted for by exports. These trends are somewhat understandable, given the attractiveness and sheer size of the U.S. economy. But in a global economy, such a home-market emphasis can also be a disadvantage, especially for firms that become complacent about foreign sales opportunities or that do not recognize the onset of new competition before it is too late.

EXPORTING IS EASIER THAN EVER

The good news is that conducting foreign business is easier than ever as the world becomes better connected and more open. Tariff barriers have come down across the board as a result of successive rounds of global and bilateral trade agreements. Many non-tariff barriers are starting to come down as well with the successful negotiation of multilateral and bilateral agreements on a wide range of issues. The Internet and other communications and transportation advances have reduced the separation between exporter and importer to the click of a mouse.

BROADENING THE EXPORTER BASE THROUGH STRATEGIC PARTNERSHIPS

To help companies take advantage of foreign sales opportunities, the United States must promote greater awareness of exporting opportunities and the availability of public and private assistance for managing the uncertainties of foreign trade. The goal must be to increase exports by increasing the number of exporters and the number of markets reached by each current exporter.

The Federal Government alone, however, does not have all the resources, the staff, the expertise, or the communication channels needed to wage such a broad-based promotional campaign. Rather, the Federal Government must develop broader and deeper partnerships with the U.S. private sector—the true strength of the American economy—as well as state and local governments to engage the business community and promote exports. Partnership must be at the center of the Administration's trade promotion agenda, inviting all potential private partners to join with the government in broadening the base of U.S. exporters.

INTERAGENCY COORDINATION IN PRIORITY MARKETS

As major markets going through new phases of industrial development, India and China are priorities for the Trade Promotion Coordinating Committee (TPCC). Central America and the Middle East are also priorities, given new market access negotiated through free trade agreements (FTAs) and the resulting intensification of bilateral commercial engagement.

U.S. Participation in a Growing Global Economy

The U.S. economy is healthy, aided by President George W. Bush's pro-growth agenda. Businesses are thriving, investing, and hiring. In 2005, we saw the creation of two million jobs and economic growth of 3.5 percent. Through the first quarter of 2006, we saw 12 consecutive quarters of GDP growth despite the challenges of hurricanes and high-energy costs. Americans are optimistic that the economy will continue to grow in 2006.

OVERALL MEASURES OF U.S. GLOBALIZATION AND COMPETITIVENESS

At the heart of this prosperity are extremely favorable business conditions in the U.S. economy. The United States has had higher productivity growth than other G-7 countries. From 2000 to 2005, U.S. productivity grew at an average annual rate of 1.9 percent, compared to 1.7 percent in Japan, 1.42 percent in the United Kingdom, and less than 1 percent in the other G-7 countries. (*See Chart 1.*)

The United States also remains at or near the top of various international rankings of globalization and competitiveness. *Foreign Policy Magazine*'s 2005 Globalization Index ranked the United States fourth in the world, moving it up three positions from 2004.[1] Although Singapore, Ireland, and Switzerland ranked higher, the United States became the first large country to enter the

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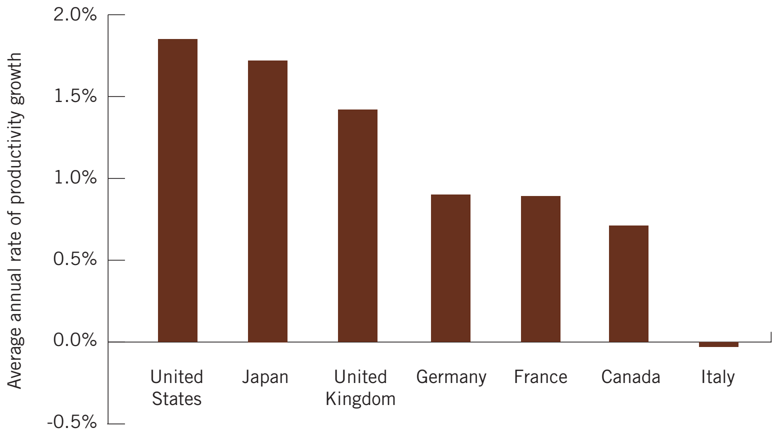
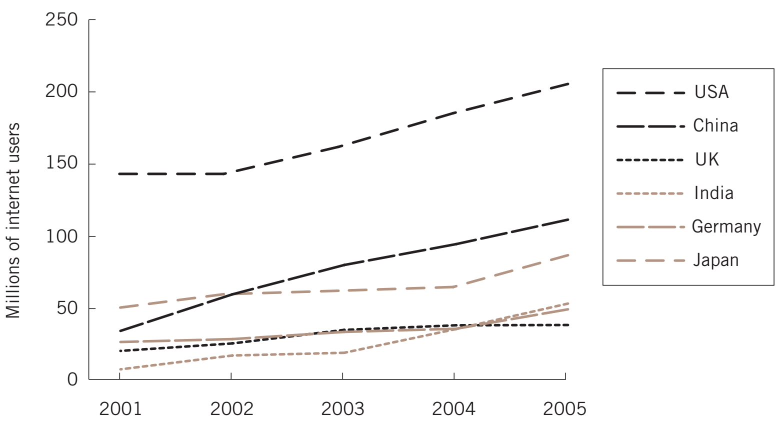
1 A.T. Kearney, Inc., and the Carnegie Endowment for International Peace, "Measuring Globalization," *Foreign Policy* (May/June 2005), p. 52.

Chart 1. Productivity Growth in G-7 Countries, 2000–2005



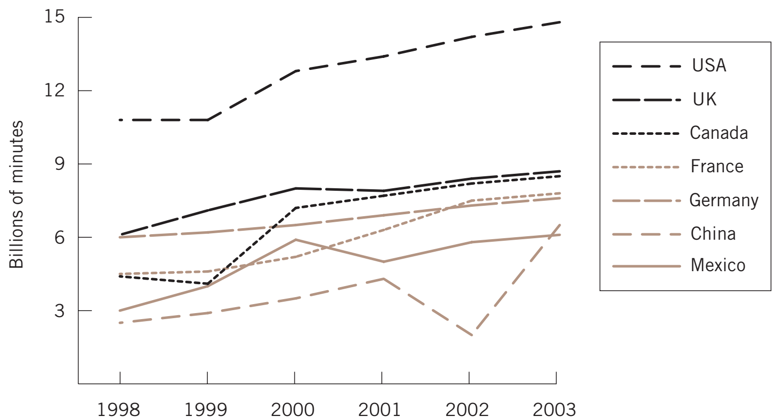
Source: Countries' respective economic ministries, as provided by the President's Council of Economic Advisors.

Chart 2. Countries With the Highest Number of Internet Users, 2001–2005



Source: 2001–2004 data from the International Telecommunication Union; 2005 data from Internet World Stats (www.internetworldstats.com).

Chart 3. Countries with the Highest Incoming International Telephone Traffic, 1998–2003



Source: International Telecommunication Union database, 2004, from A.T. Kearney/Foreign Policy Globalization Index 2005 (www.atkearney.com/shared_res/pdf/Telephone_data_2005_S.pdf).

top five, a noteworthy accomplishment given that countries with large domestic markets typically are less dependent on foreign trade and investment. The United States' high ranking was attributed primarily to its technological prowess, including the number of Internet hosts, users, and secure servers.[2]

In 2005, the United States had over 205 million Internet users, nearly double the number of users in the next highest-ranked country. (*See Chart 2.*)

The United States also has almost twice the incoming international telephone traffic of any other country (*See Chart 3.*) and has become increasingly connected to the world through international travel, with travel abroad by U.S. residents increasing substantially, particularly in recent years. (*See Chart 4.*)

Another prominent measure, the 2005 Growth Competitiveness Index of the World Economic Forum (WEF), ranked the United States as the world's second

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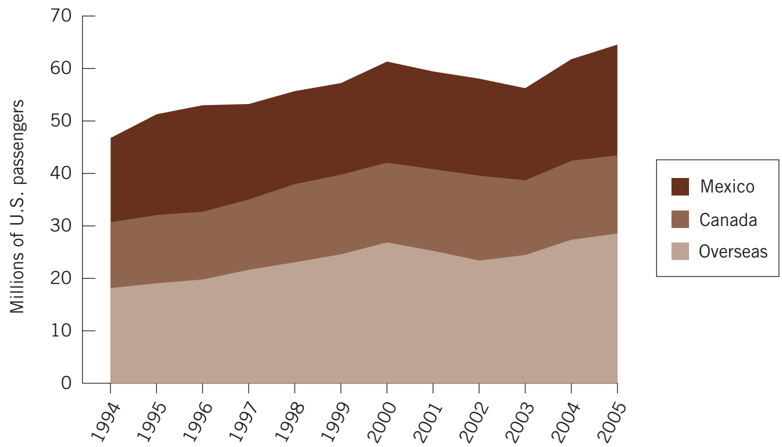
2 *Ibid.*, p. 54.

Chart 4. U.S. Resident Travel Abroad, 1994–2005



Notes: "Overseas" excludes Canada and Mexico. For those two countries, estimates include all modes of travel; overseas estimates are for air travel only.

Source: All 1994–2004 data and 2005 overseas data from U.S. Department of Commerce, International Trade Administration, Office of Travel and Tourism Industries. 2005 data for Canada and Mexico are estimated based on 2004–05 change in available air travel data.

most competitive country after Finland[3], again attributing much of the credit to the United States' continuing technological supremacy and its pipeline of innovations.[4] U.S. companies aggressively adopt new technologies and spend heavily on research and development. Another contributing factor to the culture of innovation is the fact that the United States has one of the highest post-secondary education enrollment rates in the world.

More interesting from the standpoint of the individual U.S. company is the United States' ranking atop the WEF's separate Business Competitiveness Index. This measure of critical microeconomic factors focuses on (a) company

3 World Economic Forum *The Global Competitiveness Report 2005–2006* "Policies Underpinning Rising Prosperity." p. 7.

4 *Ibid*., p. 56.

operations and strategy and (b) the quality of the national business environment. On this basis, the United States leads the world and has ranked first or second each year since 1998.[5]

According to the WEF, American companies operate in the most competitive domestic market in the world. The United States ranks first in the world for:

- Local competition in most industries, with intense pricing pressures and changing market leadership over time;[6]
- Buyer sophistication, i.e., buyers are knowledgeable and make their purchases on the basis of superior performance attributes.[7]

What non-exporting companies may not realize is that the competitive economic environment at home translates into competitiveness abroad for the United States. While there are some hurdles to exporting, the potential tradeoff for a company is finding itself in a less crowded marketplace where higher profit margins are possible. In addition, evidence shows that U.S. firms engaged in international trade or investment are more productive and more innovative than their purely domestic counterparts.

U.S. EXPORT PERFORMANCE

Exporting is an important pillar of U.S. economic growth. One in five manufacturing jobs depends on exports. Firms engaged in international trade and investment are more productive and offer higher wages and benefits. U.S. merchandise exports grew 11 percent in 2005 and 13 percent in 2004. Agricultural exports set a record high in 2005 with sales of $62.4 billion and supporting 926,000 jobs. And services exports increased 59 percent in the last decade—from $239.5 billion in 1996 to $380.6 billion in 2005. The United States continues to have a strong competitive advantage in many product and service categories. In terms of sheer value, the United States continues to be the world's largest exporting country. (*See Chart 5.*)

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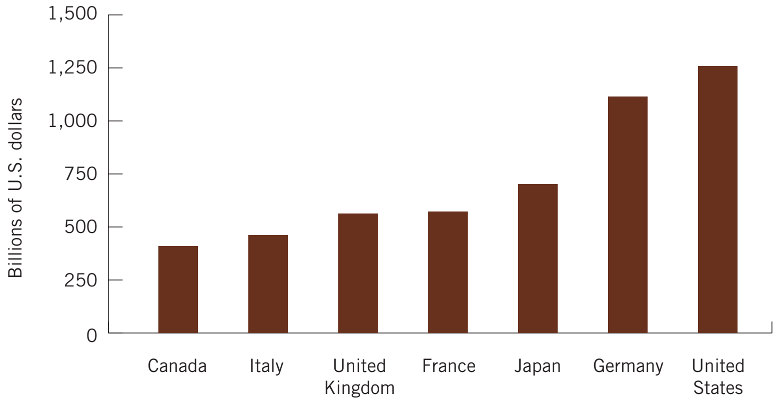
5 *Ibid.*, p. 52–53.

6 *Ibid.*, p. 578.

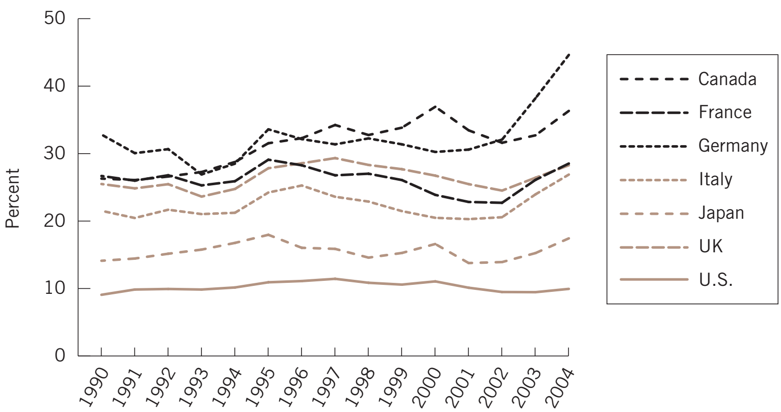
7 *Ibid.*, p. 581.

Chart 5. Exports of Goods and Services from G-7 Countries in 2005



Source: World Trade Organization, "Trade Picks Up in mid-2005, but 2006 Picture Is Uncertain" (press release, April 11, 2005) (*www.wto.org/english/news_e/pres06_e/pr437_e.htm*).

Chart 6. G-7 Member Exports as a Percentage of GDP, 1990–2004*



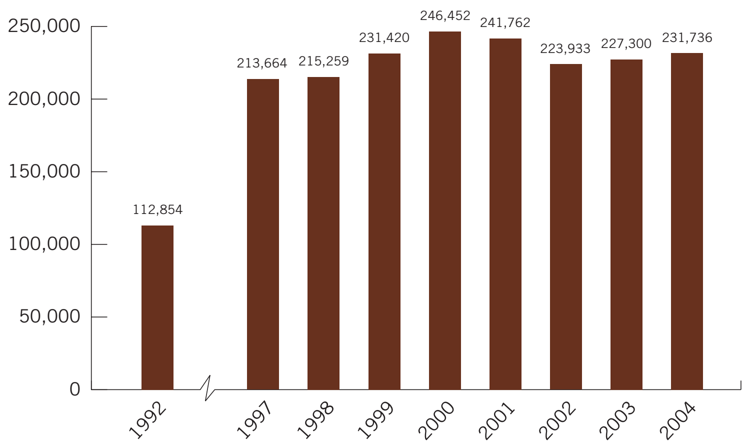
* Based on exports of goods and services and on GDP in current prices and purchasing power parity. France figures based on estimated services exports 1990–1994.

Sources: OECD Factbook 2006: Economic, Environmental and Social Statistics.

Yet, in a growing global economy, it is important to consider how well the United States is doing relative to other countries. U.S. exports have consistently lagged behind the other G7 countries as a percentage of GDP, hovering around 10 percent of GDP while other major industrialized economies have advanced their engagement in the global economy. (*See Chart 6.*)

There is also evidence of a flattening of U.S. business participation in the global economy at the company-by-company level. The number of U.S. companies exporting increased by only 8.5 percent from 1997 (213,664) to 2004 (231,736), after nearly doubling from 1992 (112,854) (*See Chart 7.*). The share of U.S. merchandise exports accounted for by small and medium-sized enterprises (SMEs) has remained around 30 percent. At the same time, the dollar volume of merchandise exports from SMEs has risen by more than 16 percent over this same period. These trends are keeping the already low percentage of U.S. companies that export from growing. Only about 4 percent of the United States' 5.7 million companies with one or more employees actually export.

Chart 7. Number of U.S. Companies Exporting, 1992 and 1997–2004



Note: Data are not available for 1993–1996.

Source: U.S. Department of Commerce, Bureau of the Census.

At the same time, in recent years, intra-firm trade between U.S. firms (U.S. or foreign-owned) and their foreign affiliates has accounted for about a third of U.S. exports of goods. This highlights the importance to the U.S. export strategy of continuing openness to foreign investment at home, encouraging it abroad, and responding to emerging challenges to such openness at home and abroad.

For the United States to remain competitive, we must engage more of the American business community in the global economy. These are the thousands of companies, large and small, that have exportable goods or services, but for various reasons do not export, even though companies that export are more likely to remain globally competitive and maintain their sales growth in the face of import competition.

CONCLUSION

While there are a number of explanations for these trends, a major factor for most companies continues to be the large and dynamic domestic U.S. market. Many U.S. companies focus exclusively on U.S. consumers and, therefore, are not yet interested in the global market. In a 2002 survey conducted by the interagency Trade Promotion Coordinating Committee (TPCC), 36 percent of non-exporters cited “better market prospects here in the U.S.” as their reason for not exporting. Thirty percent of non-exporters did, however, express interest in exporting and cited the lack of information about export markets, customers, and export procedures as areas where they most need help. Other factors, such as perception of risk or concerns over financing and shipping paperwork also play a significant role in many firms’ decision not to export, despite the fact that the acceleration of global commerce through technology and reduced trade barriers brings foreign sales opportunities closer than ever before.

Exporting Is Easier Than Ever

The good news for U.S. companies is that the global economy is thriving and more attractive than ever. The International Monetary Fund (IMF) forecasts that the global economy will grow by nearly 5 percent in both 2006 and 2007, which would represent five consecutive years of growth above 4 percent.[1] More important, many of the barriers that once plagued international business are melting away so that it has never been easier to be a winner in the global marketplace. The reduction of market access barriers has been a major driver, with tariff and non-tariff barriers coming down around the world—a process that continues to advance today through bilateral and multilateral free trade agreements, bilateral investment treaties, and aviation agreements. The other major driver has been technology, with more and more of the world's businesses and consumers outside the United States connected to the global marketplace through the Internet, cell and landline telephones, and travel. In the 21st century, it is easier, cheaper, and faster to communicate and to travel overseas.

GROWTH AND THE GROWING IMPORTANCE OF DEVELOPING COUNTRIES

Many industrial countries show healthy economic growth. Increasingly, however, developing countries have joined the industrial countries as engines of world growth and rising import demand. According to the IMF, average real

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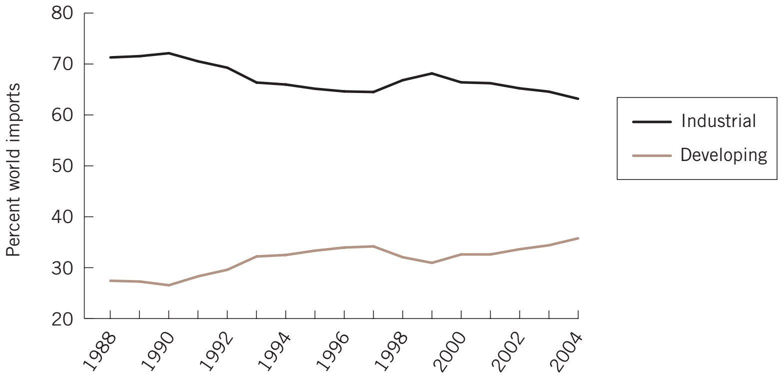
1 International Monetary Fund *World Economic Outlook*, April 2006. Table 1. Summary of World Output, p. 177.

Chart 8. Share of World Imports:
Developing vs. Industrial Countries, 1988–2004



Source: International Monetary Fund, *Direction of Trade Statistics Yearbook 1995 and 2005* (Washington, D.C.: IMF 1995, 2005). "Developing" and "industrial" country classifications follow the IMF's International Financial Statistics.

GDP growth in the developing countries (5.8 percent) will be more than double that in the advanced economies (2.6 percent) from 1998 to 2007.[2] China is growing an average of 8.9 percent over ten years (1998-2007), and India has grown at 7 or 8 percent a year since 2003.[3]

Robust growth in the developing countries has translated into rapidly growing import consumption, with these countries accounting for 36 percent of total world imports—worth $3.3 trillion—in 2004, compared to just 27 percent in 1988. Conversely, the industrial countries' (including the United States) share of imports has declined from 71 percent in 1988 to 63 percent in 2004. (*See Chart 8.*)

These trends translate into the transfer of more than 8 percent of the global import market from industrial to developing markets. Developing markets in Asia alone account for three-quarters of this market share increase, with import levels rising nearly fivefold since 1988 to $1.7 trillion in 2004. Within

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2 *Ibid.*

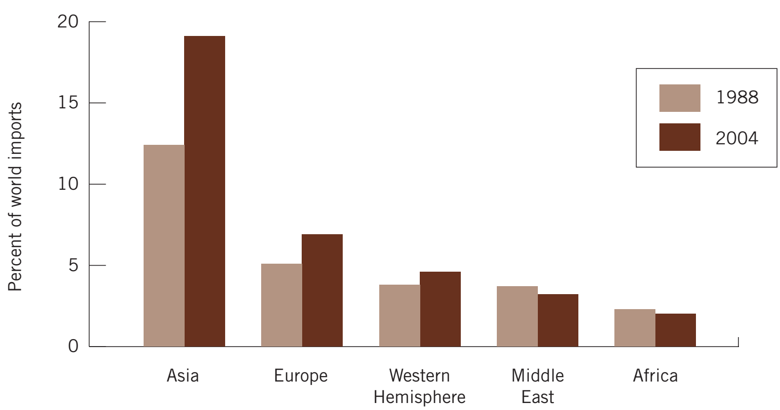
3 *Ibid.*, Table 5. Other Emerging Market and Developing Countries: Real GDP, p. 183.

Asia, China's imports grew more than nine times from $52 billion in 1988 to $492 billion in 2004.[4] Economic advancement in the region has been so rapid that many of these markets, including South Korea, Singapore, and Taiwan, are no longer considered "developing" but, rather, are seen as fully industrialized modern economies with high per capita GDPs.

Looking at the developing markets region by region demonstrates that import market share is also growing in other parts of the world, with imports in the developing markets of Europe expanding more than fourfold to $628 billion and the Western Hemisphere's imports (excluding the United States and Canada) growing fourfold to $418.3 billion. (*See Chart 9.*)

A variety of factors is driving this transformation of the global economy. At the local level, higher per capita incomes, greater intraregional trade flows, rising urbanization levels, budding middle classes, and greater brand awareness are

Chart 9. Developing Countries' Share of World Imports, by Region, 1988 and 2004



Source: International Monetary Fund, *Direction of Trade Statistics Yearbook 1995 and 2005* (Washington, D.C.: IMF 1995, 2005). "Developing" and "industrial" country classifications follow the IMF's International Financial Statistics.

4 IMF Direction of Trade Statistics Yearbook 1995, p. 4 and IMF Direction of Trade Statistics Yearbook 2005, p. 3.

driving new demand and import consumption. All of these factors spell growing demand for the range of high quality goods and services produced in the United States.

REDUCTION OF TRADE BARRIERS

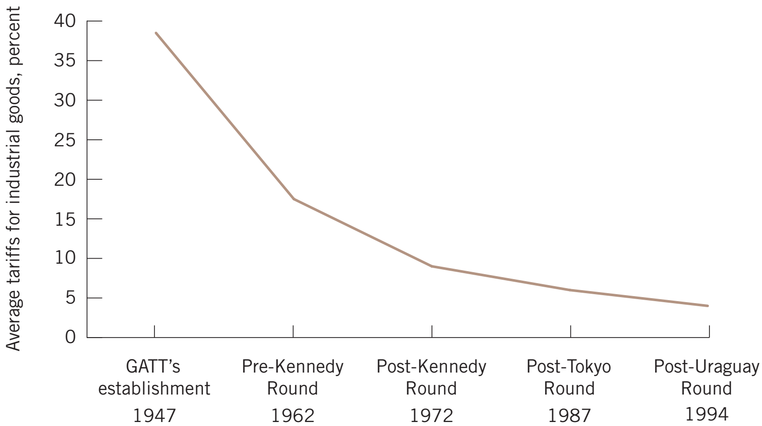
Multilateral Reduction of Trade Barriers

Despite much progress, the work of making the world trading system freer and fairer is far from complete. The economic growth prospects of the United States and the rest of the world, particularly those of developing countries, depend heavily on the ability to move the trade liberalization agenda forward. Lost in the popular media's focus on trade disagreements between countries is the dramatic extent to which both tariff and non-tariff barriers have come down over the decades, including in recent years.

Tariff Barriers: In the eight rounds of multilateral trade negotiations since 1947, the tariffs of industrial countries have come down from 38.5 percent to 4 percent. (*See Chart 10.*) Tariff rates have also come down significantly in developing countries, including many of our fastest growing export markets. China's entry into the WTO and implementation of market access commitments have resulted in substantially reduced tariff rates for U.S. products. China lowered tariffs on the goods of greatest importance to U.S. industry from a base average of 25 percent in 1997 to 7 percent today. India's import tariffs on most industrial goods have declined from 35.6 percent in 1997 to 12.5 percent in 2006.

Another major achievement has been the dramatic increase in the amount of trade under "binding" commitments. By binding tariff rates, countries promise to keep customs tariffs below maximum rates. As a result, exporters know what to expect as transparency and predictability are established. The percentage of tariffs that are bound rose significantly in the Uruguay Round, to nearly 100 percent for the industrial countries. (*See Table 1.*) In agricultural trade, 100 percent of products now have bound rates. The major developing countries have also bound most of their tariff rates.

Chart 10. Reducing Trade Protection at the Border



Note: Data points are estimated, assumed to be for industrial goods because of similarity of data in other studies.

Source: World Trade Organization, *Trading Into the Future* (Geneva, WTO, 1995), page 5.

Table 1. Uruguay Round Bound Tariffs

Percentage, tariffs bound before and after the 1986–94 talks

	Before	After
Developed countries	78	99
Developing countries	21	73
Transition economies	73	98

Source: WTO, "Trading Into the Future," April 1999

Non-Tariff Barriers: With tariff rates reaching historic lows, multilateral trade negotiations have increasingly targeted so-called non-tariff barriers, as well as new areas such as trade in services and intellectual property. At the close of the Uruguay Round in January 1995, the international community took the major step of creating the World Trade Organization (WTO). While the WTO's predecessor, the General Agreement on Tariffs and Trade (GATT), dealt mainly with trade in goods, the WTO also covers services and intellectual property.

The WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), along with the treaties administered by the World Intellectual Property Organization (WIPO), has brought the protection of intellectual property rights under common international rules and provided a more consistent framework for protecting and enforcing those rights.

The General Agreement on Trade in Services (GATS) is the first multilateral, legally enforceable agreement for international trade in services. The agreement covers all service sectors and applies fair trade principles, such as most-favored nation treatment, national treatment, and transparency, to all WTO member countries.

Completed Bilateral and Regional Free Trade Agreements

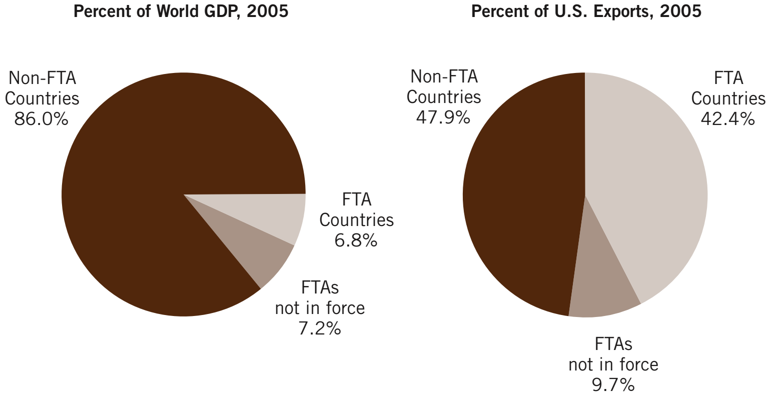
The United States has also gained dramatic new access to foreign markets through the negotiation of bilateral and regional agreements with trading partners. The benefits of these agreements are clear.

- Since the North American Free Trade Agreement (NAFTA) took effect, U.S. exports to Canada and Mexico have increased from $142 billion in 1993 to $332 billion in 2005—a 134 percent increase over this period compared to a 77 percent increase in exports to the rest of the world.

- U.S. exports to Chile have increased 92 percent since implementation of the Free Trade Agreement (FTA) on January 1, 2004.

- U.S. exports to Singapore have increased 25 percent since implementation of the FTA on January 1, 2004.

Chart 11. U.S. Free Trade Agreement Partners in the Global Economy



Notes: World Gross Domestic Product excludes the GDP value for the United States. GDP percentage shares are based on GDP figures on a Purchasing Power Parity (PPP) basis. Export figures are for U.S. Total Exports. FTA Countries include all countries with Free Trade Agreements effective through 2005 (Australia, Canada, Chile, Israel, Jordan, Mexico, and Singapore). FTAs negotiated or under negotiation but not in force in 2005 include Bahrain, Botswana, Colombia, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Korea, Lesotho, Malaysia, Morocco, Namibia, Nicaragua, Oman, Panama, Peru, South Africa, Swaziland, Thailand, and the United Arab Emirates.

Source: International Monetary Fund, World Economic Outlook Database, April 2006 and the Trade Policy Information System (TPIS), U.S. Department of Commerce.

- U.S. exports to Australia have increased 11 percent since implementation of the FTA on January 1, 2005.
- U.S. exports to Jordan have increased 103 percent since implementation of the FTA in 2001.

These and other negotiated bilateral and regional agreements represent the near elimination of tariff and non-tariff barriers in a large share of foreign markets important to U.S. exporters. In 2005, trading partners with which the United States has completed FTAs represented only 7 percent of world GDP, but accounted for over 42 percent of all U.S. exports. (*See Chart 11.*)

Making the Business Case to Non-Exporters

Over the years, the U.S. Government has focused much of its attention on "export ready" firms—firms that have the long-term management commitment and resources to stick it out in tough foreign markets. This remains a valuable concept for finding companies prepared for the challenges of high-growth emerging markets. However, in order to reach a much broader set of companies, we must demystify exporting and draw attention to markets that present a quick and clear business case for expanding sales beyond the United States.

NAFTA: For companies that are new to exporting, the business case is most straightforward with our NAFTA neighbors to the north and south–Canada and Mexico. Well over half of all U.S. travel abroad is to these two neighbors. Canada and Mexico are our most important trading partners, together accounting for 37 percent of all U.S. merchandise exports.

Canada's market is one of the most accessible in the world for American goods and is by far the most popular export destination for SMEs. In 2004, nearly 79,000 SMEs exported to Canada. Thanks to NAFTA, American-made products enter Canada almost entirely duty free. Recent studies show that 99 percent of all trade passes across the border without incident or controversial trade restrictions. Many Canadian standards are harmonized with U.S. standards. Doing business in Canada is not, however, exactly the same as in the United States, and U.S. companies need to become familiar with the differences.

NAFTA has also transformed our trading relationship with Mexico. Since the implementation of NAFTA in 1993, U.S. exports to Mexico have grown dramatically, totaling $120 billion in 2005. Mexico is the second biggest destination for SME exports, with more than 39,000 U.S. SMEs selling goods in Mexico. While doing business in Mexico is more challenging than in Canada, several market entry strategies have proven effective.

continued next page

The Federal Government and its partners have excellent programs and services for introducing U.S. companies to these markets, such as export readiness assessments, virtual trade shows, and Internet-based training. A great place for companies to begin exploring the possibilities is the U.S. Government's trade assistance Web site, *Export.gov*, which allows U.S. companies to sign up quickly for access to all of the government's trade promotion services and market research. This market research includes the 2006 Country Commercial Guides for Canada and Mexico, a good starting point for companies ready to take advantage of foreign sales opportunities.

Bilateral Investment Agreements

Openness to foreign investment has provided significant benefits to the United States, and to other countries regardless of their level of development. The United States has concluded close to 50 Bilateral Investment Treaties that promote open and transparent investment climates abroad, while ensuring that U.S. investors receive the same non-discriminatory treatment given to foreign investors in the United States. Investment chapters in our recent free trade agreements provide similar treatment. The record clearly suggests that U.S. investment abroad stimulates additional exports from the United States. Therefore, it is critical that we preserve the attractiveness of the United States to foreign investors.

Open Skies Agreements

Air travel has been significantly liberalized through the United States' negotiation of Open Skies agreements. Open Skies agreements promote increased travel and trade, productivity, high-quality job opportunities, and economic growth. They do this by reducing government interference in the commercial decisions of air carriers, freeing them to provide affordable, convenient, and efficient air service for consumers. In addition, Open Skies agreements lead to expanded demand for international aviation service and create new business for international air carriers.

An Open Skies agreement allows air carriers designated by the United States and the foreign signatory to make decisions on routes, capacity, and pricing, and fully liberalizes conditions for charters and other aviation activities, including unrestricted code-sharing rights. Open Skies policies are successful because they have gone hand in hand with airline globalization. By allowing air carriers unlimited access to points in the signatory countries and unlimited access to intermediate and beyond points, such agreements provide maximum operational flexibility for airline alliance partners.

Open Skies agreements can be either bilateral or multilateral. The United States has concluded more than 70 bilateral Open Skies agreements with countries from every region of the world and at every level of economic development. These agreements have made it easier and more affordable for all U.S. companies to do business in foreign markets, making every outbound flight a potential trade mission for the United States. The United States will continue to play a leadership role in international aviation, pursuing additional Open Skies and other liberalizing agreements with willing partner countries.

Future Agreements Will Make Exporting Easier than Ever

The United States is just beginning to tap the potential for export growth promoted by trade agreements. The Administration is working to ensure that free trade agreements and multilateral trade negotiations continue to create more accessible markets for U.S. firms in the global economy.

- Western Hemisphere: Congress has approved the FTA with five Central American countries and the Dominican Republic (CAFTA-DR), and is considering an FTA with Peru. In addition, we have negotiated an agreement with Colombia and hope to conclude negotiations with Panama.

- Middle East: In the Middle East, the FTA with Morocco has gone into effect, the FTA with Bahrain has been concluded (not yet in force), and we seek Congress' support in the near future of the agreement with Oman. We are also negotiating an agreement with the United Arab Emirates.

- Asia: The U.S. Government is in the process of negotiating FTAs with three economically vibrant markets in Asia: Korea, Malaysia, and Thailand. Korea is the world's 10th largest economy, with an annual GDP rapidly approaching $1 trillion, and is our seventh largest export market. The U.S.-Korea FTA negotiations launched in February merit special attention, representing the most commercially significant free trade negotiation for the United States in 15 years. Malaysia is already our tenth largest trading partner, with $44 billion in two-way trade in 2005.

Although bilateral FTAs represent important potential for new market access, the opportunity for the greatest gains will come from the multilateral system and the current Doha Round of World Trade Organization negotiations. The goal is to open markets and eliminate barriers among all 150 WTO countries. This Round was launched to create opportunities for developing as well as developed countries. The United States will continue to play a leadership role in bringing countries together on difficult issues with the aim of completing Doha negotiations.

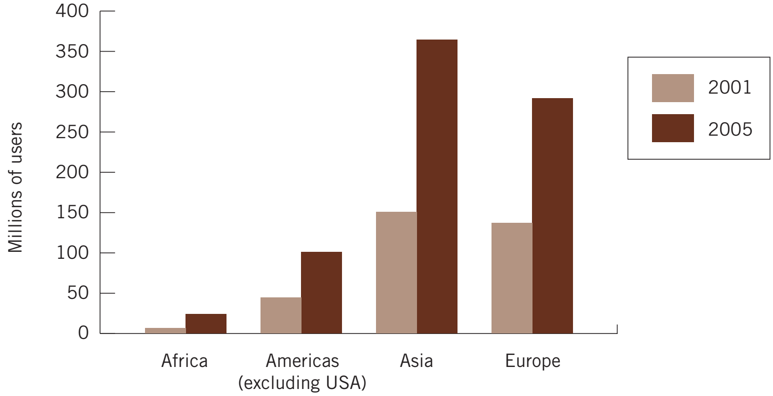
TECHNOLOGY AND GLOBAL CONNECTIVITY

Accompanying the improvement in the legal infrastructure of trade is the equally significant improvement in technological and physical infrastructure throughout much of the world. These improvements have significantly raised the ability of buyers outside the United States to communicate with and transact business with American firms.

Internet

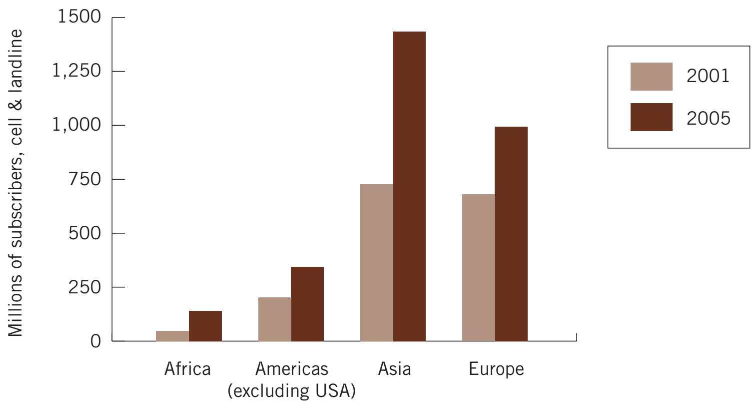
The world is wired as never before. According to the International Telecommunication Union and *www.internetworldstats.com,* North America has the highest percentage of its population using the Internet (68 percent). But, the rest of the world is also getting connected to the Internet at an astonishing rate. From 2000 to 2005, Internet usage grew by about 200 percent in Asia and Europe, by more than 300 percent in Latin America, and by more than 400 percent in the Middle East and Africa. (*See Chart 12.*)

Chart 12. Internet Users Outside the United States, 2001–2005



Source: Internet World Stats (*www.internetworldstats.com*).

Chart 13. Telephone Subscriptions Outside the United States, 2001 and 2005



Source: International Telecommunication Union (*www.itu.int/ITU-D/ict/statistics/*).

There are now more than 800 million Internet users outside the United States, each with direct access to U.S. companies and their goods and services via the Web. Asia now represents 36 percent of the world's Internet users, and Europe 29 percent.

Telephone

There has also been a revolution in the world's ability to communicate by telephone. In just the short period from 2001 to 2005, the number of telephone subscribers in the world grew by more than 1.3 billion, a 65 percent increase to a total of 3.3 billion subscribers. (*See Chart 13.*) Telephone subscribers per 100 inhabitants grew from one-third (33 percent) to one-half (50 percent) in this short period. Much of this growth can be attributed to the rapid spread of cell phone access in both rich and poor countries across the globe. For example, cell phones accounted for 82 percent of phone subscribers in Africa and 67 percent in Europe in 2005.[5]

Travel

Travel abroad by U.S. citizens has increased by 30 percent since 1990. People everywhere are traveling more than ever. In 2005, the International Civil Aviation Organization (ICAO) recorded an 8.5 percent increase in international airline passenger traffic in terms of passenger-kilometers performed.[6] According to ICAO, the number of passengers carried worldwide on scheduled services reached just over two billion people for the first time ever (domestic and international combined).[7]

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5 International Telecommunication Union, *World Telecommunication/ICT Indicators*, May 2006, Table 7. Cellular subscribers, A-28, A-31. *www.itu.int/ITU-D/ict/statistics/*

6 International Civil Aviation Organization, *ICAO News Release*, 15 December 2005, "Scheduled Air Services Top Billion Passengers in 2005." *www.icao.int/icao/en/nr/2005/pio200513_e.pdf*

7 *Ibid.*

Infrastructure in Developing Countries

The World Bank's World Development Indicators[8] show that even in developing countries, improvements in communications, transportation, and financing infrastructure are giving consumers greater access to the global marketplace.

- Telecommunications infrastructure investment in low and middle income countries has grown from $60 billion in the period from 1990 to 1995 to almost $300 billion in the period from 1996 to 2003.
- Over these same time frames, investment in transportation roughly tripled to $90 billion.
- Domestic credit to the private sector in low and middle income countries has grown from 39 percent of GDP in 1990 to 59 percent of GDP in 2003.

CONCLUSION

With the advancement of trade agreements and technology, the path is clear for American companies to move into foreign markets. Yet the perceptions of risk and uncertainty among many potential exporters have not kept up with the realities of a more prosperous and open global marketplace. Only by promoting trade together as partners can the Federal Government and the private sector communicate the good news about foreign sales opportunities and increase the participation of American companies in the global marketplace.

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8 World Bank, *2005 World Development Indicators*. Table 5.1 Private sector development. *devdata.worldbank.org/wdi2005/Table5_1.htm*

Broadening the Exporter Base through Strategic Partnerships

To help the United States remain competitive, we must engage more of the American business community in the global economy. Companies that export are more likely to remain globally competitive and maintain sales growth in the face of import competition. In particular, we must encourage more U.S. companies to begin exporting, enter into global supply chains, or expand the number of markets they serve.

The Federal Government provides a wide range of information, matchmaking, financing, and problemsolving services that exporters need to be successful. The government can reach thousands of potential exporters by partnering with private sector enterprises that already do business with these companies. Express delivery companies, banks, Web-based marketplaces, publishers, and trade associations, for example, all have much greater reach into the business community given their significant day-to-day contact with the average U.S. company.

As partners, these service providers can significantly boost awareness of export opportunities and access to assistance programs. They can also help communicate to the U.S. business community and overseas buyers the good news that trade agreements and leaps in communications technology have combined to make exporting to many markets easier than ever. In addition, these potential partners often are themselves making exporting easier by providing trade facilitation services.

This year's National Export Strategy Report, therefore, puts partnership at the center of the Administration's trade promotion agenda and invites all potential private partners to join with the Federal Government in broadening the base of U.S. exporters. Toward this goal, the following call to partnership will address:

- Important trends defining the small business sector and limiting the government's ability to reach these firms;
- Benefits to both government and the private sector of bringing unique capabilities together in partnership;
- Targeted marketing strategies that sharpen the focus of partnerships and make them more successful;
- Case studies of innovative partnerships already begun that introduce the core trade promotion agencies and have already shown the substantial potential of this strategy;
- Other government coordination efforts that improve our focus on customer service.

GOVERNMENT COORDINATION CANNOT DO THE JOB ALONE

The number of U.S. exporters has remained static in recent years. At the same time, the profile of these companies continues to evolve, in some cases making it even more difficult for the government to reach out to them on its own. The challenges the government faces include the following:

- Growth in the total number of U.S. exporters has been relatively flat over the last seven years, growing only 8.5 percent from 1997 to 2004.
- Exporting companies make up less than 4 percent of all U.S. companies that have one or more employees.
- SMEs' share of the value of merchandise exports has remained below 30 percent.
- Nearly 60 percent of SME exporters export to only one foreign market.
- Over 40 percent of all SME exports by value go to just four foreign markets.

- Very small companies (fewer than 20 employees) account for 70 percent of all exporting firms.
- Non-manufacturing companies (e.g., wholesalers) make up 68 percent of all SME exporters.

BRINGING PARTNERS TOGETHER—WHY PARTNERING MAKES SENSE

Partnering for trade promotion brings benefits to federal trade promotion agencies and the private sector alike. Successful public-private partnerships bring together unique capabilities to create value for all parties involved. The biggest beneficiary, however, should be the exporter or potential exporter.

We know that many current exporters value the Federal Government's global network of trade experts, market research, risk management and financing solutions, and problem-solving services. However, private partners possess the customer contacts, marketing skills, banking services, logistical might, and technological sophistication that can help the government reach the thousands of U.S. companies unaware of the opportunities and assistance available from their government.

Successful public-private partnerships on trade are possible when partners:

- Share similar strategic goals;
- Provide additional marketing channels and advertising expertise that targets both U.S. businesses and international buyers;
- Raise the visibility of exporting as a business development strategy;
- Bring in new clients to the government and offer government services to their clients, thereby reaching new audiences;
- Encourage companies on their own client databases to sell internationally;
- Make information on new trade opportunities and market trends available to a wider audience;
- Amplify awareness of best U.S. business practices and expand public promotion of emerging market opportunities;

- Make the Federal Government's unique solutions for managing risk and uncertainty and its worldwide network of trade experts available to more companies;
- Together seek to raise the bar on customer service and meeting the needs of U.S. companies.

Export.gov

Export.gov is one of the most valuable government tools that private sector partners can leverage. *Export.gov* is the Federal Government's unified trade promotion assistance portal and has become a major entry point for companies interested in expanding into foreign markets. Every year since its launch in 2000, activity on the Web site has increased. During the first quarter of 2006, more than one million people visited *Export.gov*. On this Web site, companies have the option of registering their information and indicating their interest in being contacted.

In February 2006, the new and improved *Export.gov* was launched, based on feedback from users and interagency content providers. The portal is now better organized to:

- Deliver information to targeted individuals at U.S. businesses who have responsibility for the full range of export assistance needs;
- Consolidate information by industry so that a company can see "at a glance" the trade leads, trade events, and related market research;
- Provide an enhanced and expanded section on trade data and analysis;
- Provide the customer with an "I Want To" box that gives them quick access to popular features, such as the NAFTA Certificate of Origin form.

The next phase of *Export.gov*'s redesign and enhancement will include an improved and streamlined section on Export Basics and country pages that are similar to the currently available industry pages. The country pages will provide a snapshot of all related market research, trade leads, trade events, and other industry trade analysis and data for that country.

TARGETED MARKETING STRATEGIES FOR FOCUSING PARTNERSHIPS

Before a partnership is launched, the prospective partners should together identify possible market segments of the U.S. business community to target and the best outreach strategies for reaching these groups.

From the SME exporter data, we know that a "one-size-fits-all" strategy will not work. Some of the questions to consider are: What is the value proposition for a company that has never exported versus a company that is already exporting? How can we meet the needs of companies that sell directly to foreign buyers via the Internet? Is the exporter a manufacturer, service provider, wholesaler, or trading company? The answers to these questions will give partners a stronger understanding of each other's clients and business goals.

Partners can then begin to develop and implement specific strategies. These strategies may go after a particular market segment or target a specific geographic market or trade agreement. Possible strategies may include:

- Encouraging exporters to expand to adjacent markets—When new opportunities arise in one market, partners can make U.S. companies exporting to neighboring countries aware of that opportunity. For example, we are working with current partners to encourage the more than 42,500 U.S. companies exporting to Mexico to consider new CAFTA-DR free trade agreement markets with business environments similar to Mexico.

- Turning single country exporters into multilane exporters—Taking firms beyond their initial experiences with exporting to a more global perspective may be one of the most rewarding strategies. Partners can expect a faster return on investment and a faster business process, leading to successful foreign sales for their clients. To succeed, partners must demonstrate the opportunity and the means for graduating to multiple country sales.

- Reaching very small exporters via the Internet—The Internet may hold the key to reaching the growing ranks of very small companies (with under 20 employees) that now make up more than 70 percent of all U.S. exporting firms. Many of these companies rely on the Internet as their only storefront, yet have exposure to buyers worldwide. Partners can serve this market segment by providing online self-help information and services.

- Turning non-exporters into exporters—While it can take many months or even years for a prospective exporter to make its first foreign sale, the Federal Government is looking for partners willing to play a part in the long-term education of the next generation of exporters. The focus here may be on domestic business networks (chambers of commerce, trade associations, etc.) and state and local governments. One productive strategy may be simply to raise awareness of the ease of exporting to entry-level markets such as Canada and Mexico.

U.S. Commercial Service to Lead Market Segmentation Research

Rapid changes in the global business environment and the increasing role of technology and the Internet call for a better understanding of market segments and potential client needs. Several TPCC agencies plan to conduct qualitative and quantitative research and analysis to understand and profile the behaviors, attitudes, and characteristics of different groups of U.S. companies with regard to making international sales. The results of this effort will enable the trade promotion agencies to more effectively identify and service clients by helping us understand the needs of exporters and develop more relevant services for those companies.

Importantly, this research will help the government understand which industries are most likely to generate economic impact from exporting and help to more systematically identify and emphasize competitive industries in regional markets. This information will also make the government a more valuable strategic partner in discussions with private sector enterprises that already have their own powerful market intelligence

- Equipping companies with risk management tools—Perhaps one of the greatest concerns in exporting is getting paid. While most U.S. companies look first to their local bank for solutions, many local banks are not willing to support international transactions. The Federal Government, therefore, seeks partnerships with local banks, brokers, and other financial institutions prepared to help educate their clients about strategies for concluding international transactions and managing risk.

- Reaching non-U.S. importers (foreign buyers)—The Internet is increasingly the driver of international transactions, with more power in the transaction accruing to the foreign buyer than ever before. Although the U.S. Government has developed some of its own meeting places on the Web for buyers and sellers, private partners could provide dramatically greater access to and expertise in Internet marketplaces.

CASE STUDIES: AGENCY PARTNERS AND MODELS FOR PARTNERSHIP

In utilizing the National Export Strategy to promote greater public-private partnership, the trade promotion agencies will seek a variety of partnerships that support growth in the number of companies exporting and in the number of markets to which U.S. companies export. While some partnerships may benefit from formal and standardized agreements that enable long-term business planning, others may involve less formal arrangements. In addition, because coordination among federal trade promotion agencies has improved dramatically, private-sector partnerships will often benefit from integration with the programs of multiple agencies.

In considering partnership options, the government will not impose a "one-size-fits-all" framework on the discussions. Many of the trade promotion agencies are working with private partners on innovative models for partnerships that create novel ways of doing business between government and the private sector. As prospective partners look at these models, we encourage them to think creatively of other models that hold promise for broadening the base of exporters.

Department Of Commerce

The Commerce Department's International Trade Administration (ITA) provides a wide array of export services, ranging from market research to market access. The Commercial Service (CS) is the Department's trade promotion unit providing counseling and advocacy, market research, trade events, and introductions to qualified buyers and distributors. The Commercial Service has a unique network of 146 offices in 80 countries and more than 100 domestic offices nationwide. Other ITA units ensure that U.S. companies benefit from trade laws and agreements and develop initiatives to strengthen the global competitiveness of U.S. industry.

The Commercial Service is developing a number of models for inviting the private sector to partner with it in broadening the base of exporters. These partnerships can range from single event joint sponsorships of seminars and conferences to long-term commitments. Partnerships with trade associations have been an effective means of targeting exporters in specific sectors.

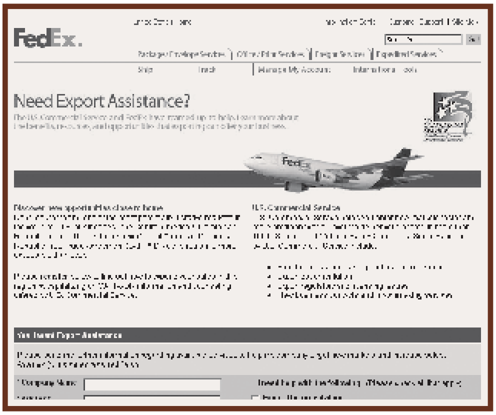
In a relatively new approach, the Commercial Service issued a zero-dollar procurement through the government's FedBizOpps procurement service to identify companies engaged in a mission consistent with that of the Commercial Service. This procurement process resulted in the establishment of several new partnerships in market channels that the Commercial Service has not traditionally engaged, such as express delivery companies, banks, and Web-based marketplaces, all of which have tremendous reach to potential small business exporters. Given the success of this approach, the Commercial Service now plans to issue a public call for new partners on an annual basis.

Case Study—FedEx

On the basis of this open-competition procurement, the Commercial Service entered into a marketing partnership with FedEx in 2004. Proposal criteria called for a partnership based on a shared international focus aimed at increasing outbound shipment volume, worldwide reach, and an SME client base and customer focus. Under the resulting no-cost contract, FedEx will market CS programs and services. The contract authorization is for FedEx to market the CS programs only; CS is not authorized to market FedEx or its products.

The marketing partnership with FedEx includes:

- Placement of Commercial Service logos and accompanying text on the International Tools section of fedex.com and other pages;
- Featuring of CS and its programs and services in FedEx's monthly International eNewsletter, which is sent to approximately 120,000 FedEx clients;



- Joint development of marketing and direct-mail materials;
- Coordination of U.S. export education seminars, conferences, and other outreach events. Commerce Department officials have participated in more than 120 marketing events with FedEx to showcase the assistance available and over 175 smaller international seminars covering a variety of topics important to American exporters;
- Cross training on the value of the alliance and the ways CS can help companies grow their export business through international expansion and growth plans and strategies.

The partnership with FedEx has proven very successful because the two parties have a range of mutual interests. Going forward, both the Commercial Service and FedEx are interested in encouraging exporters to Mexico to expand into the CAFTA countries and in filling shipping containers to Asia.

Case Study—PNC Bank

The Commercial Service also launched a successful partnership with PNC Bank through the competitive procurement process. PNC Bank has a strong local presence in a sizable regional area. More importantly, the partners share a commitment to helping firms navigate the uncertainties of foreign markets and exporting. Examples of ongoing joint activities with PNC include:

- Joint Five-Topic Seminar Series initially focusing on the New Jersey, Washington, D.C., and Philadelphia markets. Topics include use of foreign exchange as a sales and mitigation tool, extending credit to compete, and trade finance solutions utilizing the Export-Import Bank of the United States.

- Web-based conference series on "in demand" topics highlighting the expertise of CS and PNC. These events will tap PNC's contact lists and Webinar technology to reach exporters who may not be aware of CS services.

- PNC Direct Marketing Campaigns, including, coauthoring of items in PNC e-newsletters, the launch of a Global-Services–specific e-newsletter, and a targeted direct-mailing campaign.

- Financial Products and Services Training to Commercial Service offices: PNC offers program content, speakers, and the option of Web-based or face-to-face programs.

Case Study—eBay

Businesses increasingly need and demand more information about exporting because more and more of their transactions are international. In the past, companies would typically grow and mature by selling domestically before considering exporting. But the Internet has removed the obstacle of geography, and many companies now begin selling internationally much earlier in their lifecycle.

The Commercial Service's latest relationship with private industry provides visibility for U.S. Government export promotion programs within eBay's huge marketplace. In the calendar year 2005, the Gross Merchandise Volume (GMV) of all successfully completed listings on eBay's trading platforms was $44 billion. For more than 724,000 people in the United States, selling on eBay is their primary or secondary source of income. eBay provides a very effective channel to the 70 percent of all U.S. exporters that are very small companies (20 or fewer employees). eBay currently has more than 193 million members from more than 150 different countries, all of whom have the ability to engage in cross-border trade through the company's online marketplaces.

The relationship between the Commercial Service and eBay also helps the government keep up with the growing importance of the Internet to international transactions. eBay processes thousands of export orders per day in which clients fill out an online Census Bureau document (the Shipper's Export Declaration form). However, eBay reports that many more customers get to the form stage and quit. eBay believes that many of these companies get "form phobia." The Commercial Service and eBay have discussed building a prompt by which a Commerce Service trade specialist could walk a customer through the process to further facilitate cross-border trade on eBay.

Overseas Private Investment Corporation

OPIC provides excellent examples of leveraging private sector partners to augment the government's capacity to help small U.S. businesses. By both optimizing use of its own resources and establishing partnerships with SME-oriented financial institutions, OPIC has substantially extended its outreach to American small businesses.

OPIC has already taken several steps to welcome small businesses and to maximize its internal capacity to process small business applications. In 2002, OPIC established its Small Business Center (SBC) to provide qualified small businesses with the opportunity to utilize OPIC's resources through its improved customer service, flexible coverage, and easier access. The following year, OPIC created a Department of Small and Medium Enterprise Finance to administer the agency's direct loan program for U.S. businesses with annual revenues of less than $250 million.

Also in 2003, OPIC introduced a streamlined form of political risk insurance for U.S. companies receiving loans through the SBC. By 2005, the insurance "wrap" had emerged as one of the agency's most successful products ever for SMEs, increasing the number of projects by 45 percent over the previous year.

Indeed, Fiscal Year 2005 was by any measure the agency's best year yet in terms of SME projects processed: OPIC financing support for American SMEs increased by 43 percent over the previous year, an indication of both improved OPIC outreach to the sector and growing SME interest in investing overseas. OPIC committed $343.2 million in financing in Fiscal Year 2005, compared to $240.2 million in Fiscal Year 2004.

In April 2006, OPIC and the U.S. Small Business Administration (SBA) renewed and expanded their interagency effort to support SME investment in emerging markets, concluding an agreement that seeks to enhance outreach, particularly to minority- and women-owned businesses. This agreement, the Strategic Alliance Memorandum, supercedes a 2002 agreement between OPIC and the SBA, and mandates continued joint marketing and outreach efforts to the SME community.

Increased demand for OPIC services has placed increased pressure on OPIC's staff resources. While deal flow has increased, it remains essential to provide tailored services and support to SME sponsors, particularly those who may be pursuing their first international investment transaction. To address these challenges head on, OPIC has looked to the private sector to leverage its resources and expand the number of small businesses it can assist through a new model of public-private partnership, the Enterprise Development Network.

Case Study—OPIC's Enterprise Development Network

In the coming year, OPIC will launch the Enterprise Development Network (EDN)—a strategic alliance among private sector financial institutions, brokers, and law firms that is designed to expand efficient delivery of OPIC services to SMEs. EDN's structure is twofold: First, it will support selected financial institutions, called designated lenders, in developing the network's lending to American SMEs, which will enable OPIC to make better use of its staff resources. Second, a network of OPIC-approved U.S. private sector financial consultants, called loan originators, will advise SMEs in documenting and arranging international projects, which the loan originators will submit to the designated lender for financing.

To date, the private sector has responded with tremendous interest. OPIC's board of directors has approved the provision of $75 million to a leading American bank for the initial implementation of the EDN, which could ultimately administer $100 million in OPIC financing to U.S. small businesses for projects in emerging markets.

OPIC has established partnerships with the U.S. private sector to both expand the availability of private sector capital beyond OPIC's own resources and to heighten awareness of OPIC's support of SME investment in emerging markets.

Case Study—OPIC Partners Program

In 2003 OPIC established a Partners Program with trade and foreign policy organizations nationwide to increase public knowledge of OPIC's programs. By utilizing the resources of geographically diverse organizations with different memberships, information about OPIC is thereby disseminated to a larger audience. Among the 14 members of the program are the Small Business Exporter's Association, the U.S. Chamber of Commerce—National Chamber Foundation, and the Bankers' Association for Finance and Trade.

Export-Import Bank of the United States

Ex-Im Bank is actively building additional support and accessibility for SMEs. Its guarantee and insurance products address the needs of both exporters and the financial institutions that serve them. Ex-Im Bank relies in turn on lenders, insurance brokers, and other private partners to make its trade finance products more widely available. Despite having set records in FY 2005 for both the number of SMEs served and the financial support provided to this sector, Ex-Im Bank continues to refine its SME outreach, training, and business development. Key to that outreach is the development of additional partners nationwide, which serve as important multipliers in reaching SMEs.

As part of its commitment to good communication with its partners, Ex-Im Bank has introduced regularly scheduled national broker and City-State partner teleconference updates. These teleconferences serve to distribute important new product information and identify trends, and feature a question and answer session for immediate clarification and guidance. To create greater transparency in the loan approval process, a national teleconference is also being added for updates between Ex-Im Bank's credit underwriters and SMEs.

City-State Partners: One of Ex-Im Bank's most important partnerships is the City-State Partners Program, a national marketing initiative that brings export financing services to more SMEs through closer cooperation with state and local governments and private sector organizations. Ex-Im Bank now has 45 City-State partners in 35 states and the Commonwealth of Puerto Rico. Ex-Im Bank staff have quantitative goals for adding new partner relationships, including City-State Partners. Five new partners, representing a 10 percent increase, have been added in recent months in Hawaii, California, Idaho, Michigan, and Delaware. This program adds to the rolls of SME exporters that Ex-Im Bank supports each year and greatly enhances Ex-Im Bank's reach nationwide.

Partner training, supply of marketing materials, and banner displays are routine components of the City-State initiative. Ex-Im Bank develops state-specific direct mail campaigns with select interested partners utilizing targeted mail lists provided by the City-State Partner. The City-State Partners, including Ex-Im Bank's regional business development staff, promptly follow up with respondents.

Case Study—City-State Partnership with California's Centers for International Trade Development

One of the newest partners in the City-State program was added in January 2006 with the signing of an agreement between Ex-Im Bank and California's Centers for International Trade Development (CITD), which has 14 offices covering every major economic region in California.

"Although we have worked with Ex-Im Bank in the past, this partnership will enable us to work in a more coordinated way to help small companies realize international business opportunities," said CITD statewide director Jeffrey A. Williamson. "By combining our marketing strengths, we will reach even more exporters."

CITD, which is funded under the California Community Colleges Economic and Workforce Development Program, plans to hold at least 12 trade seminars over the next year in conjunction with Ex-Im Bank. CITD can walk local businesses through the process of applying for a wide range of Ex-Im Bank financing tools including working capital support, export credit insurance, and loan guarantees that will enable them to better compete in growth markets abroad.

Case Study—Environmental Exports Program

Ex-Im Bank expanded its support for environmentally beneficial goods and services in 2005 to help increase jobs and advance the United States' competitive edge in this growing industry. Through the development of strong working relationships with the private sector, other government agencies, and key industry associations, the Environmental Exports Program actively promotes enhanced Organization for Economic Cooperation and Development (OECD) repayment terms of up to 15 years for renewable energy, water supply, and sanitation projects.

To increase awareness among environmental businesses, Ex-Im Bank has teamed up with a number of organizations. In September 2005, Ex-Im Bank joined the San Francisco Chamber of Commerce and The Trade Bank/Wells Fargo HSBC in a seminar highlighting financing opportunities for environmental exporters. Also in September 2005, Ex-Im Bank held a day-long workshop at the U.S. Chamber of Commerce in Washington, D.C., for banks, brokers, and exporters. The workshop featured a keynote address by Chairman of the Council on Environmental Quality, James Connaughton, and one-on-one meetings with Ex-Im Bank's Environmental Exports Team. In May 2006, Ex-Im Bank partnered with the Commerce Department's Environmental Technologies Office and the Massachusetts U.S. Export Assistance Center (USEAC), and with state environmental business organizations, on a seminar showcasing overseas business opportunities and U.S. Government programs. In the fall of 2006, Ex-Im Bank plans a similar workshop on the west coast with the Commerce Department, key venture capital firms, associations, and banks.

These efforts are bearing fruit for U.S. exporters. In 2005, Ex-Im Bank authorized the first 15-year comprehensive guarantee for a solar power project under the new OECD terms. Powerlight Corporation, of Berkeley, California, will be supported by a $7.8 million medium-term loan guarantee to export equipment and services for the construction of a 1-megawatt (MW) solar power project in Gwangju, Korea.

U.S. Department of Agriculture, Foreign Agricultural Service

For nearly five decades, USDA's Foreign Agricultural Service (FAS) has relied on partnerships with food and agricultural industry organizations to communicate opportunities and carry out promotional activities. Supported by its 80 offices overseas, the FAS annually partners with more than 75 trade organizations—ranging from the Alaska Seafood Marketing Institute to the Wine Institute—to stimulate demand for U.S. agricultural products in more than 100 countries.

A wide range of FAS partnerships has contributed to alerting the public about the importance of agricultural trade and the availability of exporter assistance. Some of the partners that help in this task include farm groups such as the American Farm Bureau Federation, coalitions such as the Ag Trade Coalition and the U.S. Agricultural Export Development Council, business organizations such as the U.S. Chamber of Commerce and the World Trade Center Association, and legislator organizations such as the National Conference of State Legislators and the Council of State Governments.

Through USDA export programs such as the Market Access Program, partners play a direct role in developing overseas markets. Nonprofit commodity or trade associations that represent agricultural producers and processors use these programs to access new markets and reach new customers around the world.

New programs and partnerships have been introduced in response to a changing world. For instance, the 2002 Farm Bill established the Technical Assistance for Specialty Crops Program to help open, retain, and expand markets for U.S. specialty crops in the face of new sanitary, phytosanitary, and technical barriers to trade. Partners under this program have included the Almond Board of California, Indian River Citrus League, and the National Potato Council. At about the same time, the Quality Samples Program was established to help U.S. agricultural trade organizations provide small samples of their agricultural products to potential importers in emerging markets overseas. Under this program, USDA has partnered with organizations such as the American Sheep Industry Association, the California Walnut Commission, and the Hop Growers of America.

Case Study—State Regional Trade Groups

The State Regional Trade Groups (SRTGs) are regional nonprofit trade organizations that partner with the FAS to offer customized exporter assistance. Since 1999, over 13,000 U.S. companies have participated in activities sponsored by SRTGs. From 1999 to 2003 (most recent data), small businesses that participated in SRTG activities increased export sales by nearly $400 million. Since 1999, SRTGs have helped expand U.S. export opportunities by creating over 140,000 business contacts between foreign buyers and U.S. suppliers. And in 2005, with USDA support, the SRTGs worked with more than 600 companies to promote value-added products in 75 countries and sponsored over 200 promotional and exporter assistance events in 31 countries.

Small Business Administration

SBA provides several critical services that SME exporters need to get started and to succeed in trade, including trade education and international loan guarantees. SBA's credit staff are co-located with representatives from other trade promotion agencies in the U.S. Export Assistance Centers (USEACs)—one-stop shops in major metropolitan areas that provide businesses with local export assistance. Credit officers help small companies structure foreign sales and obtain financing for business development. SBA has streamlined its marketing and business development initiatives with those of Ex-Im Bank and OPIC. In addition to its efforts in the USEACs, SBA is integrating international trade into the day-to-day functions of its larger domestic programs and operations. Over 70 SBA District Offices now have international counseling, training, and loan guarantee goals. And companies on SBA's Central Contractors Register (*www.ccr.gov*) that are interested in trade are encouraged to participate in Trade Mission Online (*TMOnline.gov*), a globally accessible database for SMEs that facilitates online matchmaking and outreach.

Beyond its own operations, SBA can bring to bear a formidable and unique array of SBA resource partners to play a central role in preparing the next generation of successful exporters. These partners represent a wide range of private sector know-how, from retired business executives, to lawyers, to business instructors at universities and other education centers. Indeed, many of these partners already represent repositories of international business expertise. The more the U.S. Government can encourage these partners to define and develop areas of international expertise, the more potential they hold for expanding awareness of trade opportunities and export assistance among entrepreneurs and the wider business community.

Private Lending Institutions: Local banks are critical to SBA's ability to reach more firms in the business community. SBA can delegate loan approval, closing, and most servicing and liquidation authority and responsibility to carefully selected lenders under the Preferred Lenders Program (PLP) (see *www.sba.gov/financing/lendinvest/plp.html*). To be eligible for this program, lenders must demonstrate proficiency in processing and servicing SBA-guaranteed loans. A major goal for SBA in FY 2007 is to approve more PLP-delegated international lenders.

Small Business Development Centers (SBDCs): This training resource is a cooperative effort of the private sector, the educational community, and federal, state and local governments. It is SBA's largest resource partner and an initiative that enhances economic development by providing small businesses with management and technical assistance. There are more than 1,000 SBDCs nationwide. Some 35 of these centers are designated as International Trade Centers.

Service Corps of Retired Executives (SCORE): The SCORE Association has 11,500 volunteers nationwide. SCORE helps small businesses with counseling and training and operates an active online counseling program that refers online questions related to international business to retired executives with experience in this area. More than 250 SCORE volunteers have real-world international business expertise to share.

Women's Business Centers (WBCs): WBCs represent a national network of more than 80 educational centers designed to help women start and grow small businesses. WBCs operate with the mission of leveling the playing field for women entrepreneurs who still face unique obstacles in the world of business.

Export Legal Assistance Network (E-LAN): Through E-LAN, international trade attorneys from the Federal Bar Association provide free initial consultations to small businesses interested in starting export operations.

Case Study—SME Congress of the Americas

The November 2005 Summit of the Americas highlighted and encouraged broader regional participation in the SME Congress of the Americas. Through the SME Congress, SBA is partnering with public and private organizations throughout the Western Hemisphere to advance a network focused on promoting and facilitating SME participation in international trade. This is not only a forum for sharing best practices, but also a strategy for energizing and empowering SMEs to embrace the global marketplace.

SBA led the multilateral steering committee that planned and coordinated the Second SME Congress of the Americas, which was hosted by Mexico's Ministry of the Economy and took place from May 8 to 10, 2006, in Mexico City. Approximately 150 representatives from 17 countries participated. In addition to small business agencies from across the hemisphere, participants included chambers of commerce, business associations, and small business owners. The theme of this year's conference was "Utilizing Information and Communications Technologies to Promote SME International Trade." The U.S. Council for Better Business Bureaus and UPS were among the presenters participating in a workshop on using "E-commerce/Technology as a Tool for Facilitating Trade." Following the SME Congress, SMEs from the United States, Mexico, Chile, Argentina, Brazil, and Costa Rica conducted one-on-one meetings to discuss potential business collaboration in a pilot SME matchmaking event. Initial feedback from businesses was extremely positive. SBA is actively following up with participating U.S. companies to support successful commercial relationships.

Department of State

The State Department coordinates closely with other U.S. Government departments and agencies, such as the Departments of Commerce, Agriculture, Treasury, and Energy and the Office of the United States Trade Representative (USTR), in negotiating agreements and treaties and advocating on behalf of U.S. economic and business interests.

Economic diplomacy is a central component of overall U.S. foreign policy and an essential part of the State Department's mission. The Bureau of Economic and Business Affairs (EB), regional bureaus, and country desks work together to advance the interests of U.S. businesses—large and small—at home and abroad. The State Department and U.S. embassies and consulates worldwide are a global business partner for U.S. companies. EB's Office of Commercial and Business Affairs assists U.S. businesses with project tenders, investment disputes, and market strategies; works with country desks and U.S. missions overseas to facilitate business opportunities and arrange informational briefings for U.S. businesses; builds public-private partnerships; and amplifies U.S. public diplomacy efforts by encouraging and promoting best business practices and corporate citizenship. Economic Bureau officers:

- Work with the World Trade Organization to establish fair rules of international trade;
- Lead U.S. negotiations on bilateral civil aviation treaties;
- Negotiate bilateral and regional investment treaties in partnership with USTR;
- Combat bribery in international commerce;
- Negotiate debt relief with debtor countries;
- Coordinate issues related to economic sanctions;
- Foster energy security.

Case Study—U.S.-Mexico Good Partner Program

The Good Partner Award was launched under the auspices of the U.S.-Mexico Partnership for Prosperity initiative, announced by President George Bush and President Vicente Fox in September 2001. The goal of the Partnership is to boost the well being of Mexican citizens in regions where economic growth has lagged, while helping U.S. firms and suppliers identify new partners and markets in Mexico. The Good Partner Award recognizes the role of the private sector in both countries in advancing social and economic development in Mexico. It honors exemplary efforts of U.S. and Mexican enterprises and institutions, both large and small, in the furtherance of the goals of the Partnership for Prosperity.

Case Study—State-BCIU

Since its creation in 1955 at the initiative of President Dwight Eisenhower, the Business Council for International Understanding (BCIU) has partnered with the State Department to explore how business and government can best work together around the world. In so doing, BCIU has been at the forefront of transforming how the State Department interacts with the business community, including offering the following:

- **Training:** The BCIU Commercial Diplomacy Training Program enhances the trade literacy of the U.S. Foreign Service and the efficacy of officers in other key U.S. Government trade promotion agencies by conducting year-round training programs at the Foreign Service Institute.

- **Consultations for Ambassadors:** BCIU organizes consultations with U.S. businesses for outgoing Ambassadors to brief them on the leading business and commercial matters in their country.

- **Business practicums:** BCIU organizes a unique program that places Foreign Service Officers with companies for two to three months of practical, real-world experience after they complete the Foreign Service Institute's economic and commercial training course.

BCIU also cosponsors Chiefs of Missions Conferences, meetings between foreign dignitaries and the business community, and many other events and meetings. These gatherings are important tools in helping to promote cooperation across governments and industries.

Asia-Pacific Partnership on Clean Development and Climate (APP)

The APP was announced in July 2005 by Deputy Secretary of State Robert Zoellick and his counterparts representing five large economies—Australia, China, India, Japan, and Korea. Together, the six nations that make up the Partnership account for about half of the world's greenhouse gas emissions and a significant amount of total global economic output. The purpose of the APP is to take practical measures to help each country develop and implement their own strategies for improving energy security, reducing pollution, and addressing the long-term challenge of climate change. The Departments of State, Energy, and Commerce, and the Environmental Protection Agency are the lead federal agencies for the Partnership. However, the key to the success of this initiative is private sector participation. The private sector has been given a leading role in the development of the APP's work.

The Partnership will focus on expanding investment and trade in cleaner energy and energy efficient technologies, goods, and services in key market sectors. The Partners have approved eight public-private sector task forces covering: (1) cleaner use of fossil energy; (2) renewable energy and distributed generation; (3) power generation and transmission; (4) steel; (5) aluminum; (6) cement; (7) coal mining; and (8) buildings and appliances

The emphasis is on identifying opportunities for near-term outcomes that can be "mass produced" using tried and true technologies and methods. Private sector representatives sit on each of the eight task forces helping to drive priorities and projects. Ultimately, the solutions will come from the private sector whose technologies will be exported throughout the APP region.

GOVERNMENT PROGRESS ON COORDINATION AND CUSTOMER SERVICE

The trade promotion agencies are keeping pace with the changing needs of exporters by improving interagency coordination and streamlining government services. While these changes have not significantly expanded the government's reach to businesses, they make the government a more viable partner for private sector enterprises.

In recent years, the trade promotion agencies have reoriented their programs to ensure that government is delivering world-class customer service. Most of the attention has been on SMEs, the backbone of the U.S. economy and of new job creation. SMEs tend to need more government assistance to enter foreign markets. These program and management improvements have been inspired and promoted by the Trade Promotion Coordinating Committee (TPCC)—the interagency task force responsible for the National Export Strategy.

In many cases, coordination has led to close operating partnerships between federal, state, and local governments and with other natural allies such as chambers of commerce. The federal trade promotion agencies and many state and local partners co-locate their public offices in the domestic U.S. Export Assistance Center (USEAC) network of 109 offices across the United States. Through the USEACs, local partners will cooperate on various outreach and training activities for the business community. For example, all local partners periodically organize to conduct Export Trade Assistance Partnership (E-TAP) training courses. E-TAP training provides small groups of companies with training, access to financing, and, on occasion, a first opportunity to participate in a foreign trade mission or trade show. Through E-TAP, private sector service providers, including banks, shipping companies, and universities, help teach new exporters how to conduct foreign sales.

There are many other such examples of government coordination to improve quality and availability, such as jointly funded export services pavilions, cross-disciplinary training programs, and the *Export.gov* trade assistance portal. Recent and upcoming initiatives include:

- Ex-Im Bank and the Department of Commerce continue to improve their marketing efforts, and last year conducted a direct marketing campaign that included training, seminars and mailings. In addition, Commerce Department staff now vet Ex-Im Bank prospects through the Department's client development process, and prospects that register on Ex-Im Bank's Web site are channeled to the Commercial Service.

- Ex-Im Bank and SBA will market discounted short-term export credit insurance to the users of both agencies' working capital programs to reduce exporter risk of payment default and encourage expansion of foreign trade, particularly among small business exporters. Both agencies will cooperatively market their working capital programs and SBA's Export Express program to lenders familiar with only one agency.

- USTR, the Departments of State, Commerce, Justice, and Homeland Security, and the Food and Drug Administration have joined forces in the Strategy Targeting Organized Piracy (STOP) Initiative to combat trade in counterfeit and pirated goods. Together, these agencies have developed services that help companies prevent intellectual property problems and prepare their goods and services for export (*See text box.*)

- The Partnership Post initiative of the Commerce and State Departments has improved the delivery of government services in markets where the Commercial Service does not have a direct presence. In such markets, the Departments coordinate computer network access and jointly plan officer training and consultations.

IPR Protection Services for SMEs

The Bush Administration's STOP initiative provides a wide range of services to help U.S. companies obtain, protect, and enforce their intellectual property rights (IPR) in the United States and overseas, including:

- A Web site (*www.StopFakes.gov*) and brochure designed specifically for SMEs, providing current information on IPR registration, border enforcement, criminal IPR enforcement, and protecting and enforcing IPR overseas.
- IP toolkits providing detailed information on a country's IP protection regime (available on *www.StopFakes.gov*) for Brazil, China, Korea, Malaysia, Mexico, Russia, and Taiwan.
- A hotline, 1-866-999-HALT, through which U.S. exporters can submit requests for assistance.
- IP attachés that will be deployed to Brazil, China, Egypt, India, Russia, and Thailand to provide business assistance and improve collaboration with these governments.
- A partnership with the Coalition Against Counterfeiting and Piracy, an effort led by the U.S. Chamber of Commerce and the National Association of Manufacturers, to further develop the "No Trade in Fakes" program. This program provides voluntary guidelines by which companies can ensure that their supply and distribution chains are free of counterfeits.
- SME training workshops across the United States to teach small companies how to protect and enforce their intellectual property rights domestically and abroad, including recent events in Utah, Arizona, Texas, Florida, California, Virginia, and Ohio.
- A Global Intellectual Property Academy to train foreign government officials in global IPR issues.

As a result of these types of initiatives, private partners can be confident that their government counterparts are also working to meet the high quality and customer service expectations of shared clients.

NEXT STEPS

As we move forward, both government and private sector partners are gaining a deeper understanding of their mutual interests. We have learned that:

- Private sector partners want to grow the exporter base too.
- Private sector partners want to match their overseas customers with U.S. suppliers.
- Private sector partners are willing to invest substantial resources in partnerships.
- Government trade promotion agencies are seen as valuable strategic partners.
- Government agencies add value by introducing partners and doing collaborative events.
- Partners provide U.S. Government trade promotion agencies with added customer credibility and vice versa.
- Partners exchange valuable information and marketing knowledge.
- Partnerships are an excellent source of new clients for government trade promotion organizations.

In the coming years, the trade promotion agencies of the U.S. Government will seek to increase the number and scope of partnerships with the private sector. We will make partnerships available to all who are interested and who qualify. The agencies look forward to exploring the possibilities with the private sector.

Appendix A
Priority Markets

In 2005, the TPCC spotlighted seven key markets where coordinated federal trade policy and promotion efforts could have the largest impact in assisting U.S. exporters—China, India, Brazil, Russia, Japan, Korea, and the European Union. In each of these markets, the TPCC agencies identified priority sectors and delivered targeted assistance. The TPCC also looked at linkages between trade promotion and policy issues. The TPCC agencies have recommitted themselves to the process of leveraging resources in those markets representing the greatest opportunity for exporters and where Government assistance is needed.

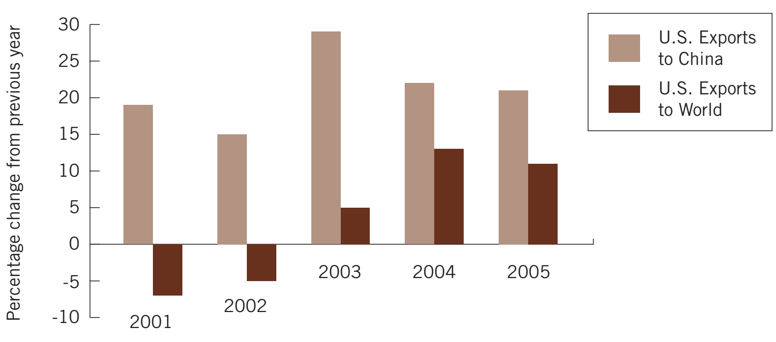
While the TPCC agencies continue to leverage their programs and resources in all priority markets, India, China, CAFTA-DR, and FTA partners in the Middle East merit special attention in this year's Report. India and China are major markets moving through the new phases of their industrial development and their place in the global economy. Positive reforms in these markets have unleashed tremendous economic potential. As consumer and industrial demand grows, these markets will become more important destinations for U.S. goods, services, and agricultural products. Yet, major challenges remain for sustainable growth and for increased U.S. access as the terms of their engagement with the international trading system unfold. The continued involvement of U.S. companies in the CAFTA-DR and Middle East FTA processes and markets provides a model for how the U.S. Government may assist U.S. companies in understanding the benefits of an FTA, taking advantage of the lower barriers, and in helping build the trade capacity of these priority trading partners. For all of these reasons, this is a critical time for companies to take a look at their interests in these markets.

CHINA

China continues to be one of the world's fastest growing economies, with GDP growth of 9.9 percent in 2005, only slightly lower than in 2004. As per capita incomes have increased, so has consumption, with real retail sales growth rising from 10.2 percent in 2004 to 12 percent in 2005.[1] Despite the focus on the bilateral trade deficit, the growth of U.S. exports to China has been a major success story, especially since China's accession to the WTO in 2001. U.S. exports to China totaled $41.9 billion in 2005, more than double the $19.2 billion when China joined the WTO. U.S. exports grew another 21 percent in 2005. (*See Chart A-1.*) U.S. agricultural exports have also increased dramatically, making China our fourth largest agricultural export market (after Canada, Japan, and Mexico). China is now the United States' fourth largest export market, up from 11th place just five years prior.

The total number of firms exporting to China grew 422 percent from 1992 to 2004—to 21,360 companies. In this period, the number of small and medium-sized enterprises (SMEs) exporting to China rose faster than to any other major market.

Chart A-1. Growth in U.S. Merchandise Exports to China and the World



Source: U.S. Department of Commerce, Bureau of the Census.

1 World Bank Office, Beijing. Quarterly Update February 2006, p. 3.

At the same time, there is concern that the relationship is unbalanced in terms of access to opportunities. Full implementation of all WTO commitments would further open China's markets to, and help level the playing field for, U.S. exports. At the same time, export growth continues to be a major driver of China's rapid growth; China's promotion of exports and domestic industries has outpaced its fulfillment of its market opening commitments. A particular concern is China's protection of intellectual property rights where U.S. companies' products and technology are being illegally copied and sold, causing U.S. companies to skip the China market.

U.S. Commercial Strategy: China has been a priority of the National Export Strategy for several years, resulting in a broad range of ongoing initiatives. This year's strategy is twofold–exploit the trade promotion infrastructure established by the TPCC agencies over the past three years (both in the United States and in China) and continue to support U.S. Government efforts to lower the barriers (IPR, standards, capitalization requirements, etc.) that exist in China for U.S. companies. U.S. Government efforts to lower trade barriers in China center on the strategy laid out in the U.S. Trade Representative's February 2006 "Top-to-Bottom Review" of U.S.-China Trade Relations. The TPCC agencies will center the promotional effort around a trade mission led by Secretary of Commerce Gutierrez in November of 2006. This will include a major outreach effort leading up to the mission and follow-on smaller missions and individual company promotions.

Trade Promotion Infrastructure

Over the past three years, the TPCC agencies have built up a large trade promotion system to help U.S. companies in all stages of their engagement with China.

Domestic Outreach: First, the TPCC agencies are rolling out a range of outreach programs across the United States to promote new opportunities and raise awareness of how to do business in China while avoiding the pitfalls of doing business there. These activities include road shows, Web sites, and a hotline.

- China Business Information Center: The China Business Information Center (CBIC) consists of a public-information phone line and a Web site (*Export.gov/china*) which brings together China-related information to enable U.S. exporters to promote products and services, understand Chinese laws and customs, obtain market research, and take basic steps to enter the Chinese market. There have been over 506,000 visitors to the Web site since the program went online.

- The Department of Commerce works with industry associations and local governments on a series of *Doing Business in China* seminars targeting SMEs around the country. In 2005, Commerce hosted 114 outreach events attended by 7,480 participants.

Market Entry Program: Second, to help U.S. companies develop market opportunities, TPCC agencies have developed a variety of programs in China to make it easier for U.S. companies to find local partners and deals.

- In a partnership between China's Council for the Promotion of International Trade (CCPIT) and the United States' Small Business Administration (SBA) and Commerce Department, we opened 14 American Trading Centers in fast growing secondary cities around China. These offices enable U.S. firms to compete for major local infrastructure projects and sell directly to Chinese importers with help from targeted market research, counseling, introductions, and representation at local trade shows.

- Over the past year, the Commercial Service in China has helped U.S. companies participate in 36 major trade shows in China, and hosted 68 trade missions (including 10 led by governors).

- The Commerce Department is currently funding 12 Market Development Cooperator Programs in China, a matching funds grant program to partner with industry on market expansion projects. Current projects target the environmental products, e-commerce, architecture and engineering, energy, standards, and education sectors.

- The Foreign Agricultural Service (FAS) funds 14 projects under the Emerging Markets Program for China, fostering U.S. agricultural exports by encouraging free trade policies and enhancing the effectiveness of the food and agribusiness systems of emerging markets. Activities include feasibility studies, reverse trade missions, market research, export seminars, and workshops.

- FAS is supporting market development projects of 35 agricultural trade associations in China under the Foreign Market Development Cooperator Program and the Market Access Program. These programs help exporters develop and maintain markets for hundreds of food and agricultural products, from bulk commodities to brand name items. Program participants contribute staff resources and funds to support the market development efforts.

- FAS supported U.S. participation in the SIAL China 2005 trade show held in Shanghai. Thirty U.S. exhibitors participated in the USA Pavilion, which generated approximately $10 million in projected 12-month sales.

Major Projects: Third, to help U.S. companies win major projects in China and help the Chinese develop a modern infrastructure, TPCC agency programs include technical assistance, feasibility studies, and advocacy.

- Energy Efficiency: As part of the Asia Pacific Partnership for Clean Development and Climate (APP), the TPCC agencies are contributing to the development of work plans in the eight APP task force sectors (power generation and transmission, renewable energy, clean fossil energy, building materials and appliances, coal mining, cement, steel, and aluminum). The Partnership will assist U.S. companies in selling clean technologies in partner countries including China, leading to both cleaner development and increased exports for U.S. companies. TPCC agencies will contribute to the Partnership through activities such as feasibility studies, market research, trade missions, training, and technical assistance.

- U.S. Trade and Development Agency's (USTDA) technical assistance agreement with China's General Administration of Civil Aviation of China (CAAC) will promote beneficial trade and cooperation in aviation standards and air safety practices. The USTDA agreement, in the amount of $1.3 million, will partially fund the U.S.-China Aviation Cooperation Program (ACP). This innovative public-private initiative links the U.S. and Chinese governments and aviation industries in a multi-faceted program to promote technical, policy, and commercial cooperation between the Chinese and U.S. aviation sectors.

Intellectual Property Rights Initiatives

The U.S. Government is working on many fronts to engage China as part of the Bush Administration's larger IPR strategy. In addition to the elements of the larger strategy (Web site, education program, hotline, and training), China specific initiatives include:

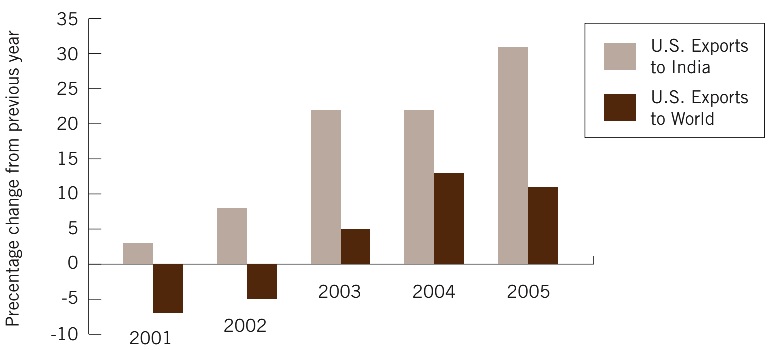
- Two additional intellectual property experts in China to assist U.S. businesses in navigating China's IPR regime;
- An IPR case referral mechanism, which facilitates the submission of individual U.S. company IPR cases through China's Ministry of Commerce to relevant Chinese agencies;
- Several industry specific IPR roundtables in China, including automotive, sporting goods, legal services, and information technology, to discuss the protection and enforcement of IPR in China, and how the U.S. Government and the private sector can work cooperatively to address the industry's specific IPR issues;
- A new China Intellectual Property Rights Advisory Program to provide U.S. SMEs free, one-hour consultations with experienced volunteer attorneys to learn how to protect IPR in China, developed in coordination with the American Bar Association, the National Association of Manufacturers, and the American Chamber of Commerce in China;
- In February 2006, Under Secretary and Director Jon Dudas of the U.S. Patent and Trademark Office (USPTO), and Commissioner Tian Lipu of China's State Intellectual Property Office (SIPO) established a framework of USPTO-SIPO cooperation to deepen and strengthen the relationship between both offices. In addition, Under Secretary Dudas and Commissioner Tian signed a work plan of office-to-office initiatives that includes specific cooperative exchanges designed to benefit U.S. patent applications in China.

INDIA

India's economy has grown by more than 7 percent annually since 2003.[2] While U.S. exports to India are still small relative to other top trading partners, they have grown over 20 percent in each of the last three years, including an impressive 31 percent in 2005. (*See Chart A-2.*) India is increasingly a market of interest to American companies given several liberalizing moves in recent years, such as the Open Skies air services agreement, raising investment caps in several sectors, and lowering the import tariffs on most industrial goods from 35.6 percent in 1997 to 12.5 percent in 2006 (with a goal of cutting them to 10 percent). Among the top 25 U.S. trading partners, India showed the largest percentage increase (16 percent) in the number of U.S. exporting companies. To underscore the growing importance of the bilateral relationship, President Bush visited India in March 2006. The TPCC agencies are working with the Indian Government and private sector, along with U.S. exporters and associations, to maintain the momentum for developing new opportunities for trade and economic cooperation.

Our major competitor countries have also identified India as a priority market, and over the past year have continued to expand their efforts and operations in India. The Canadian Government has expanded its consular network, and

Chart A-2. Growth in U.S. Merchandise Exports to India and the World



Source: U.S. Department of Commerce, Bureau of the Census.

2 IMF *World Economic Outlook, loc. cit.*

Canada's export credit agency, EDC, has created a permanent representative position in India. The French have expanded their trade office in Calcutta. Japan has been India's leading source of official developmental assistance over the last three years. These and other major competitors have led high-level trade missions and delegations to India, established commercial and technical exchanges, and opened marketing centers. Clearly, our competitors are not standing still, and neither will the United States.

U.S. Commercial Strategy: While there is good news in the direction of U.S.-India trade, U.S. companies still face significant challenges in successfully entering the Indian market.

- Tariffs are still relatively high when compared to countries like China, where average tariffs are now under 10 percent. Agricultural tariffs in India remain around 40 percent;
- Getting products to customers on time is difficult, given the lack of adequate infrastructure with the country's roads, railroads, ports, airports, power grid, and telecommunications;
- Identifying decision makers is difficult because of the lack of transparency and multiple layers of bureaucracy;
- Companies must contend with the need for better enforcement of existing patent, trademark, and copyright laws and a confusing standards regime;
- The retail sector has not been fully opened to foreign investment;
- Companies must adapt their products and sources of distribution to the area of India they are selling to, given differences in regional customs;

The TPCC agencies' India strategy is designed to help U.S. companies overcome these hurdles, developing unique programs to match U.S. companies with Indian buyers.

Trade Promotion Efforts

The Commercial Service has created a market entry strategy program to help U.S. companies avoid problems and develop business strategies. This program helps companies with their distribution and marketing practices, pricing and labeling, and protection of intellectual property by helping them develop relationships with local distribution agents. The Commercial Service is also adding an additional U.S. officer in Calcutta to augment its posts in New Delhi, Mumbai, Chennai, Ahmedabad, Bangalore, and Hyderabad. Currently, the Commercial Service in India has a 10-week waiting period for its Gold Key Service—a clear indication of American business enthusiasm for the market.

A number of TPCC agencies have ongoing programs addressing infrastructure issues in India. In March, USTDA, along with the Departments of Transportation, Commerce, and State, sponsored the South Asia Regional Transportation and Trade Facilitation Conference. This conference highlighted financing issues and project opportunities for U.S. companies. USAID has recently signed an agreement with Yes Bank for extending its Development Credit Authority to stimulate investment in clean energy and water enterprises in India. The Departments of State, Energy, and Commerce, and EPA, USAID, USTDA, and Ex-Im Bank are all actively participating in the Asia Pacific Partnership to develop energy efficient projects in India.

Policy Dialogues

To address a number of the business practice barriers like standards, governance, and energy policy, the United States and India have a set of bilateral dialogues under which many of these issues are discussed. The President's recent trip has been key to moving these dialogues forward.

U.S.-India Commercial Dialogue: The United States and India have revitalized the once-moribund U.S.-India Commercial Dialogue. The cornerstone of this dialogue will be a U.S.-India business summit this fall in Mumbai. The Commerce Department will lead a large group of businesses to this summit and discuss ways to increase partnerships between U.S. and Indian businesses.

In addition, the Commercial Dialogue will continue to focus on standards and the real effect on trade and commercial relationships that standards and their implementation may have, and identify practices that facilitate trade and enable bilateral commerce to thrive. Under the agreement, a cooperative dialogue on standards has grown through a series of videoconferences. Participating U.S. standards bodies have reported positive feedback coming out of the sessions.

- The first three sessions have focused on the standards development, conformity assessment, and regulatory systems in the United States and India, including presentations by the American National Standards Institute and Underwriters Laboratories.

- Subsequent sessions will focus on the standards systems for specific industry sectors of interest to U.S. and Indian participants. One such session has already taken place.

These discussions have resulted in greater mutual understanding and respect. This year, the U.S. Government will expand the scope of the dialogue to include IPR enforcement and antidumping and countervailing duty procedures. We will also seek to engage more senior level officials on both sides of the table.

U.S.-India High Technology Cooperation Group: Since its formation in 2002, the U.S.-India High Technology Cooperation Group (HTCG) has made significant progress in expanding bilateral high-technology trade and collaboration while advancing key U.S. nonproliferation objectives. As a result of the work of the HTCG, only approximately 1 percent of U.S. trade with India—by value—now requires an export license. In FY 2005, the Department of Commerce approved 91 percent of all export license applications for India while average processing time for licenses have declined to a period similar to those of many key U.S. partners and allies. At the 2005 HTCG meeting in New Delhi, the United States and India agreed to expand trade and collaboration in four sector-specific areas: defense technology, nanotechnology, information technology, and biotechnology. Both governments agreed, among other things, to:

- Develop a series of workshops for capacity building in biotechnology and biomedical research, biosafety, regulatory affairs, and anti-counterfeiting in biopharmaceuticals.

- Create a standing Biotech/Life Science Working Group to develop a strategy for U.S.-Indian collaboration to address clinical trials, biotechnology import and export facilitation, and pharmaceutical product development.

- Organize a series of technical trainings and exchanges for IP capacity building with a view to facilitate enhanced commercial collaboration in biotechnology.

- Conduct procurement outreach for U.S. and Indian defense industries.

Agricultural Knowledge Initiative: On March 2, 2006, President George W. Bush and Prime Minister Manmohan Singh launched the United States-India Agricultural Knowledge Initiative (AKI) on Agricultural Education, Teaching, Research, Service, and Commercial Linkages with a three-year financial commitment to link the two countries' universities, technical institutions, and businesses to support agriculture education, joint research, and capacity building projects, including in the area of biotechnology. Recognizing the long history of cooperation in agriculture and the success of India's Green Revolution launched 40 years ago with U.S. assistance, the AKI builds on this tradition of collaboration and addresses new challenges and opportunities of modern-day agriculture. Through public-private partnerships, the AKI will help to facilitate technology transfer, bolster agricultural research, education, and extension, and strengthen trade and regulatory capacity building. These, in turn, will contribute to increased prosperity for farmers and agricultural growth.

To lead the AKI, both countries created a board comprised of academia, government, and private sector representatives from the United States and India. Following a meeting on February 13–14, 2006, the board agreed to a three-year work plan that supports the envisioned "Evergreen Revolution" that is based upon environmentally sustainable, market-oriented agriculture. The board also acknowledged the importance of robust market institutions and an enabling environment for investment in agribusiness. Both countries are providing funding, with the United States pledging a total of $24 million over three years.

U.S.-India Trade Policy Forum: In July 2005, the Trade Policy Forum (TPF) was created as a standing bilateral committee chaired by India's Minister of Commerce and Industry and the U.S. Trade Representative. Inaugurated in the fall of 2005 with the goal of doubling bilateral trade in 3 years, the U.S.-India Trade Policy Forum has created five "focus groups"—chaired by senior economic officials in the U.S. and India—that have already successfully resolved a number of outstanding trade irritants and established detailed work plans to address outstanding issues and opportunities to encourage bilateral trade and investment.

- Trade in agricultural products: Agricultural authorities in the two countries have successfully addressed a number of sanitary/phytosanitary (SPS) issues. India has granted the United States temporary waivers from methyl bromide fumigation requirements affecting U.S. exports of almonds, peas, and pulses, while longer-term solutions are being developed. In addition, the Indian authorities have initiated the regulatory process for the approval of two edible waxes, positively affecting the environment for trade in U.S. apples. Going forward, the two sides have agreed to continue consulting with respect to fumigation treatments, poultry, dairy, almonds, wheat, and additional edible wax approval, and also to explore possible joint initiatives in the area of biotech products.

- Tariffs and non-tariff barriers: India has acted to ensure that insecticides produced by a U.S. company can be sold throughout India. India also eliminated special duties on carbonated beverages, and has committed to reducing duties on life-saving drugs and to lowering duties on most non-agricultural imports. Going forward, both sides have agreed to consult with respect to potential initiatives to enhance the transparency of tariff regimes, government procurement issues (including India's procurement preference policies and a cellular telecommunications tender); Indian regulatory requirements, subsidies, and/or tariffs affecting U.S. exports of boric acid, fertilizer, large motorcycles, and refurbished computer parts; the continuation of U.S. trade preferences; and U.S. rules governing gems/jewelry exports, and bonding requirements for antidumping duty orders.

- Services: Both sides are addressing concerns regarding market access and recognition for accountants, new Indian conditions for international telecommunications licenses, and new Indian media and broadcasting-related policies by facilitating a dialogue between the relevant boards, authorities, or companies. We have agreed to exchange information on mutual recognition for various professional services, continue discussions on equity limitations in various service sectors, explore market access issues in the area of legal services, and continue discussions on Indian regulations in the telecommunications and broadcasting/media sectors, the movement of persons, and market access for financial services in the United States.

- Investment: Since the creation of the TPF, India has liberalized its restrictions governing foreign direct investment (FDI) in the retail sector, allowing 51 percent foreign direct investment in retail trade for single brand stores, and removed an approval requirement for 100 percent of FDI in wholesale stores. Going forward, the two governments have agreed to continue under the TPF a dialogue on investment restrictions, especially in the retail, financial services, and insurance sectors, and to seek to identify potential sector-specific investment joint initiatives (such as transportation and agroprocessing). Additionally, the United States and India have agreed to work jointly to promote initiatives in support of small businesses in both countries, such as small business trade delegations, exchanges of technical expertise, and joint trade promotion programs.

- Innovation and Creativity: With growing knowledge-based industries and work forces, the United States and India share a common interest in promoting innovation, creativity, and technological advancement by providing a vibrant intellectual property protection regime. Under the TPF, the two countries have agreed to explore capacity building activities, human resource development, and awareness promotion strategies designed to strengthen and enhance intellectual property protection and enforcement against infringement.

U.S.-India ICT Working Group: Cooperation between India and the United States in the development and formulation of policy in the ICT sector continues to progress in large part through the work of the U.S.-India ICT Working Group (ICTWG) launched in July 2005. The growth of the bilateral economic relationship in the ICT sector is reflected in the broad agenda of the ICTWG. The ICTWG held its first meeting in Washington, December 7–8, 2005 co-chaired by Ambassador David Gross, the State Department's U.S. Coordinator for International Communications and Information Policy, and M. Madhavan Nambiar, Additional Secretary of India's Department of Information Technology. Several U.S. and Indian government agencies concerned with investment and trade in telecommunications, information technologies, and media and broadcasting participated.

The ICTWG agenda and ongoing contacts between U.S. and Indian officials in bilateral and multilateral forums focus on approaches governments can take to create an investment and regulatory environment that maximizes development of the ICT sector in both countries. The ongoing dialogue is addressing outstanding issues such as liberalization of the ICT sector, Indian licensing conditions for long distance carriers (including U.S. carriers interested in investing in the sector), regulation of the broadcasting and cable industry, and opportunities for collaboration in the areas of universal service and government's role in the adoption of new technology. The ICTWG is working to include formal collaboration with the private sector on telecommunication and information technology. The next ICTWG meeting will take place in New Delhi in late 2006.

CAFTA-DR

A major accomplishment from this past year is the regional Free Trade Agreement with Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and the Dominican Republic, known as CAFTA-DR. Congress has approved the agreement, which is now being implemented on a country-by-country basis as countries are determined to have implemented their commitments under the agreement. The agreement entered into force between the United States and El Salvador on March 1, 2006, and with Honduras and Nicaragua on April 1, 2006. Implementation is pending with Guatemala and the Dominican Republic, and Costa Rica continues to work on ratifying the agreement. For many years, these countries enjoyed preferential access to the U.S. market. This agreement levels the playing field by liberalizing trade and creating new opportunities for U.S. exports to our hemispheric neighbors.

GDP in the CAFTA-DR countries nearly doubled between 1994 and 2004, to $92 billion. Over the same period, U.S. exports to these countries doubled, and reached $16.9 billion in 2005. The new market access gains under the FTA bode well for even faster growth in U.S. exports.

While CAFTA-DR represents substantial new market access, realizing the promised benefits will require strong outreach and close cooperation between government and the private sector. Together, we must communicate the message that while these countries have relatively small economies, they represent a substantial increase in markets in the Western Hemisphere with which we already enjoy FTA partnerships.

Administration CAFTA-DR Promotion Goals: In order to promote greater trade with the region, the Administration has defined a clear set of goals for promoting CAFTA-DR. These goals can be summarized as:

- Demonstrate benefits to the Central American region by:
  - Promoting increased foreign and domestic investment;
  - Strengthening commercial and political ties with the United States;
  - Building rules-based institutions across the region to strengthen productivity and competitiveness.
- Demonstrate benefits to U.S. constituencies by:
  - Opening new markets to U.S. exporters;
  - Promoting increased transparency and anti-corruption measures, rule of law, labor and environmental protections, and IPR advancements
- Bolster the U.S. trade agenda by:
  - Building on NAFTA and Chile FTA in the Western Hemisphere

U.S. Trade Promotion Strategy

Within this framework, the TPCC agencies are promoting the benefits of CAFTA-DR to both Central America and the U.S. business community. In 2006, the TPCC agencies will shift these efforts into high gear with the implementation of CAFTA-DR. TPCC agencies continue to work toward ensuring implementation of CAFTA-DR commitments by Central America in order to guarantee market access for U.S. exporters, particularly in critical market sectors such as agriculture, telecommunications, and services. The agencies will engage the private sector and state and local groups in new partnerships to communicate the business case for exporting to the CAFTA-DR region. The U.S. Government will also demonstrate a new model for major project development in CAFTA-DR that could be replicated with other completed FTAs.

Benefits to the Region: CAFTA-DR represents great new potential and promise for the signatory countries. But the agreement also represents tremendous challenges if its potential is to be fully realized. These countries must now improve their capacity to trade in order to attract business activity and investment. Several TPCC agencies are playing a role in helping our new CAFTA-DR trading partners improve the business environment and attract business partnerships to maximize trade opportunities.

- OPIC President and CEO Robert Mosbacher, Jr., led a TPCC mission that included staff from the Millennium Challenge Corporation (MCC) and USTR to El Salvador, Honduras, and Nicaragua, and announced a minimum of $120 million in new OPIC financing and insurance for the three CAFTA-DR countries. The financing includes an OPIC loan to fund microfinance institutions in the region and loans for a series of housing projects. OPIC also signed agreements with the investment promotion agencies in El Salvador and Honduras.

- Under the auspices of the CAFTA-DR Trade Capacity Building Committee (TCB), the CAFTA-DR countries have identified priorities for building their capacity to trade and take advantage of more open markets. U.S. agencies have joined with the Inter-American Development Bank, the World Bank, the Organization of American States, and the Central America Bank for Economic Integration to improve coordination and effectiveness in providing support for projects.

- In November 2005, OPIC issued a call for one or more private equity funds to stimulate growth in Central America and the Caribbean. OPIC will provide up to $45 million in financing to the fund(s), the total capitalization of which could reach $135 million, with the balance to be raised by the fund managers.

- In January 2006, OPIC concluded a memorandum of agreement with ProNicaragua for U.S. small business investors.

- The MCC approved $390 million in grants to Honduras and Nicaragua that support infrastructure development and improved access to markets.

- USTDA launched its CAFTA-DR Trade Integration Initiative in October 2005.

- Ex-Im Bank, OPIC, and USTDA launched the Americas Capital Initiative in October 2005 to increase their outreach to the region, working in partnership with U.S. embassies.

- USAID is funding the AllianceforCAFTAAction initiative to increase private sector support and train and educate workers.

- FAS is using its food aid programs as a primary assistance tool to prepare foreign trading partners in CAFTA-DR for implementation of the agreement. Through "Food for Progress" grants, FAS is able to support CAFTA activities relating to SPS issues, trade capacity building, and crop diversification. These activities support rural development by addressing infrastructure and farmer education needs.

- USDA has engaged CAFTA-DR countries to improve their regional institutional capacity for data collection and statistical surveys for agricultural area and production information, agricultural prices, and rural incomes. Access to timely and accurate agricultural statistics helps producers, exporters, and foreign importers to better identify opportunities for expanding trade in markets opened by CAFTA-DR.

Benefits to U.S. Exporters: The TPCC agencies are committed to a targeted outreach strategy to those U.S. businesses most capable of profitably entering these markets. TPCC agency outreach activities range from high-level trade missions to creative new partnerships with the private sector. Leveraging private partners' reach in the U.S. business community will be critical to promoting CAFTA-DR.

- Commerce Secretary Carlos M. Gutierrez led a business mission to Honduras, Guatemala, and El Salvador in October 2005 along with OPIC President Robert Mosbacher, Jr., USTDA Director Thelma Askey, Ex-Im Bank Board Member Linda Conlin, and MCC Vice President John Hewko. The 20 U.S. businesses that participated have already reported signing a number of deals.

- The TPCC agencies are harnessing national force multipliers, such as Enterprise Florida and Trade Americas, both of which have taken missions to the CAFTA region this year.

- NAFTA to CAFTA: The TPCC agencies are encouraging U.S. business decision-makers in the Western Hemisphere to take a closer look at their potential interests in the CAFTA markets. As of 2004, 42,521 U.S. companies were exporting to Mexico. By reaching out to such companies with a business case for expansion into the CAFTA markets, we are appealing to the opportunity for replicable and scalable efforts that do not depart significantly from existing business models. In December 2005, Ex-Im Bank and Commerce's ITA sent a joint notice to clients who export to Mexico about the business opportunities in the CAFTA region.

- The TPCC agencies are reaching out to U.S. businesses and locations primed to take advantage of CAFTA, such as the Miami and Houston Chambers of Commerce. ITA Under Secretary Franklin L. Lavin participated in the Caribbean-Central American Action (CCAA) Miami Conference in December 2005. In FY 2005, the Commercial Service conducted a series of 30 CAFTA business seminars throughout the United States and launched a CAFTA Web site on Export.gov (*Export.gov/cafta*). In FY 2006, the Commercial Service is in the process of conducting over 40 more events.

- The Agriculture Department's Foreign Agriculture Service is encouraging several partner activities in CAFTA-DR.

  - To enhance awareness of regional trade and market access opportunities and increase exporter participation in the region, FAS will be working with its program partners to conduct supporting export seminars, briefings, trade education events, Web site features and regional/state-based delegations to the CAFTA-DR region to promote trade and development. FAS seeks to formalize an "early warning system" involving FAS Attachés in the region to signal potential interruptions to market access.

  - Approximately 29 program partners under the Foreign Market Development and Market Access Programs have market development activities in the region. Activities include trade missions, reverse trade missions, educational seminars, and trade shows. Program partners are working with FAS overseas offices in the region to identify new market opportunities and recruit importers to attend major U.S. trade shows.

- FAS has proposed a regional conference to be held in 2006 to promote the facilitation of U.S. agricultural exports through the use of USDA credit programs.

Project Development: The TPCC agencies have also used CAFTA-DR as an opportunity to tighten the coordination of project development. The Commerce Secretary's trade mission in October 2005 gave senior management of the TPCC agencies new insights and impetus for close interagency cooperation to help companies pursue major project opportunities. Agencies have used the TPCC as a tool to identify priority sectors and a short list of specific projects offering the greatest potential, including projects supported by the Inter-American Development Bank. TPCC agencies are committed to giving these markets the attention they deserve as new FTA partners of the United States.

- In December 2005, USTDA approved $454,440 in energy and mining grants to Guatemala.
- In February 2006, USTDA conducted Definitional Missions in the region and has received concrete recommendations for projects that support USTDA's Central America Trade Integration Initiative. USTDA will follow up on this work with a trip this summer.
- Agencies are following up on opportunities created by MCC grants.

MIDDLE EAST AND NORTH AFRICA

In 2003, President Bush proposed a U.S.-Middle East Free Trade Area to open new opportunities for economic integration and to advance U.S. goals for spurring political and social reform in the Middle East through expanded trade. Since then, the Administration has concluded FTAs with Morocco, Bahrain, and Oman and is in negotiations with the United Arab Emirates. In December 2005, Saudi Arabia completed its WTO accession. For countries not yet ready for FTAs, the United States has used other trade policy tools to stimulate reform and expand market opportunities.

These FTAs and other initiatives present great opportunities and exemplify the broader hopes of the United States in the region. The agreements build on the already impressive growth of trade between the United States and the Middle East and North Africa. In 2005, two-way trade between the United States and the region grew by 28 percent, surpassing $1 billion. As the region closes in on the goal of a Middle East Free Trade Area by 2013, trade will continue to expand. But there are also significant challenges to overcome for the promise of these FTAs to be fulfilled.

First, U.S. companies must think creatively about how to calibrate their activities in these countries proportional to expected return. They have to look at the asymmetry in size and economy between the United States and these relatively small national economies. The TPCC agencies can help in this endeavor by presenting opportunities, business cases, and risk management solutions for markets in the region. TPCC agencies have reached out to U.S. business through dozens of domestic awareness events and by launching the Middle East and North Africa Business Information Center (MENABIC) at *Export.gov/middleeast*.

Second, these countries need to make their markets as business-friendly as possible. In countries where barriers such as bureaucracy, lack of transparency, and deficiencies in trade infrastructure remain after FTAs are implemented, TPCC agencies can work with governments to address these issues and thereby produce the trade growth for which the FTAs are intended. Transparent legal systems, government accountability, and companies that play by the rules are important for translating the opportunity of open markets into benefits for the region's residents.

The TPCC agencies are working closely with these countries on implementation of the FTAs, WTO accessions, and improvement of the business environment.

Morocco

In September 2005, OPIC opened “Expanding Horizons in North Africa,” a trade and investment conference in Morocco for 200 participants to learn about investment opportunities in Algeria, Egypt, Libya, Mauritania, Morocco, and Tunisia.

Bahrain

The Department of Commerce, the U.S.-MEFTA Business Coalition, and the Bahrain Economic Development Board sponsored a business conference, “Free Trade in the Middle East,” in Manama, February 27, 2006. The purpose of the conference was to highlight the U.S.-Bahrain free trade agreement and new trade and investment opportunities between the United States and the Middle East. The conference had over 400 attendees, of which over 100 were U.S. business representatives. Secretary Gutierrez led a U.S. Government delegation that included representatives from Ex-Im Bank and USTR.

Ex-Im Bank staff attended the conference as part of an International Business Development trip that included visits to Egypt, Jordan, and Bahrain. Ex-Im Bank staff made a presentation regarding export financing at the conference. The presentation highlighted Ex-Im Bank activities in the Broader Middle East and North Africa, emphasizing the benefits of Ex-Im Bank’s (a) financing support, to include project financing (e.g., in the oil and gas sector), (b) special programs for Iraq, and (c) Environmental Exports Program (e.g., water projects).

Oman

Expanding information and communications technology (ICT) infrastructure in the Middle East and North Africa was the objective of a May 15–16, 2006, project forum entitled “Making Connections in the Middle East and North Africa,” sponsored by the U.S. Trade and Development Agency in partnership with Motorola, Microsoft, Intel, and iBasis. The event, which took place in Muscat, Oman, attracted more than 180 public and private sector participants from the Middle East, North Africa, and the United States.

Appendix B
TPCC Program Budget Authority

	FY 2005	FY 2006	FY 2007
	Actual	Enacted	Request
Department of Agriculture	1,034	769	558
Department of Commerce	352	335	346
Department of Energy	9	9	9
Department of State	165	177	196
Department of the Treasury	3	3	3
Agency for International Development	NA	NA	NA
Export-Import Bank	106	123	58
Overseas Private Investment Corporation	(213)	(161)	(160)
Small Business Administration	5	6	5
U.S. Trade and Development Agency	52	50	50
U.S. Trade Representative	41	44	42
Total	1,767	1,516	1,267

Notes: Totals do not include OPIC.

Amounts may be restated in the future to reflect new data or definitions.
Figures may include administrative expenses, transfers, or other adjustments.

Appendix C
Acronyms and Abbreviations

ACP	Aviation Cooperation Program
AES	Automated Export System
AKI	Agricultural Knowledge Initiative
APP	Asia Pacific Partnership
BCIU	Business Council for International Understanding
CAAC	China's General Administration of Civil Aviation
CAFTA-DR	Central America-Dominican Republic-United States Free Trade Agreement
CBIC	China Business Information Center
CITD	California Centers for International Trade Development
CS	Commercial Service (U.S. Department of Commerce)
EDN	Enterprise Development Network (OPIC)
E-LAN	Export Legal Assistance Network
E-TAP	Export Trade Assistance Partnership
Ex-Im Bank	Export-Import Bank of the United States
FAS	Foreign Agricultural Service (USDA)
FDI	foreign direct investment
FTA	Free Trade Agreement
G7	Group of Seven
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GMV	Gross Merchandise Volume
HTCG	High Technology Cooperation Group (U.S.-India)

ICT	information and communications technology
ICTWG	information and communications technology working group
IP	intellectual property
ITA	International Trade Administration
MCC	Millennium Challenge Corporation
NAFTA	North American Free Trade Agreement
OECD	Organization for Economic Cooperation and Development
OPIC	Overseas Private Investment Corporation
PLP	Preferred Lenders Program (SBA)
ProNicaragua	Nicaraguan Investment Promotion Agency
SACU	Southern Africa Customs Union
SBA	Small Business Administration
SBC	Small Business Center (OPIC)
SBDCs	Small Business Development Centers
SCORE	Service Corps of Retired Executives
SIPO	State Intellectual Property Office (China)
SMEs	small and medium-sized enterprises
SPS	sanitary/phytosanitary
SRTGs	State Regional Trade Groups
STOP	Strategy Targeting Organized Piracy
TPCC	Trade Promotion Coordinating Committee
TPF	Trade Policy Forum
TPIS	Trade Policy Information System
TRIPS	Trade-Related Aspects of Intellectual Property Rights
UAE	United Arab Emirates
USAID	U.S. Agency for International Development
USDA	U.S. Department of Agriculture
USEAC	U.S. Export Assistance Center
USPTO	U.S. Patent and Trademark Office
USTDA	United States Trade and Development Agency
USTR	Office of the United States Trade Representative
WBCs	Women's Business Centers
WEF	World Economic Forum
WIPO	World Intellectual Property Organization
WTO	World Trade Organization

Appendix D
Federal Trade Promotion Resource Guide

GENERAL COUNSELING AND ASSISTANCE

- **Export.gov**—the U.S. Government's export assistance portal (*www.export.gov*)
- **Trade Information Center (TIC)**—first stop for export assistance (1-800-USA-TRADE)
- **U.S. Export Assistance Centers (USEACs)**—one-stop domestic shops for CS, SBA, and Ex-Im Bank services (for location, contact 1-800-USA-TRADE, *http://export.gov/contactus/index.asp*, or *www.sba.gov/international*)
- **Agricultural counseling and assistance**: local, state, and regional contacts (*www.fas.usda.gov/agx/counseling_advocacy/counseling_advocacy.asp*)
- **Small Business Development Centers (SBDCs)**—new-to-export counseling and training (for location, contact 1-800-USA-TRADE or *www.sba.gov/sbdc*)
- **Export Legal Assistance Network (ELAN)**—free initial legal assistance through a U.S. Government program with the Federal Bar Association (*www.fita.org/elan*)

- **Service Corps of Retired Executives (SCORE)**—volunteers provide real-world business expertise to new firms, including new exporters (*www.score.org*)

- **Manufacturing Extension Partnership (MEP)**—productivity and efficiency counseling for U.S. manufacturers (*www.mep.nist.gov*)

- **Foreign Trade Statistical Regulations**—describes exporters' reporting requirements (*www.census.gov/traderegs*)

- **Automated Export System (AES) and AESDirect**—the Census Bureau's free Internet system for filing electronic export information (*www.census.gov/aes*)

MARKET RESEARCH AND STATISTICS

- **Market Research Library**—from our embassies and consulates (users must register) *http://export.gov/mrktresearch/index.asp*

- **TradeStats Express**—display and graph U.S. trade by country and product (*http://tse.export.gov*)

- **U.S. Census Bureau**—foreign trade statistics (*www.census.gov/foreign-trade/www/statistics.html*)

- **Agricultural Trade Data** (*www.fas.usda.gov/data.asp*)

- **Flexible Market Research**: custom/fee-based responses to issues related to a client's product or service (call 1-800-USA-TRADE for nearest USEAC location)

COUNTRY AND SECTOR-SPECIFIC ASSISTANCE

- **Commercial Service Overseas Offices**—
150 offices within embassies and consulates in 80 countries worldwide (*www.buyusa.gov/home/worldwide_us.html*)

- **Foreign Agricultural Service Overseas Offices**—
representatives in 80 embassies and trade offices worldwide (*www.fas.usda.gov/scriptsw/fasfield/ovs_directory_search.asp*)

- **U.S. Embassies and Consulates**—U.S. Department of State staff are responsible for commercial work in 95 embassies and 35 consulates not covered by the Commercial Service

- **Country Desk Officers**—ITA experts on the commercial, economic, and political climates in assigned countries (call 1-800 USA-TRADE for appropriate contacts)

- **Industry Desk Officers**—ITA industry experts and economists, sector specific web resources (*http://trade.gov/mas/*)

- **Region-specific Business Information Centers**: China (*www.export.gov/china/*); Russia and the Newly Independent States (*www.bisnis.doc.gov/bisnis/*); Middle East and North Africa (*www.export.gov/middleeast/*)

INTERNATIONAL SALES AND MARKETING

Commercial Service (call 1-800-USA-TRADE for nearest USEAC location or visit *http://export.gov/salesandmarketing/index.asp*):

- **Gold Key**: (for firms visiting a country) orientation briefings, meetings with pre-screened potential partners, interpreters, follow-up planning

- **International Partner Search**: find qualified international buyers, partners, or agents without traveling overseas

- **Platinum Key**: long-term, custom-made assistance for firms entering a market, bidding on a contract, resolving problems/market access issues

- **International Company Profile**: checks the reputation, reliability, and financial status of a prospective trading partner

- **Commercial News USA**: product catalog promoting U.S. products and services to more than 400,000 international buyers in 145 countries

Foreign Agricultural Service:
(*www.fas.usda.gov/agx/partners_trade_leads/partners_trade_leads.asp*)

- **Foreign Buyer Lists**: more than 25,000 foreign buyers in more than 80 countries

- **U.S. Supplier Lists**: searchable database of U.S. suppliers
- **Export Directory of U.S. Food Distribution Companies**: mixed containers

FOREIGN AND DOMESTIC TRADE EVENTS

(*www.export.gov/tradeevents/index.asp*)

- **Foreign Trade Fairs and Exhibits**: U.S. Government promoted U.S. pavilions and support services in worldwide trade fairs
- **Trade Missions**: group travel to one or more foreign markets for appointments with officials and prospective business partners (Note: agricultural trade missions are managed through the State Regional Trade Groups (*www.srtg.org/*)
- **Product Literature and Sample Displays**: low-cost, industry-focused exhibits at trade shows where USG officials display U.S. company literature and samples
- **International Buyer Program**: groups of qualified international buyers are brought to major U.S. trade shows to meet U.S. firms
- **Orientation Visits**: foreign government visits to the United States to meet U.S. industry and government representatives (call USTDA Information Resource Center: 703-875-4357)

FINANCING AND GRANTS

- **U.S. Small Business Administration**—business development and working capital guarantees/loans for small businesses (*www.sbaonline.sba.gov/oit/finance/index.html*)
- **Export-Import Bank**—export credit insurance, working capital and foreign buyer guarantees/loans (*www.exim.gov/products/index.html*)
- **Overseas Private Investment Corporation**—political/foreign exchange risk insurance, direct loans for direct investment in developing countries (*www.opic.gov/*)

- **U.S. Department of Agriculture**—export credit guarantee programs and business development grants (*www.fas.usda.gov/excredits/default.htm*)

- **Multilateral Development Banks**: Commercial Service Offices at each of the five Multilateral Development Banks (*www.buyusa.gov/worldbank*)

- **U.S. Trade & Development Agency**—technical assistance, feasibility studies, training, orientation visits and business workshops for infrastructure projects in developing and middle income countries (*www.ustda.gov/*)

- **Market Development Cooperator Program**: competitive matching funds for non-profit export multipliers, e.g., states, associations, chambers, world trade centers (*www.export.gov/mdcp*)

HELP WITH TRADE PROBLEMS

- **The Advocacy Center**—helps level the playing field on foreign government procurements (*www.export.gov/advocacy/index.html*)

- **Country Desk Officers**—in ITA's Market Access and Compliance unit (call 1-800 USA-TRADE for appropriate contacts)

- **Trade Compliance Center**—online gateway and one-stop shop for addressing foreign trade barriers or unfair situations (*www.trade.gov/tcc*)

- **National Center for Standards & Certification Information**—non-agricultural foreign standards, technical regulations, conformity assessment (*www.nist.gov/ncsci/* or call 1-301-975-4040)

- **Strategy Targeting Organized Piracy (STOP!)** obtaining and protecting intellectual property rights (*www.stopfakes.gov/* or call 1-866-999-HALT)

Trade Promotion Coordinating Committee

MEMBER AGENCIES

U.S. Department of Commerce

Export-Import Bank of the United States

Overseas Private Investment Corporation

U.S. Trade and Development Agency

U.S. Small Business Administration

U.S. Department of Agriculture

U.S. Department of State

U.S. Department of the Treasury

Office of the United States Trade Representative

U.S. Agency for International Development

U.S. Environmental Protection Agency

U.S. Department of Defense

U.S. Department of Energy

U.S. Department of Interior

U.S. Department of Labor

U.S. Department of Transportation

Office of Management and Budget

National Security Council/National Economic Council

Council of Economic Advisers

TRADE
PROMOTION
COORDINATING
COMMITTEE

TPCC