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Implementing the 65 Recommendations of the 1993 Report

Removing Obstacles to Exporting

One of the key goals we set last year was the removal or reduction of government-imposed obstacles to U.S. exports, both at home and abroad. Impediments to trade, particularly from obsolete regulations, have unnecessarily restricted our exports. These regulatory obstacles are also among the most frequently raised issues in our consultations with the American business community.

To address these concerns, we have taken a number of important actions in the past year. In accordance with U.S. national security and foreign policy interests, the Administration has significantly liberalized controls on computers and telecommunications exports and streamlined the export control process.

We have reduced potential trade barriers by assisting American firms to meet foreign regulatory requirements, promoting the adoption of U.S. standards, and supporting the harmonization of international standards and certification procedures.

In the coming year, we will examine ways to combat effectively bribery and corrupt business practices that distort free and fair international competition.

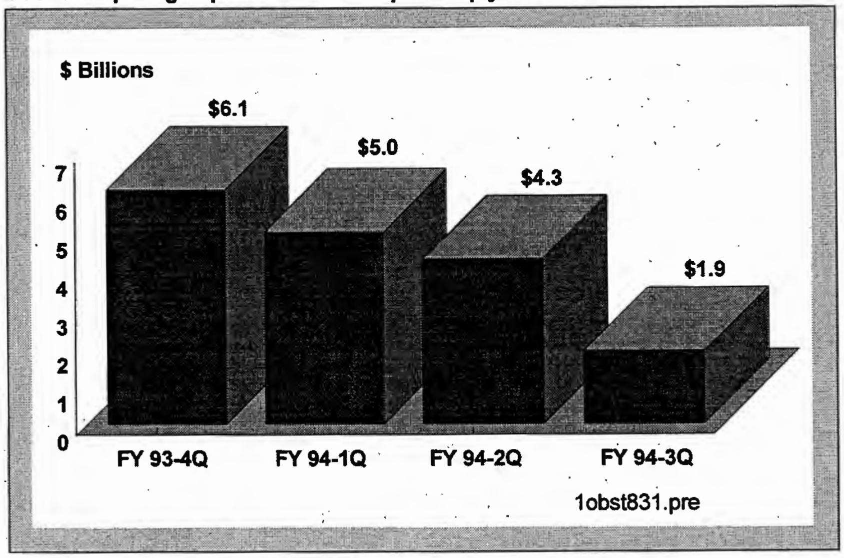
"Silicon Graphics has experienced tremendous growth this year – due primarily to recent changes to U.S. export control regulations. In fact, we have seen our shipments to China double. Before the liberalization of export controls that began in 1993, our licensing lead time averaged 150 days. By March of this year, our lead time averaged 100; and by June 30, export licensing took only a few weeks. This rapid decrease in licensing lead time has enabled Silicon Graphics to double its volume shipped, and double the orders received from China."

Robert R. Bishop, President of SiliconGraphics World Trade Corporation, August 9, 1994

Export Controls

Over the last year, the Clinton Administration has made major progress in eliminating unnecessary and ineffective export controls and streamlining the export control process. It has simultaneously strengthened the implementation and enforcement of those export controls which are still required by U.S. efforts to combat proliferation and by other U.S. national security and foreign policy interests. These actions have greatly reduced

Goods Requiring Export Licenses Drops Sharply



The total value of goods requiring Individual Validated Licenses (IVLs) prior to export has dropped over the last four quarters significant obstacles for exporters. In fact, the number of goods requiring prior export authorization from the Department of Commerce has dropped significantly over the past year. Since last year's Report, the value of goods requiring individual validated licenses (IVL) has decreased from $6.1 billion per quarter to $1.9 billion—an annualized figure of over $16 billion. When added to the decreased use of distribution licenses, which authorize multiple shipments of controlled goods, the total reduction of goods requiring prior export authorization exceeds $32 billion.

> *"As is evident by these unprecedented computer decontrols, the Clinton Administration is committed to economic growth and change".*
>
> Secretary of Commerce Ronald H. Brown, February 24, 1994 Decontrol Announcement

Liberalization of Export Controls

Computers: In September 1993, the United States controlled the export of computers operating at over 12.5 MTOPS (million theoretical operations per second—a measure of the processing speed of the computer). This control level required licensing authorization for almost any computer above the level of a desktop personal computer and even restricted the export of some of those. In last year's Report, we announced that steps would be taken to raise the control level for computer exports to most destinations to 500 MTOPS. When fully implemented, this action was to free about $30 billion of computer exports per year from licensing requirements.

The Administration has exceeded its goal. Computer exports only need prior authorization if the performance is above 1000 MTOPS, if the shipment is destined to relatively few countries of concern, or if it is bound for military end-users in certain countries. The 1000 MTOPS level for individual validated export licenses is applicable to Russia (and other countries of the former Soviet Union) and China— rapidly emerging markets with great potential for the future. This 1000 MTOPS level was made possible by the implementation of a new general license—"GLX"—which recognized the changing security environment, symbolized by the termination of the Coordinating Committee on Multilateral Export Controls (CoCom).

Supercomputers: A year ago, the definition of a "supercomputer" for export control purposes had been overtaken by technology and was out of date. We proposed to increase the definition of a supercomputer from 195 to 2000 MTOPS. Consistent with our international commitments, the Administration raised the supercomputer threshold on December 10, 1993, to 1500 MTOPS on an interim basis. Multilateral negotiations continue to work toward attaining the 2000 MTOPS threshold.

Telecommunications: We have eliminated the need for prior authorization for exports of most telecommunications equipment to most destinations and end-users. U.S. telecommunications manufacturers can now compete on a level playing field in such large potential markets as China and Russia. The liberalization actions taken in October 1993 and March 1994 exceed the goal we set last September.

Streamlining of the Export Licensing Process

The Administration has taken significant steps to institute procedural reforms of the export control system. It has addressed the gridlock of the past through administrative steps and interagency agreements and has recommended specific reforms in its proposal to Congress for a new Export Administration Act (EAA). The main features of our actions to date and EAA proposal include:

- Reduction in the number of licenses required. We have reduced total license application volume from over 25,000 in 1993 to less than 15,000 expected in 1994.
- Reduction in the time taken by the U.S. Government to process individual licenses. The Administration's EAA legislative proposals would reduce the maximum time by 25 percent.
- Strict time limits for license review and a "default to decision" process to ensure rapid decisionmaking and escalation of license applications.

"The Administration deserves tremendous credit for listening to industry needs and truly finding the right balance between U.S. economic security and military security in determining export policy."

Robert B. Palmer, President and Chief Executive, Digital Equipment Corporation - *Boston Globe*, September 30, 1993

The Administration will, no later than October 15, 1994, implement the new procedures proposed in the Administration's EAA bill for the referral and resolution of export licensing cases so that the entire process requires no more than 60 days, except for those few cases which must be referred to the President for resolution.

Enhanced Economic Analysis for Export Controls

The Commerce Department is improving its economic analytical capabilities by establishing a Strategic Industries Economic Security office in October 1994. This office will analyze the economic consequences of proposed changes to U.S. export controls and licensing decisions. The office will also focus on maintaining the U.S. industrial base, promoting defense conversion, and analyzing the availability from foreign sources of items subject to export controls.

Communication with the Private Sector

The Administration has stepped up its efforts to inform the private sector of the export control reforms underway:

- Commerce has begun publishing *The BXA Insider,* a quarterly newsletter containing up-to-date guidance for the exporting community. This new publication is distributed to more than

30,000 exporters.

- In 1994 the Commerce and State Departments conducted joint munitions and dual-use export control seminars across the country.
- Pending passage of the Export Administration Act of 1994, the Commerce Department will publish a customer-oriented information handbook that will provide a single comprehensive source of U.S. export regulation requirements. It will also contain a detailed list of Commerce and State Department contact points.

Commodity Jurisdiction

In order to eliminate duplicative licensing requirements, an interagency group has reviewed the State Department's Munitions List and the Commerce Department's Control List to identify overlapping commodities. We obtained input from industry officials and prepared a report detailing the overlapping commodities. **[The draft report is presently undergoing interagency review.]**

or

[...but delayed by interagency disagreement over a number of issues.] Agencies do not agree on text.

Unilateral Controls

The Administration is reviewing U.S. unilateral controls in order to eliminate unnecessary controls. A final report is expected in fall 1994.

Simplification of Export Control Regulatory Requirements

In consultation with the private sector, the Commerce Department is revising the Export Administration Regulations governing export licensing. The rewrite is scheduled to be completed by December 31, 1994, in accordance with our Report of last year. In addition, the Commerce Department has taken steps to clarify the application of regulations implementing the Enhanced Proliferation Control Initiative. Specifically, it provided guidance in a *Federal Register* notice dated December 23, 1993, to make the regulations clearer and to focus them on proliferation concerns. A rule clarifying exporter responsibilities and licensing requirements under the initiative is scheduled for publication in early fall 1994.

Interagency Systems Improvements

We are completing a project to improve the interface between the automated licensing systems of various agencies. We have held discussions on the "classified processing" of secret materials, and are reviewing the feasibility of building a small automated system for classified data to support our licensing officers. We will implement an "imaging system" to complement the current Export Control Automated Support System. This will expedite the retrieval of data received from exporters and will facilitate the sharing of information between agencies. The Commerce, Defense, Energy, and State Departments have agreed to streamline license disposition codes, to improve the transmission of final case disposition data among agencies.

Adaptation of the Multilateral Control System to Address Proliferation Threats

The United States has played an active role in helping increase the effectiveness of the multilateral control regimes. We have made great progress in several areas, notably in harmonizing the lists of items to be controlled. The United States also has led efforts to increase membership in the regimes and has encouraged non-member countries to adhere to the guidelines and control agreements.

In response to the demise of the Soviet Bloc, members of CoCom terminated CoCom on March 31, 1994. Since then, the United States has led former CoCom members in developing a successor multilateral export control regime. The new regime will promote transparency and responsible trade in arms and sensitive dual-use transfers. Members will implement through their national laws common approaches to countries of concern.

The end of CoCom and the changing world environment highlights the need to develop effective export control regimes in the former Soviet Union. Several agencies are expanding efforts to work with these countries in developing export control systems that will help stem proliferation. We have provided them with export control assistance, which involves sharing information on the legal bases for export controls, regulatory and licensing procedures, enforcement methods, training, and automation and other administrative support.

Product Standards

A second obstacle frequently cited by U.S. exporters is the burden imposed by foreign standards and regulatory entities. Most U.S. exports today must meet product standards and specifications dictated by a foreign government or private customer. With many exporters conducting business in several countries, this can be a costly burden, particularly for smaller companies. A typical U.S. machine manufacturer

"Success in the international market today requires manufacturers to sell their products globally – which, it turn, requires harmonized product standards. The U.S. Government worked with us to help ensure that the European regulatory process will take the U.S. perspective into account".

Roger Stapf, President, Engine Manufacturers Association and Program Manager, Caterpillar, Inc.

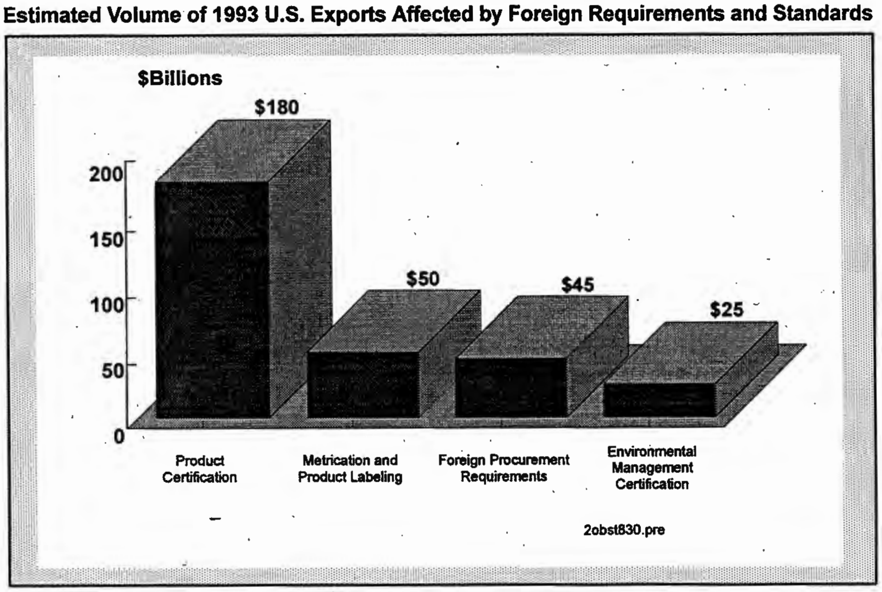
may spend \$50,000 to \$100,000 a year complying with foreign standards requirements. In addition, foreign product standards and certification requirements affect well over half of all U.S. exports—approximately \$300 billion in 1993. For example, as much as \$45 billion of our exports will need to be manufactured in plants approved and certified according to the requirements of the international quality management standard called ISO 9000.

Product standards is an area of U.S. competitiveness that can be constructively addressed by examining how U.S. Government regulations and the actions of regulatory agencies affect access to foreign markets. In many cases, foreign regulations differ substantially from our own procedures. Often these requirements cost U.S. exporters additional money and time as they seek to bring their products into compliance. Each year about \$50 billion of our exports face barriers posed by foreign standards. The U.S. Government, through its regulatory agencies, can play a critical role in reducing burdensome regulatory requirements overseas. Over the past year, U.S. agencies have developed a number of important approaches to help facilitate exports. This section summarizes major activities stemming from last year's Report. A more detailed description of our efforts in each category is provided in Appendix 3.

Promotion of U.S. Standards, Certification and Accreditation Requirements

We are working with the U.S. business community to promote the adoption of U.S. standards in foreign countries and, where appropriate, greater harmonization of global standards. This is particularly important in developing countries and markets lacking an adequate regulatory infrastructure. Encouraging foreign nations to adopt American standards and procedures helps ensure market access and lowers costs for exporters. Major activities include promoting the adoption of U.S. standards, providing technical training for foreign governments, and negotiating bilateral agreements.

Estimated Volume of 1993 U.S. Exports Affected by Foreign Requirements and Standards



Enhanced U.S. Government Participation in International Standards Activities

U.S. regulatory and technical agencies also facilitate the establishment of international regulations that are consistent with U.S. standards, thereby reducing costs to U.S. exporters. In the past year, the active role played by the U.S. agencies in international standards organizations has assisted important U.S. export sectors.

Increased U.S. Government Support of Private Sector Activities

To facilitate overseas sales, U.S. firms must be knowledgeable about foreign standards and regulations. Information on standards is of vital importance to influencing foreign developments and making competitive products. Federal agencies have taken a number of steps to provide American firms with information on foreign regulatory requirements, develop training programs to assist exporters, and promote consideration of regulatory changes that advance U.S. competitiveness.

Upcoming Plans

As part of our program for 1995, we will build on our current efforts with a number of new initiatives.

Improve Issuance of Food and Drug Administration's Export Certificates: There has been an exponential increase in the last several years in the number of export certificates requested from the Food and Drug Administration (FDA) by U.S. companies for products like drugs and food. Many countries require such certificates, straining FDA resources and resulting in delays and lost U.S. sales. We are considering ways to provide FDA with legislative authority to collect user fees for export certificates from firms that request them and allow the collected revenues to be used for export-related activities.

Develop Agreements on Conformity Assessment to Facilitate Trade: The proliferation of foreign product approval and conformity requirements raises the cost of exporting. Increasingly, negotiations to lower these barriers involve bilateral mutual recognition agreements. U.S. regulatory agencies are important to the success of these negotiations. The U.S. Trade Representative, the Commerce Department and other trade agencies will work with U.S. regulatory and procurement authorities to facilitate technical and trade agreements that expand market access, while maintaining high levels of consumer protection and safety.

Support Trade-Related Dispute Resolution: Dispute resolution proceedings under the North American Free Trade Agreement (NAFTA) and the new World Trade Organization may require many more evaluations of the differences between the U.S. and foreign regulatory systems. We are considering ways to fund studies on the issue that will help the U.S. Government meet its NAFTA and GATT obligations.

Increase Outreach to Foreign Experts: U.S. exporting interests have little influence on the standards process in many importing countries. Personal contacts and strong working relationships with standards development authorities and regulators can foster acceptance of U.S. technology and practice in other countries. We will develop a program to familiarize foreign government and private sector representatives with U.S. technology, standards, and regulatory requirements. We also will consider the overseas placement of representatives of federal regulatory agencies to develop cooperative relationships and advocate U.S. technical positions and standards.

Facilitate Exports through Accreditation of U.S. Conformity Assessment Programs: Increasing demand in foreign markets for product certification has led government and private sector buyers to rely more heavily on the services of testing labs and certifiers. Accreditation is particularly important to small- and medium-sized exporters who rely on the recognition of the test lab or registrar as a means to gain market entry. We will explore a unified approach to accreditation of U.S. conformity assessment bodies as a means to promote wider acceptance by foreign organizations. The Commerce Department will lead a dialogue among government and industry to develop a unified plan for promoting the international recognition of U.S. conformity assessment activities.

Expand the International Recognition of U.S. Automotive Regulations and Standards: The U.S. Government has proposed that the UN's Economic Committee for Europe/Working Party 29 be transformed from a regional European automotive regulations body to an international registry of automotive regulations, while providing for Europe's regulatory function in an auxiliary agreement. The Environmental Protection Agency and the Department of Transportation, with assistance from the State Department and other agencies, will work to conclude these "1958 Agreement" negotiations and thus establish a world registry for automotive products regulations.

Develop Mandate for Technical Agencies to Place Higher Priority on Standards that Produce Exports: Although federal agencies participate in standards activities related to their respective regulatory responsibilities, agencies frequently refrain from participation in many projects that affect U.S. competitiveness. We will support programs to increase federal agency participation in voluntary and international standards activities.

Anti-Bribery Initiative

Unlike the United States, most nations do not provide for legal sanctions for the bribery of foreign officials by their nationals or companies. In this country, the Foreign Corrupt Practices Act (FCPA) makes it a crime for a U.S. person to bribe an official of a foreign country to obtain or retain business. While the FCPA should not be changed, the Administration advocates pursuing efforts in conjunction with international institutions (for example, the Organization for Economic Cooperation and Development (OECD)) that prevent companies of other countries from making illicit payments.

"Our companies are losing hundreds of millions of dollars in contracts every year because their non-American competitors are able to bribe foreign officials while American companies are bound by our Foreign Corrupt Practices Act...the time is long overdue for international action on this front...this is a problem for American business abroad, and we want to try to help solve it."

Secretary of State Warren Christopher, National Foreign Policy Conference for Business Executives, October 1993

Combatting bribery is important to ensure equitable competitive conditions and to promote policies of good governance in developing countries. Companies should be able to refer to internationally recognized standards of behavior in order to assist them in refusing to engage in illicit practices.

In May 1994, the U.S. Government, under the lead of the State Department, convinced the OECD to adopt a recommendation calling upon all members to take effective measures to combat bribery through domestic action and international cooperation. OECD members agreed that action at the national and international levels is needed to dissuade both enterprises and public officials from resorting to bribery when negotiating international business transactions. One of the most important measures the OECD members could take would be to follow the example of the United States in making it a crime to bribe the officials of another country. The United States will be actively engaged in implementing the recommendation and monitoring its effectiveness.

In the coming year, we will provide appropriate assistance and support to:

- Follow-up activities in the OECD.
- Multilateral organizations (such as the World Trade Organization and the United Nations) to take actions to deter and prevent illicit payments.
- Transparency International, a non-profit private sector group, which has been expanding its efforts to obtain adherence of multinational firms to a voluntary code that would prohibit bribery.
- The Business Roundtable, which has formed a working group to explore means of dealing with bribery in international commerce.

Implementing the 65 Recommendations of the 1993 Report

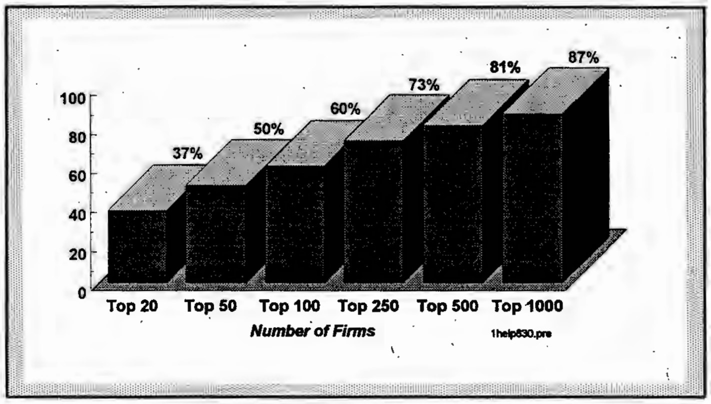
Helping Small- and Medium-Sized Businesses

"From the beginning, the National Export Strategy has been designed to address the critical needs of America's small- and mid-sized companies. Each day, more and more of these companies are coming to understand that to compete domestically they must also compete internationally."

Erskine Bowles, Administrator, Small Business Administration

Although the U.S. Government has instituted a number of programs to help small- and medium-sized business, we can do much more to reach these companies. As the following chart illustrates, the bulk of U.S. exports are sold by a small number of large firms. The export success of smaller companies has been limited for a number of reasons including the unfamiliarity with the mechanics of exporting, lack of export finance, and the scarcity of information about foreign markets. In the past, government efforts have focused on exhorting firms to export, rather than providing counseling tailored to the needs of individual firms. As recommended in last year's Report, we have over the past year undertaken a number of initiatives to help small companies. These activities range from expanding access to trade finance to opening new Export Assistance Centers around the county to upgrading our overseas commercial operations.

Shares of Top Manufacturers Exports



U.S. Firms are Highly Concentrated: 50 Firms Account for Half of U.S. Exports

SMALL BUSINESS DEEMS GOVERNMENT HELP CRITICAL TO SUCCESS

Applied Geographics, Inc., a woman-owned, three year old, Boston based firm, specializing in Geographic Information Services (GIS), signed a contract in 1994 for $500,000 for a GIS project creating a digital database for a portion of the water and sewer system in Mexico City. According to Joan Gardner, President: "The fact that the Department of Commerce is willing to support small business is critical for our success. As a result of this first contract in Mexico, AGI is pursuing other opportunities in Mexico. A key factor in attaining successful contracts is financing. Through various workshops, individual contacts with various federal departments and through the Embassy in Mexico City, AGI has been able to obtain valuable information necessary for such projects. We were in Washington, DC for a meeting and found out about an opportunity. We called the Department of Commerce and within two hours had a meeting with an official about financing opportunities. This service is invaluable to a small company."

"It is impossible to estimate the importance of federal assistance when dealing abroad. When officials, public or private, in other countries know that the government is supporting your efforts it goes a long way to a successful negotiation. For small businesses like AGI, the Trade Promotion Coordinating Committee's programs provide such support which gives us a level of credibility that we could not develop on our own."

Trade Finance for Small- and Medium-Sized Exporters

The trade finance agencies have introduced a series of improvements to the support that they provide small- and medium-sized business in accordance with the recommendations in last year's Report. The ongoing harmonization of the working-capital programs of the Export-Import Bank of the United States (Ex-Im Bank) and the Small Business Administration (SBA), coupled with refinements to existing Ex-Im Bank programs, will significantly improve accessibility of financing for smaller exporters Additionally, we plan to evaluate the trade finance needs of smaller firms through surveys and comparative analyses.

Pre-Export Working Capital: Ex-Im Bank and the SBA have developed a streamlined, simplified export working capital guarantee program scheduled to begin October 1, 1994, pending legislative changes necessary for SBA as recommended in the 1993 Report. The two agencies harmonized their programs to create a single U.S. Government working- capital program to reach a much broader spectrum of lenders and exporters. A single application form will be available for all firms. Applicants' requests will be processed by SBA if the loan guarantee amounts are less than $750,000 and are "SBA qualified" businesses. All other requests will be processed by Ex-Im Bank.

The new, unified program has drawn upon the best features of its two predecessors: an extensive SBA field network with local visibility and access with personnel fully trained in all aspects of the program, combined with a streamlined, simplified and financially attractive Ex-Im Bank program. In addition, we have increased the program's capacity through the expansion of delegated authority for approved financial institutions, and increased limits in the Priority Lender Program for streamlined processing of transactions.

To expand the availability of pre-export financing, we have arranged for the Private Export Financing Corporation (PEFCO), a consortium of commercial banks and other users of the Bank, to purchase the Ex-Im Bank guaranteed portion of working capital loans, thereby increasing liquidity in the market. Moreover, PEFCO will operate, on a pilot basis, a lender-of-last-resort program so that qualified exporters who cannot get financing from commercial sources will be able to receive financing through PEFCO.

Insurance: To provide additional support for short-term transactions, Ex-Im Bank has increased the per annum sales limit of its Small Business and Umbrella insurance policies from $2 million to $3 million. These policies give the smaller exporter the benefits of no deductible and "hold harmless" protection for exporter performance risk. The availability of discretionary credit limits has been added to the small business policy, thereby enabling exporters to ship goods without prior Ex-Im Bank review. To ensure that the special benefits of the policies are properly targeted to smaller and newer exporters, firms whose annual export sales exceed the $3 million limit must graduate from the umbrella and small business policies to a standard export credit insurance policy.

EX-IM PRAISED FOR SMALL BUSINESS HELP

"I want to express my appreciation for your fast response to my request regarding Ex-Im Bank's direct loan program for People's Republic of China on October 20, 1993. [Your actions] allowed me to demonstrate to the buyer that we have the ability to perform as I had described. Further, the fact that we could access this type of funding even though we are a small business, gave my company great credibility....It is actions such as your immediate response that will help America grow its exports."

Letter from Susan Corrales-Diaz, President, Systems Integrated, Orange, Fla.

"Today we funded the [Geological Supply Company's] line of credit under the $500,000 approval which we recently received from your office. Thank you for your expeditious handling of this transaction...Through your agency's help, we have made it possible for a small company to increase its exports to Mexico by at least 200 percent. The business will be very profitable for the company as well as contribute beneficially to our trade balance. I'll look forward to future transactions with your agency helping small Dallas exporters in the process."

Letter from Keith Schmidt, Vice President, Texas Central Bank, Dallas, TX

"Ex-Im Bank wants to bring export finance to American small businesses and open up Main Street to the world's streets."

Kenneth Brody, Chairman, Export-Import Bank of the United States

"The one-stop shop approach of U.S. Export Assistance Centers has been extremely helpful in boosting interest and providing information about export opportunities for Baltimore business... exports are critical to our regional economy, and this efficient service is helping us increase our export activity, and improve our tax base."

Kurt L. Schmoke, Mayor of Baltimore

"We have long advocated for increased city government and federal cooperation in the area of exporting... with one of the four new U.S. Export Assistance Centers in Chicago, our efforts to reach new markets will be dramatically enhanced."

Richard M. Daley, Mayor of Chicago

Assessment of Small Business Trade Finance Needs: To obtain a better picture of the nature and scope of small business export finance problems and gaps, we are considering undertaking a comprehensive export finance survey of small business exporters. The survey would provide:

- Data on how small business goods and services are being financed and by whom.
- An identification of those areas where small business financing assistance is most critically needed and the types of financing most useful.
- Information on unfulfilled financing needs that may be unique to small businesses, in particular industry sectors, in certain regions, to certain markets, and by certain types of lenders.
- A basis to compare our assistance for small business relative to our OECD counterparts.
- A more targeted approach for Ex-Im Bank, SBA, the Trade and Development Agency (TDA), the Multilateral Development Bank Counseling Center, and the Overseas Private Investment Corporation (OPIC) to offer programs and to allocate resources.

In addition, we are considering updating the Exporter DataBase developed by the Bureau of the Census (currently available statistics capture 1987 census figures), using the 1992 Economic Census data. Such an update would permit us to evaluate our export capabilities on a more timely basis.

Finally, to complement the U.S. Government's knowledge of small business export finance needs, we are considering a comparative study/analysis of export finance programs offered by our major competitors specifically for small business needs.

Export Assistance Centers

The U.S. Export Assistance Centers, or "one-stop shops," are a key element in our plans to provide, in a single convenient location, the hands-on export marketing and trade finance support that small- and medium-sized companies need. The Export Assistance Centers work closely with state, local, public, and private organizations to help American businesses compete in the global marketplace.

This past winter we opened four pilot sites in Baltimore, Chicago, Miami and Long Beach (Calif.) to carry out the recommendations in last year's Report. We have identified the locations for 11 more sites around the country to be opened in 1995 subject to Congressional approval. These centers are interagency efforts that combine the services and programs of several trade promotion agencies. Staffed by personnel from the Commerce Department, SBA, Ex-Im

> *"The U.S. Export Assistance Centers are a tangible example of the TPCC implementing the requirements of the legislation and the recommendations of the first TPCC report. I know first hand that the U.S. Export Assistance Center in Baltimore is doing an outstanding job in helping Maryland companies compete in foreign markets and create jobs for Maryland workers."*
>
> U.S. Senator Paul Sarbanes, Maryland

Bank, and in one location, the U. S. Agency for International Development, these centers provide information on a wide range of federal export assistance programs. For example, small exporters wanting to know more about TDA's feasibility studies or OPIC's insurance programs no longer need to call Washington; this information is now readily available locally at these centers.

At the centers, trained export counselors work with clients to evaluate their needs and help them develop customized international business strategies. They work with firms to determine their export potential, find new markets, and plan market entry strategies. In addition, exporters can receive, on site, the trade finance assistance so vital to small firms. The centers assist businesses in obtaining export credit insurance, pre-export financing through working capital guarantee loans (see above), and medium- and long-term loans and guarantees to overseas buyers.

The centers focus primarily on export-ready firms—that is, those with the commitment and resources to establish or expand export operations. For firms that are not yet export-ready, SBA is developing the Export Trade Assistance Partnership. Working closely with other agencies, the Small Business Development Centers and the Service Corps of Retired Executives, as well as local groups, the SBA is providing the foundation for the next generation of exporters. This program develops the export capability of targeted small businesses by providing them with customized training and one-to-one counseling before and after recommended international trade shows/missions.

> *"I am very pleased with the service provided by the Chicago USEAC. In the past, I never really knew where to begin looking for assistance relative to exporting. Anticipation of working with the government seemed overwhelming. The publicity generated by the opening of the USEAC and the one-stop shop concept attracted my company."*
>
> John Brown, Director, Penray Companies, Inc.

Working with State and Local Partners: Our work plans for the first four assistance centers were developed in close consultation with our state and local partners, including chambers of commerce, World Trade Centers, Small Business Development Centers, utilities, ports, and international services providers. We held town meetings to discuss the design of the centers and develop strategic plans for their operations. Hundreds of members of the exporting communities in Baltimore, Miami, Chicago, and Long Beach were consulted in these efforts. As a practical example of our commitment to continued cooperation with the local business community, three of the four centers are located in World Trade Centers.

Evaluating Performance: Because the Export Assistance Centers have been in operation only since January 1994, it is too early to measure accurately their success in terms of exports generated. Anecdotal evidence, however, is encouraging. The participating agencies are evaluating the pilot sites to determine what improvements can be made in the future. An interagency review team will visit each site to talk with the staff, the local partners and, most importantly, the clients. These interviews will help determine if the management structure, the referral system, the provisions for joint counseling and other operational procedures are effective. The agencies will apply the findings of the evaluation team as we move to open additional centers.

U.S. EXPORT ASSISTANCE CENTERS HELP SMALL EXPORTERS GROW

Micros Systems Inc. of Beltsville, Md., a manufacturer of point-of-sales information systems, appointed representatives in Chile and Argentina through the Commerce Department Agent/ Distributor Service program. The Argentinian distributor, Siemans Informatica of Buenos Aires, placed a $120,000 order. During a subsequent field visit, a trade specialist and an Ex-Im marketing officer from the Baltimore center explored the financing needs of the firm. As a result, Micros is currently working with Ex-Im to secure financial support. Micros attested to the success of the integrated service available through the center during Vice President's Gore's National Performance Review Hammer Award ceremony. Peter Rodgers, Vice President of Marketing for Micros said "To sit down with both state and federal agencies together looking at the full menu of services, it saves me, as head of marketing, and our sales people, tremendous amouts of time. With time being money, it helps us get to our jobs faster of serving our customers."

Micros has recently moved into a new building and has created six new jobs as a result of recent export growth.

The Future of the Export Assistance Centers: Last September, we stated that "additional cities would be added each year until a national network of one-stop shops has been created." Building on our experience with the four pilot centers, we have devised a strategy to create a new national network which utilizes new technologies to meet more effectively the changing needs of U.S. exporters.

Federal offices that provide services to the business community are typically located in commercial districts of large cities. This approach worked well for many years while industry thrived in these urban areas. Now, however, many U.S. exporters have moved to suburban areas. Moreover, the federal government has traditionally provided service within state lines, regardless of the natural export relationships in the region.

Working with the SBA and Ex-Im Bank, the Commerce Department decided to extend its resources by creating offices that would serve natural trade regions within the United States, rather than limiting services to old locations or state boundaries. These offices, as well as the four pilot Export Assistance Centers, will be known as Regional Export Assistance Centers, and will provide the interagency services originally envisioned by the National Export Strategy.

To extend the services to all of the nation's exporters, the Department of Commerce will open additional offices in suburban areas to bring its trade specialists closer to their clients. These new offices, along with the Commerce Department's existing field offices, will be called District Export Assistance Centers and will support the regional centers in a hub-and-spoke fashion.

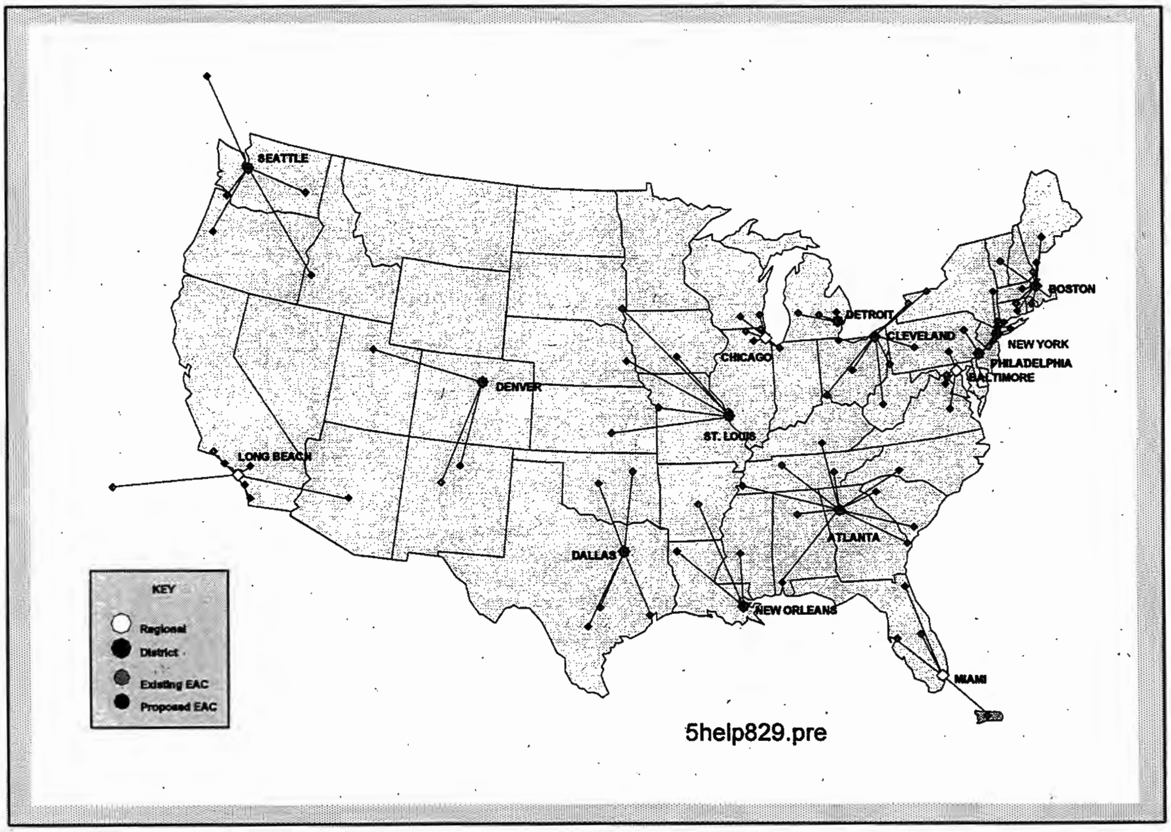
The hub-and-spoke design allows the federal partners to provide enhanced export marketing and trade finance services to a greater number of exporters than ever before. The design uses communications technology to link the offices. The new network also relies on close ties with state and local, public, and private partners to provide the level of service required by America's fledgling exporters.

U.S. EXPORT ASSISTANCE CENTERS HELP SMALL EXPORTERS GROW

AQUATHIN Corp. of Pompano Beach, Fla., manufactures water purification products for commercial, residential, and laboratory use. Exports to such major markets as Spain, Korea, and Japan make up 70 percent of its total sales. Alfred J. Lipshultz, founder of Aquathin, states that, "the expanded services provided by the Miami USEAC, particularly the Ex-Im Bank's financial services, will generate expanded exports in the near future." This firm currently employs 16 people. According to Lipshultz: "This [export expansion] will result in the hiring of four to five workers during the next two years - a 30 percent increase in my highly technical work force, consisting of engineers, assemblers, managerial and sales staff."

We have created the blueprint for this new national network and will begin implementing this phase from Congress in 1995. Discussions with the state and local partners and our clients will be a key part of the implementation process.

Enhanced EAC National Network: Phase I



Programs to Support Small Agricultural Exporters

The Department of Agriculture (USDA) has actively increased its efforts to enlist small- and medium-sized, and new-to-export firms into its export promotion programs, which include funding for market development activities, trade leads, trade shows, market information reports, and export counseling. USDA has provided state departments of agriculture with more timely trade information as to product and country. It supplies this information in various forms, from hard copy to electronic, to meet the needs of a diverse set of exporters. The result is a greater distribution of trade data, product and market research studies, and related service and program information, all based on the support and input of USDA's overseas offices.

The USDA's Foreign Agricultural Service (FAS) worked with four State Regional Trade Groups to hold a series of 42 educational export seminars in 38 states in FY 1993. The groups are private, non-profit international trade development organizations which combine federal, state, and industry resources for export market development. The four groups — the Eastern U.S. Agricultural and Food Export Council, Mid-America International Agri-Trade Council, Southern U.S. Trade Association, and the Western U.S. Agricultural Trade Association — received funds in FY 1994 to continue the seminar series and have expanded it to reach additional exporters in outlying parts of their states.

FAS is sponsoring a conference this fall at which staffs from state departments of agriculture will discuss export trade programs, services, events, and data needs. The conference will support on-going state departments of agriculture efforts to assist new-to-export, small-, and medium-sized firms.

Under legislation passed last fall, USDA is increasing support to small businesses through its Market Promotion Program. The State Regional Trade Groups play a vital role in helping USDA administer market promotion programs for a wide variety of food products, many of which are distributed by small firms that would not otherwise have access to USDA's marketing programs. Activities in this area continue to increase, and these groups now attribute more than 145,000 jobs to the export sales generated by companies participating in their programs.

FOREIGN AGRICULTURE SERVICE HELPS MORE EXPORTERS

During the past year, use of USDA's export assistance services to exporters has increased, partly due to the greater visibility these services received from other government programs such as the Department of Commerce Economic Bulletin Board and the new U.S. Export Assistance Centers. Use of the Trade Leads Fax Polling system increased by more than 15 percent in FY94 with over 17,000 calls in the first three quarters. Overall, the Trade Leads program facilitated reported sales of $280 million in FY93. Based on the expanded use of the program this year, we anticipate record sales in FY94. The number of exporters receiving assistance from the Department's Trade Assistance and Promotion Office was also up 60 percent in the first quarter of 1994. This service is also making its export market reports available through more sources, including the National Trade Data Bank, in the near future, to help get the information out to more exporters.

MINORITY EXPORT PROGRAM YIELDS RESULTS

This program, begun in December 1993, has already resulted in numerous sales to foreign markets by minority firms. For example, a California firm that manufactures sheet metal products for residential, commercial, and architectural metal applications reported a $100,000 initial purchase order from a Mexican company and anticipates $1,000,000 in sales to Mexican companies in this year alone. This success story is even more significant considering the fact that the company had not exported prior to participating in the program.

The National Minority Export Program

To help minority firms enter into the international marketplace, we have created the National Minority Export Program. This program targets companies that are ready to export and provides them with specialized assistance. Minority companies recruited for this program take part in a six-month training program, staffed by trade specialists from the private sector and federal and state governments. They receive personalized export finance and marketing counseling and take part in small seminars that focus on the "nuts-and-bolts" of exporting. They are then given the opportunity to take part in trade missions, "matchmakers," and other programs that will facilitate the sale of their products in foreign markets. District Export Councils, state governments, world trade associations, and commercial banks play a significant role in the program.

The Trade Information Center

Last September, we recommended that the Trade Information Center serve as the single contact point in the U.S. Government for non-agricultural export counseling and assistance and expand its outreach. The Center caters to small- and medium-sized, new-to-export companies by providing easy, cost-free access to information on government-wide export assistance programs through a nationwide toll-free telephone line, 1-800-USA-TRADE. This "800" number makes it possible for businesses across the country to obtain answers to their export-related questions. The Center provides information on how to locate and use federal export resources, and it directs callers to experts within various federal agencies for more in-depth counseling. The Center works increasingly with private and public trade promotion partners on the state and local level to disseminate information on government-wide export assistance programs. It also works closely with the Trade Assistance and Promotion Office of USDA, which provides similar services for agricultural exporters.

Since its creation in May 1991, the number of businesses the Center assists each week has grown from 200 to 1,200. In the last year, we have taken a number of steps to improve the support the Center provides to small- and medium-sized companies.

- We have upgraded our computer systems to disseminate export information more efficiently to our customers. Additional upgrades are planned for FY1995.
- We have linked the Center electronically to many other federal agencies. Complete Internet access to the public and private sector is a priority. In addition, we will evaluate the feasibility of installing a flexible fax retrieval system housed and operated by the Center in an effort to consolidate and streamline government fax-on-demand systems.
- We have launched an outreach campaign to increase public awareness of the services available from the Center.

THE TRADE INFORMATION CENTER COUNSELS U.S. BUSINESS

JNS Foods, Inc., of Naples,Fla. a wholesale broker of food products, contacted the Trade Information Center (1-800-USA-TRADE) for export help. The Center advised JNS Foods on finding trade leads, market research reports, and services available at our overseas embassies. As a direct result of information provided by the Center, JNS Foods exported approximately $500,000 in food products to the Caribbean in 1993; the exports accounted for 80 percent of the company's business. Because of an ever-increasing export base, JNS Foods is now projecting sales of up to $2 million for 1994.

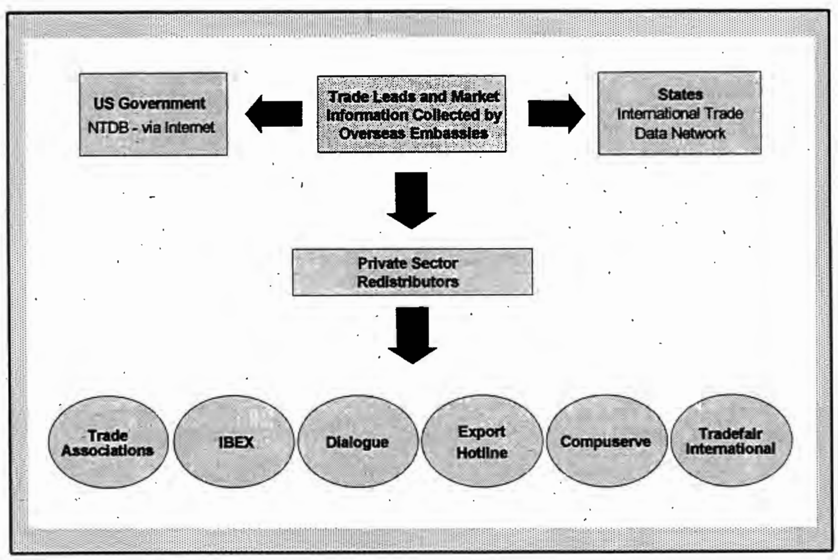
Combining Public and Private Sector Resources

In an era of budget constraints, we recognized that we need to look for more ways to stretch export promotion dollars directed at smaller exporters. In particular, we need to work more closely with the private sector. Over the past year, we have taken a number of steps toward this end:

Trade Events. Last year, we decided to reduce the number of trade events organized by the federal government to eliminate duplications and encourage greater participation by states and the private sector. We launched a pilot program to turn over to the private sector more than 50 major trade fairs previously run by the Commerce Department. This represents nearly half of the 110 U.S. pavilions typically organized by the Department in a given year. Selections will be announced in September 1994. We expect that approximately half of those events offered to the private sector will be privatized. Firms selected under this program will have full responsibility to recruit and stage these events, thereby freeing up scarce federal resources that can be devoted to other priorities.

Commercial Information: The U.S. Government collects an enormous amount of commercial information and trade leads in foreign markets. This information provides valuable assistance to small exporters by identifying markets, providing sales contacts, locating potential buyers, and formulating marketing strategies—all of which help firms penetrate new markets and increase export sales. We have launched a program to disseminate this information to as many U.S. firms as possible. We have added commercial on-line networks (for example, Dialog and CompuServe), new information vendors, and trade research firms to the Economic Bulletin Board, an on-line source of U.S. Government economic and trade information. In addition, we have encouraged trade associations and private exporter services to redistribute the trade information electronically. As a result of these efforts, thousands of small- and medium-

TPCC Expands the Distribution of Commercial Information



sized companies are now accessing valuable trade information and leads in a variety of forms at negligible additional cost to the American taxpayer.

EXPORT MEXICO PRODUCES RESULTS

Export Mexico Matchmakers have produced remarkable success, much of which can be attributed to the concentrated follow-up counseling by US&FCS and trade finance agencies.

- A Maryland-based high tech company has secured a half-million dollar contract with a Mexican company.
- A California engineering firm realized a $32,000 sale to a Mexican firm.
- A Cincinnati, Ohio firm has reported a $35,000 sale of its barcoding equipment to a Mexican firm.
- A New Mexico firm received two orders from a Mexican distributor for its product.

Geographically-Targeted Programs

We have also launched two interagency programs aimed at helping small- and medium-sized businesses take advantage of the ever-increasing export opportunities in two dynamic markets: Mexico and the Association of South East Asian Nations (ASEAN). While larger exporters will find certain elements of these programs useful, "Export Mexico" and "Destination ASEAN" are primarily designed to provide small- and medium-sized companies with the specific tools they need to sell their products in these markets. These are described in detail in Appendix 4.

Upgrading Overseas Commercial Operations

Our 164 U.S. embassies are a vital link in our world-wide export promotion network. They provide U.S. business with a window into overseas markets, counseling and support for their marketing efforts, an effective voice for advocating their objectives, and a showcase for their products.

In our last Report, we pledged to make our embassies a more effective resource for the American exporting community, particularly for small- and medium-sized firms which need help the most. Accordingly, we have improved planning, streamlined collection and dissemination of foreign commercial information, enhanced staff training, and improved communication with foreign audiences.

Strategic Commercial Plans: We have asked our posts overseas to prepare Strategic Commercial Plans to create a framework for coordinating all elements of the embassy — particularly the Commerce, State, and Agriculture Departments — involved in commercial activities. These plans outline annual commitments and strategies for advancing U.S. commercial objectives in specific markets. All embassy sections collaborate to develop these plans, that address every major aspect of commercial activity including: collection of commercial information, advocacy support, trade financing, trade events, and trade and investment policy.

In Washington, the plans are reviewed by an interagency task force and serve as central U.S. Government reference documents of commercial activities being undertaken by embassies during the year. The Strategic Commercial Plans allow Washington agencies to build upon, provide guidance to, and support embassy export promotion programs.

"I have instructed our embassies around the world to attach the highest priority to advancing the interests of American workers, exporters, and investors. . .these efforts make a difference for American business everyday."

Secretary of State Warren Christopher, Washington, D.C., March 1994.

Country Commercial Guides: In our 1993 Report, we identified the need to better coordinate how we generate and present information on foreign markets. Accordingly, we have developed for each country a single "Country Commercial Guide." These guides introduce U.S. companies to the essential aspects of doing business in a specific country, including: best export

COUNTRY COMMERCIAL GUIDE

Table of Contents

prospects, economic and political overviews, investment analysis, marketing approaches, trade regulations and standards, financing information, and key contacts. Each guide replaces eight overlapping commercial documents formerly generated by various agencies overseas. The annual guides will be widely available to the U.S. business community by October 1994 through electronic databases and in hard copy.

Training: We also recognized in last year's Report the need to better train U.S. Government overseas commercial staff. To that end, Commerce has conducted a broad series of training sessions this year for commercial officers and foreign service nationals from within the Department as well as other interested agencies and state government staff. The private sector played an important role in providing ideas for these courses. Approximately 250 officers and foreign service nationals took part in these courses during FY 1994.

In addition, the State Department's Foreign Service Institute now provides 100 officers per year a one-week course in export promotion. It has begun a two-day course on managing effective commercial missions and has increased the commercial content of its courses in economics, politics, area studies, and foreign languages.

Communication: To support our commercial efforts, the United States Information Agency (USIA), through its multilingual media (VOA, Worldnet, Wireless File) programming and field activities, has increased its efforts to present and explain U.S. trade policy initiatives to foreign opinion-makers.

Creating A Global Export Assistance Network for U.S. Business

Improving our domestic and overseas operations are important first steps to improving our support to America's small- and medium-sized business community. Our experience over the past year has shown us that organizational changes — such as overhauling our domestic network and introducing true cooperation in our embassies overseas — can lead to more efficient delivery of our trade promotion services. Accordingly, within the Commerce Department we plan to create a single global export assistance network for U.S. business.

The Commerce Department's new Commercial Service of the United States of America will be a global-minded export promotion workforce equipped with the skills, knowledge, and "hands-on" foreign market experience to:

- Provide information on business practices in particular countries.
- Develop the most appropriate host country business and government contacts.
- Intercede effectively on behalf of U.S. firms with foreign governments.

The new Commercial Service will have a uniform system for hiring all field staff and a career path that provides for ongoing worldwide contact with U.S. firms at their "place of business," overseas and domestically.

Implementing the 65 Recommendations of the 1993 Report

Promoting U.S. Exports of Environmental Technologies and Services

"World markets for environmental technologies are expected to exceed $400 billion per year by the end of the decade. Japan, Germany and other countries are making determined commitments to capture those markets. America must not be left out; we must move aggressively."

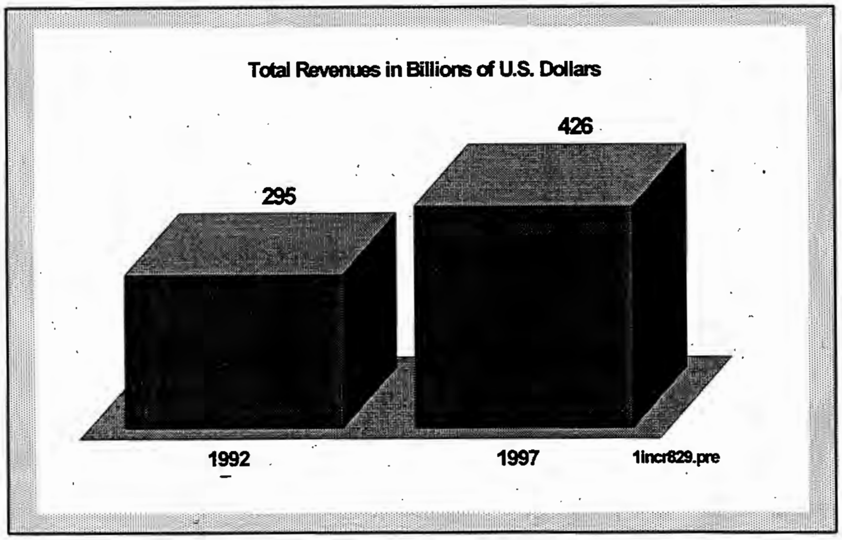
Vice President Al Gore, National Renewable Energy Laboratory, Golden, Colorado, July 15, 1994

In his Earth Day 1993 speech, President Clinton directed the formulation of a strategy to expand the international competitiveness of the U.S. environmental technologies industry. In November 1993, Secretary Brown, as chairman of the interagency Environmental Technologies Exports Working Group announced the strategy in "Environmental Technologies Exports: Strategic Framework for U.S. Leadership." As set out in our report, we intend to focus on the needs of the American environmental business community and work together to find new solutions to the challenges of increasing environmental exports. Principal findings of this report were that the United States must strengthen its domestic environmental policy framework, encourage continued technology development and commercialization, and foster new public/private partnerships if it is to sustain a competitive position in the export of environmental technologies.

Environmental technologies are a potentially powerful engine for the creation of national wealth and high-paying jobs for Americans. The basic objectives of our strategy are to:

- Strengthen cooperation between the U.S. Government and business.
- Strengthen the technology development and commercialization abilities of the domestic industry.
- Help U.S. businesses succeed in the most important markets today, while preparing to develop the large markets of the future.
- Coordinate and better focus U.S. Government export programs and resources.

Global Environmental Industry: Projected Growth, 1992-97



The Market

The worldwide market for environmental technologies is expected to expand dramatically by the end of the century. In 1992, it was estimated that this market totaled $295 billion. By 1997, it is estimated it will reach $426 billion. The global market is expected to grow much faster than our domestic market, which in 1992 was the largest single market for environmental technologies-consuming 45 percent of the world's output of environmental goods, services, and technologies.

The Competition

Competition in the rapidly expanding environmental technologies market is fierce. As the following examples illustrate, Germany and Japan, our two strongest competitors in this sector, are extremely supportive of their industries' export activities.

- In Mexico alone, Germany has committed \$3.5 million in 1994 to promote the exports of its environmental technologies. In the past few years, the Germans have spent a total of \$8.8 million for technical assistance, including 24 technical experts assigned to the offices of the Mexico City Metropolitan Commission for Environmental Protection and other key government agencies on an "as-needed basis."
- Japan has committed over \$2.2 billion over 10 years to finance the export of Japanese environmental technologies. The Japanese have had environmental technical experts permanently stationed in Mexico City in such key locations as the Metropolitan Commission for Environmental Protection and the Ministry of Social Development's General Direction of Environmental Regulations.

U.S. Government Programs

In the face of such competition, the Administration has acted to support U.S. industry's efforts to penetrate foreign markets. While much work remains to be done, we have taken several important steps.

Financing

The Export-Import Bank of the United States (Ex-Im Bank) provided over \$800 million in overseas environmental project financing in FY 1994. These projects range from wastewater treatment in Venezuela and the Czech Republic to a gas condensate recycling project in Uzbekistan. The Bank's new Business Development Group is developing specific finance programs for targeted markets. Its first initiative involves the negotiation of a Memorandum of Understanding with Banobras, the Mexican development bank, to help provide financing for U.S. exporters building municipal wastewater treatment facilities in Mexico.

The Overseas Private Investment Corporation (OPIC) has actively supported the U.S. environmental technologies sector. For example, OPIC has guaranteed two-thirds of the initial capital raised for the \$70 million capitalization of the Global Environmental Emerging Markets Fund, which will make equity investments in environmental projects in emerging markets in Latin America,

TPCC ENVIRONMENTAL EXPORT STRATEGY YIELDS RESULTS

Ionics, Incorporated. *This Massachusetts-based company, a worldwide exporter of water treatment equipment, sold a $40 million wastewater treatment system to the Czech Republic with the help of an Ex-Im Bank $24 million credit insurance policy. The system will be used to clean up contaminated water at a uranium mine north of Prague that threatens local drinking water. In addition, the treatment process will produce solid ammonium aluminum sulfate pure enough for commercial application. The contract with DAIMO s.p., a state enterprise which is the successor to the Czechoslovakia state uranium industry, is the largest system order in Ionics' history.*

Larson Wood Products. *One million dollars in Overseas Private Investment Corporation financing will support the investment of this small Oregon company, in the refurbishment of a selective logging operation and processing plant, called Amacol, near Belem, Brazil. The facility is one of the few timber harvesting operations worldwide whose logging activities are conducted in an environmentally "well-managed" manner. Amacol relies on labor-intensive logging practices, and uses no mechanized equipment. It also maintains a seedling nursery and tree plantation and follows a comprehensive reforestation program. Amacol employs over 600 Brazilian workers, providing them with an alternative to clearing forests for agriculture and other subsistence activities. Amacol will procure more than $1 million in United States goods, and its imports from the United States are expected to displace more expensive imports from Southeast Asia.*

United States Filter Corporation. *U.S. Government advocacy assisted California-based U.S. Filter's efforts to build Mexico's first privately-funded wastewater treatment plant. U.S. Filter's $20 million transaction represents the first major U.S. environmental investment in Mexico since the implementation of the NAFTA.*

Metalclad Corporation. *U.S. Government support helped Metalclad Corporation of California win a permit to build and operate Mexico's first integrated hazardous waste treatment plant. The value of this investment is $15 million. The U.S. Embassy in Mexico, the EPA and the Department of Commerce provided extensive business counseling and advocacy on behalf of this firm to obtain the contract for this first, and only, treatment plant for hazardous waste. Loans from Ex-Im Bank also made this deal possible.*

Memtek Corporation. *The Commerce Department's counseling and advocacy helped Memtek Corporation of Massachusetts, a manufacturer of industrial waste water treatment systems, to obtain $2.7 million in equipment orders from Singapore, Korea and Malaysia.*

Asia, Africa, and Eastern Europe. It has joined forces with the U.S.-Asia Environmental Partnership (US-AEP) to develop a pilot program to identify environmental projects in Asia. To support U.S. business expansion in Latin America, it organized an environmental investment mission to Brazil, Argentina, and Chile which included predominately small- and medium-sized firms.

The Trade and Development Agency (TDA) devotes 50 percent of its grants to environmentally related initiatives. For example, the agency funded: (1) a conference to brief U.S. industry on the results of TDA-funded environmental projects in Mexico; (2) a visit by government officials from six African nations to attend a conference hosted by the U.S. Government and the African Development Bank, highlighting U.S. waste and water technologies; and (3) environmental projects in Thailand, Bulgaria, Lithuania, Poland, Portugal, and the Ukraine.

U.S. EXPORTS RESULT FROM TDA FINANCED ENVIRONMENTAL STUDY

In 1991, TDA-funded a study on making environmental improvements at the AHMSA steel complex in Mexico. Although a non-U.S. firm ended up making the improvements, the recommendations in the TDA study were followed, and have resulted in more than $40 million worth of U.S. environmental equipment being procured by the plant.

Training

- The Environmental Protection Agency (EPA) and the Commerce Department are joining forces to deliver project-specific training for public and private sector officials from industrializing countries. They also are working cooperatively to provide environmental resource and training materials for U.S. Government export promotion personnel based in our overseas and domestic field offices.
- As part of a special training initiative for Mexico, the EPA and the U.S. Environmental Training Institute (USETI) have hired a coordinator for USETI activities in Mexico. A permanent training facility is planned; possible locations are currently being explored. EPA will continue to train environmental auditors and enforcement personnel in SEDESOL (Mexico's equivalent of our EPA). At present, 600 Mexican inspectors have been trained or are scheduled for training.

Technology Development, Commercialization and Standards

- Building on the North American Free Trade Agreement (NAFTA) programs, we have prepared an assessment of currently available data on Mexican environmental problems, standards, regulations, and policies that influence near-term demand for environmental technologies. The EPA released a draft report comparing U.S. and Mexican environmental regulations and standards to help U.S. business understand Mexico's regulatory framework and market opportunities.
- Working in partnership with other agencies, the EPA is investing $12 million in a portfolio of environmental technologies development and commercialization projects.

"...Insert pull quote here... Insert pull quote here... Insert pull quote here... Insert pull quote"

- Through a Western Governors Association program, the Department of Energy is working with the Department of Defense, the Department of Interior, the EPA, the Office of Management and Budget, and 18 western governors to improve methods for developing, deploying, evaluating, and commercializing innovative environmental restoration and waste management technologies.
- The National Institute of Standards and Technology (NIST) is working with U.S. industry in the development of products and processes that are more friendly to the environment. NIST provides cost-shared awards for industry-led, high-risk technology development proposals through the Advanced Technology Program, which currently supports projects in natural pesticides, thermoplastic composites in the automobile industry, and recycled plastics.
- Vice President Gore has announced an interagency initiative to expedite the commercialization of environmental technologies.

Regional Strategies

- We have identified markets where U.S. Government assistance to American firms can secure high, immediate returns: Mexico, Chile/Argentina, the China Economic Area (People's Republic of China, Hong Kong and Taiwan), Poland, the Czech Republic, and South Korea. We have developed strategic marketing plans for boosting U.S. environmental technologies in these markets.
- The US-AEP, sponsored by the U.S. Agency for International Development, is a public/private initiative promoting U.S. development and trade interests in the environmental and energy sectors in Asia. The initiative seeks to stimulate demand for environmental improvement in Asia through programs in the areas of public policy, participation, and education. As importantly, the program also seeks to facilitate the transfer of U.S. environmental experience, practice, and technologies through programs in the areas of professional and institutional partnering, market information exchange, and financial innovation. The US-AEP and other federal agencies working together have established Environmental Technology Cooperation offices in nine countries, sponsored 700 professional and institutional exchanges, and completed almost 100 private sector technology missions — missions which have already resulted in more than $350 million in technology transfer agreements.
- The Energy/Environmental Technologies Working Group of the U.S.-Israel Science and Technology Commission, which consists of high-level government officials and a high-level private sector advisory panel from both countries, has been established. The Group is preparing proposals for joint-venture projects in Israel.

- Under the U.S.-Mexico Border Commission established under NAFTA, the EPA and the land managing agencies of the Interior Department, along with their Mexican counterparts, are currently examining transboundary environmental issues. We anticipate that this will lead to sales of U.S. environmental technologies in the border region.

Public-Private Partnerships

- The Administration has approved the charter for the Environmental Trade Advisory Committee, which will provide direct private sector input to the federal government on the development and management of programs to expand U.S. exports of environmental technologies. Membership announcements are expected this fall.
- In cooperation with the EPA, the Commerce Department will host an October 1994 experts meeting of the Organization for Economic Cooperation and Development to explore ways to improve the definition of this industry and the international collection of data on trade in environmental technologies.
- The Commerce Department convened an Environmental Technologies Workshop with industry and trade associations to develop recommendations for improving environmental technologies development and commercialization. The workshop focused on three topics: government barriers, research and development initiatives, and design vision for the industry.
- We have developed an Environmental Trade Advocacy Calendar, updated quarterly, which tracks major environmental projects that may require advocacy and which provides a list of upcoming major environmental trade events. Agencies have advocated on behalf of over $900 million in environmental projects.

Focusing on New Opportunities

In addition to the actions taken to implement the recommendations contained in our 1993 Report, we have launched a number of new programs to help American exporters capitalize on opportunities not specifically targeted in last year's Report. They build upon the first year's activities of the National Export Strategy and provide for a more focused approach to export assistance. This section is divided into six parts:

The Big Emerging Markets (BEMs) - explains the enormous significance these markets have for U.S. exporters and the steps we are taking to help companies seize the tremendous export opportunities presented by the BEMs. In addition, it outlines the sectoral element of our strategy.

The Regions of Latin America and Asia-Pacific - highlights our programs to increase U.S. exports to these rapidly growing regions of the world.

Traditional Markets - identifies several programs that support U.S. commercial activities in the large industrial markets of Japan, Western Europe, and Canada, which combined account for 56 percent of our global export sales.

Economies in Transition - describes the actions we are taking to strengthen our commercial relationships and promote security and political stability through expanded trade with Russia, the Newly Independent States, Eastern Europe and the Middle East.

Services Exports - puts forward a strategy for boosting U.S. service exports — a segment of the economy which is rapidly rising in importance.

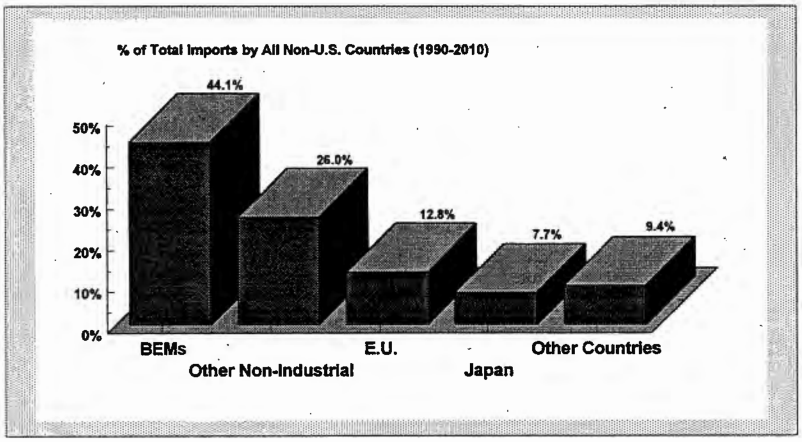
Trade Finance - addresses two new areas of trade finance: project finance and "untied aid" and explores the U.S. export opportunities associated with investment in overseas markets.

Focusing on New Opportunities

The Big Emerging Markets (BEMs)

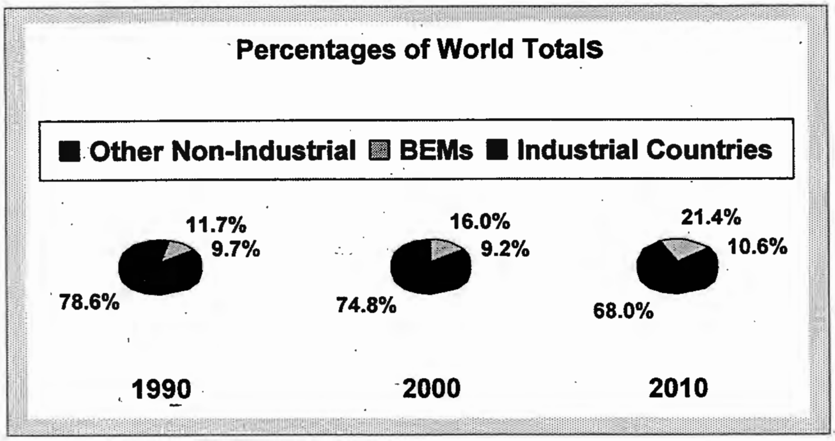
The U.S. Government has traditionally focused its international economic and commercial policy on Europe and Japan. While the industrial nations will continue to be the largest U.S. export markets for decades to come, another category of countries holds even more promise for large incremental gains in U.S. exports. Of all the world trade growth in the next two decades, almost three-quarters is expected to come from developing countries. A small core of those nations is likely to account for more than half of that growth. In fact, 10 countries are expected to account for over 40 percent of total global imports over the next 20 years, surpassing even Japan and Europe. These "Big Emerging Markets" (BEMs) are: Mexico, Argentina, Brazil, the Chinese Economic Area[1], India, Indonesia, South Korea, Poland, Turkey, and South Africa. Given their potential and the Congressional mandate to identify countries with the greatest potential for expanding U.S. exports, the BEMs are becoming a key element of our National Export Strategy.

Projected That BEMs Will Dominate Global Imports



This section briefly explains the tremendous export opportunities for U.S. exporters presented by the BEMs and the promotion programs we are undertaking to help firms seize these opportunities. It also describes some key sectors within the BEMs where we plan to focus more attention. Appendices 5 and 6 describe each of the BEMs and sectors in more detail.

BEM Share of Global GDP Projected to Grow

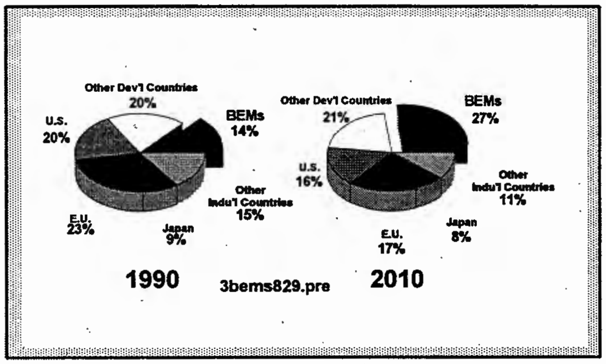


Opportunities for Future Growth

The BEMs share a number of important attributes. They are all geographically large, have significant populations, and represent considerable markets for a wide range of products. Virtually all have strong rates of growth or hold out

[1] *The People's Republic of China, Taiwan, and Hong Kong*

Projected Distribution of Merchandise Imports



the promise of economic expansion in the future. Each has undertaken significant economic reforms and seems likely to expand on them in the future. Most are of major political importance within their regions; moreover, they are "regional economic drivers" — that is, their growth will spill over to neighboring markets, thereby leading to regional economic growth.

U.S. exports to the Big Emerging Markets totaled $113 billion in 1993— approximately a quarter of our exports. The BEMs are expected to more than double their share of world imports, as well, rising to nearly 27 percent by 2010. No other category of market shows such dramatic growth potential. By the year 2010, annual BEM merchandise import levels will be roughly one trillion dollars higher than they were in 1990. And that is only merchandise imports — add services and it grows further still. Here is a snapshot of the BEMs:

In $ Billions

BIG EMERGING MARKETS	1993 TOTAL IMPORTS	U.S. MARKET SHARE, 1993	PROJECTED TOTAL IMPORTS 2010
Chinese Economic Area	320	11%	577
Indonesia	29	14%	97
India	24	12%	79
South Korea	84	18%	236
Mexico	49	85%	119
Argentina	17	22%	28
Brazil	26	23%	69
South Africa	20	14%	36
Poland	16	6%	18
Turkey	29	11%	67

Export Promotion Approaches to the BEMs

The stakes are high, and now is the moment to improve our competitive position in these markets. Many of the big infrastructure projects that constitute the foundations on which these BEMs will build their futures are being bid out now. U.S. involvement in this early stage will offer returns for many years to come.

Since we released our last Report, we have begun to develop and implement commercial strategies for the BEMs — by region and by country. We have begun intensive studies of each BEM, identifying its strengths, potential problems, and the approaches that competitors are likely to take. These studies will guide customized individual strategies.

While the commercial strategy for each BEM is being tailored to the unique features of each market, we have developed an overall framework for proceeding in each case. Here are some of the elements:

- For every BEM, we would like to develop special bilateral forums through which to discuss commercial cooperation. It is our hope to engage the private sector in these forums, to focus heavily on infrastructure-type projects that involve U.S. firms and that contribute to the long-term development of the country. Examples are the U.S.-China Joint Commission on Commerce and Trade, the U.S.-South Africa Business Development Council, the Indo-U.S. Economic/ Commercial Subcommission, and the U.S.- Argentina Business Development Commission.
- Pending funding approval, in each BEM we hope to build a special **"Commercial Center"**[2] to help U.S. exporters gain early access to the full array of government export promotion and financial services. Such centers will be "one stop shops" overseas, located outside of the U.S. embassy, and easily accessible to all American firms. The first U.S. Commercial Center opened last June in Sao Paulo, Brazil. A second is scheduled to open in Jakarta, Indonesia, in November 1994. Our plans include more centers in the Chinese Economic Area, South Africa, India, and Argentina.
- Cabinet and sub-cabinet officials are traveling to the BEMs in order to develop stronger commercial ties between these countries and the United States. Trips have been taken by Secretary of State Warren Christopher, Secretary of the Treasury Lloyd Bentsen, Secretary of Commerce Ron Brown, Secretary of Energy Hazel O'Leary, Export-Import Bank Chairman Ken Brody, Overseas Private Investment Corporation President Ruth Harkin, and Trade and Development Agency Director Joe Grandmaison. All have emphasized U.S. export sales.
- For every BEM we will develop a long-term export strategy and an interagency team to manage it. In the case of Indonesia, for example, we have worked for several months to analyze our competitive position and what we must do to improve it, sector by sector.

[2] The exact term is still under discussion.

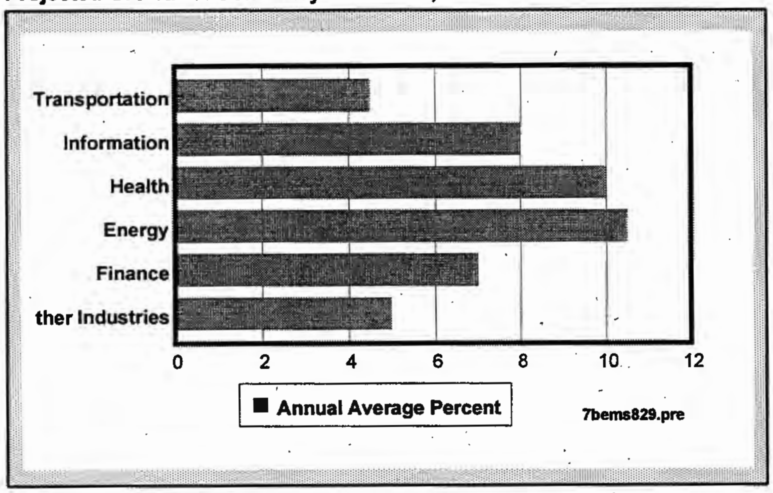
A senior Deputy Assistant Secretary of Commerce has been appointed coordinator. We plan to use the Indonesia model for other countries.

Some Key Industries

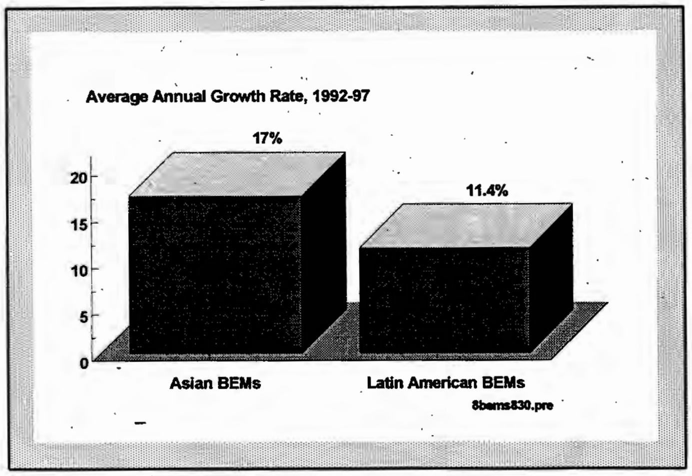
No effective export strategy can focus on geography alone. Geographic definitions of a market are inherently incomplete. Part of the Congressional mandate for the National Export Strategy requires a sectoral, as well as a geographic, focus for our efforts. As we began explorations of the key opportunities within the individual BEMs, one consistent target of opportunity became clear: infrastructure, which comprises a variety of sectors, ranging from transportation to environmental technologies to financial services.

We have begun to identify clusters of industries for particular focus for our export promotion efforts within the BEMs. This list of sectors is not static — it is an evolving one that varies across BEMs. In identifying these high priority sectors, we have paid particular attention to a number of factors: (1) the potential creation of a significant number of high-paying U.S. jobs; (2) the growth prospects of the sector; (3) the extent to which U.S. industry is competitive internationally; and (4) and the extent to which governmental action, in concert with the private sector, can improve our international competitiveness.

Projected Growth of Some Key Industries, 1993-2000



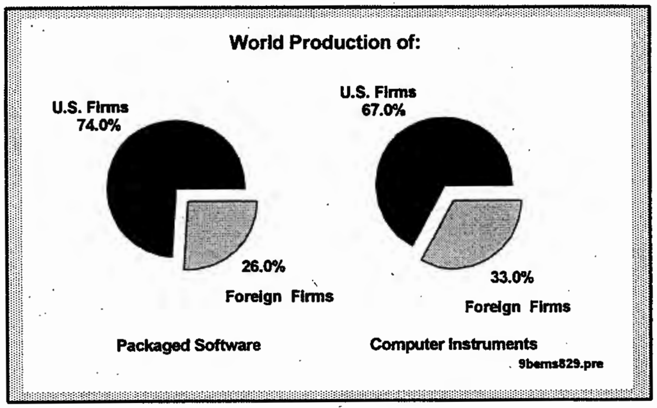
Environmental Technologies Demand Growth in Selected BEMs



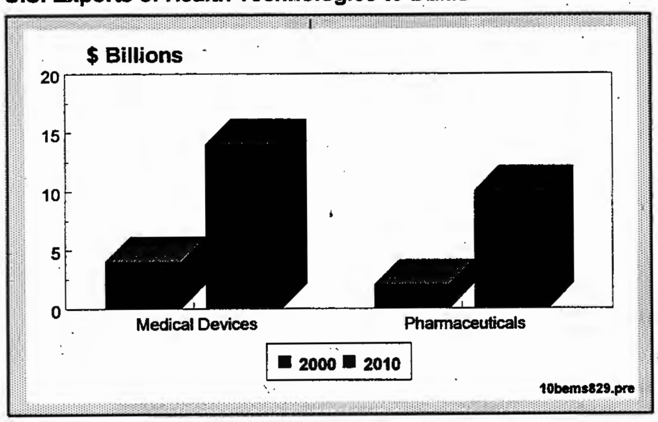
Based on these criteria, we have identified, as a start, six clusters of economic activity for special consideration in our export promotion efforts. These are:

Environmental Technologies: As discussed earlier, the global marketplace for environmental technologies, estimated at $200 billion in 1990, is expected to exceed $400 billion by the year 2000. Given initial efforts to address the severe environmental problems engendered by their unprecedented growth, market demand for environmental technologies in the BEMs in Asia (Indonesia, India, South Korea, and the Chinese Economic Area) is forecast to

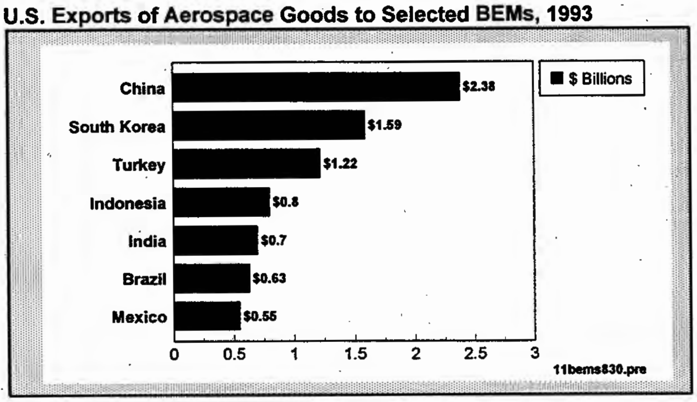
U.S. Firms Share of World Markets for Computer Equipment-1993



U.S. Exports of Health Technologies to BEMs



U.S. Exports of Aerospace Goods to Selected BEMs, 1993



increase by an average annual rate of 17 percent between 1992 and 1997. The environmental technologies market in Latin America (Argentina, Brazil, and Mexico) is expected to grow at an annual rate of 11.4 percent between 1992 and 1997.

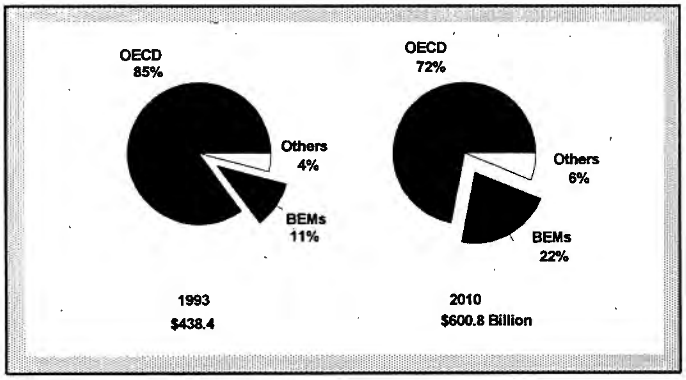
Information Technologies: This sector includes computer equipment, computer software, telecommunications equipment, telecommunications services, electronic components and related equipment, semiconductor manufacturing equipment, information services, and computer network-based services. Currently, U.S. computer equipment and packaged software firms which control world markets with 67 percent and 74 percent shares, are facing increasing competition from the Japanese. World export markets are expected to grow at an average rate of 7 percent per year, reaching nearly $275 billion by 2010. Roughly 26 percent of this gain would come from exports to the BEMs.

Health Technologies: This sector includes medical and dental devices and supplies, pharmaceuticals, biotechnologies, and health care services. U.S. market share in the medical device industry stands at 52 percent and is almost 50 percent for pharmaceuticals. Overall U.S. medical device exports to the BEMs is expected to rise to over $14 billion by 2010. Pharmaceutical exports to the BEMs will show faster growth rates than exports to any other region, with projected exports rising to over $9 billion by 2010.

Transportation Technologies: The transportation technologies sector encompasses the following clusters: aerospace technologies; automotive industry; and transportation infrastructure including airports, ports, and road and rail projects.

- **Aerospace Technologies:** This industry leads all other industry sectors in exports of manufactured goods, sending abroad products worth $40

BEM Share of Autoparts Market Projected to Double

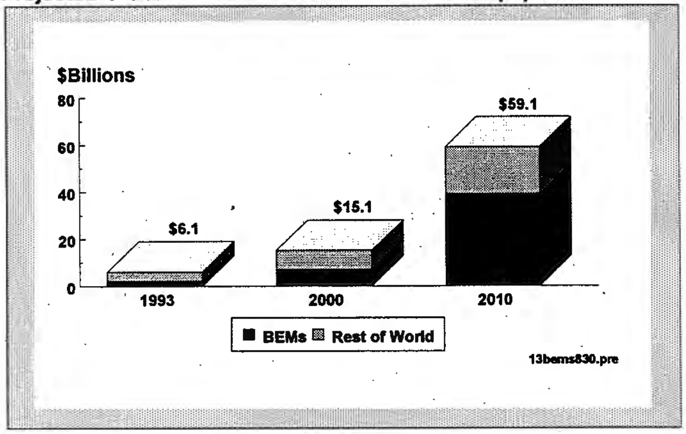


billion in 1993 —$28 billion more than it imported. Of the top 20 markets in 1993, seven were BEMs: China, ($2.4 billion); South Korea ($1.6 billion); Turkey ($1.2 billion); Indonesia ($802 million); India ($741 million); Brazil ($627 million); and Mexico ($554 million).

- **Automotive Industry:** The growth rate for motor vehicle sales in the BEMs is projected to be twice that of the U.S. level. Of the anticipated top 10 new markets for U.S. motor vehicle exports in 2010, seven are BEMs with a combined estimated value of $230 billion, an increase of over 280 percent from 1992. Of the anticipated top 10 new markets for automotive parts, seven again are BEMs. The BEM share of the growing worldwide market is expected to double to 22 percent by 2010.

- **Transportation Infrastructure:** The growing economies of the BEMs will require the development, expansion, and upgrading of major foreign transportation facilities, including airports and heliports, bridges and highways, ports and waterways, railroads, and rail transit systems. The potential market in Asia is expected to grow to more than $50 billion a year in the next century. Among the BEMs in this region, China and Taiwan lead with a combined transportation infrastructure import potential of $100 billion over the next decade.

Projected Global Growth of Power Generation Equipment



Energy Technologies: This sector includes two clusters of economic activity: oil and gas field equipment and infrastructure; and power generation equipment, facilities and services, infrastructure facilities, and engineering and other related services. The BEMs are expected to account for over two thirds of projected global growth in the power generation equipment market by 2010. Of the BEMs, the Chinese Economic Area, Mexico, India, and Indonesia offer great growth potential for electric power generation equipment exports because of their large and rapidly growing populations and industrialization.

Financial Services: Infrastructure projects in the BEMs and other developing countries will present excellent opportunities for the U.S. financial services sector which enjoys a reputation for sophistication, innovativeness, and efficiency. The sector covers commercial banks, investment banks including securities dealers, and insurance companies.

Income from international activities of U.S. financial service firms should double, from $7.7 billion in 1993 to a projected $17 billion in the year 2010. Though most earnings will be made in connection with European Union and North American business, the greatest growth will occur in the BEMs.

Other Sectoral Initiatives

The initial selection of these infrastructure development sectors will not detract from U.S. Government export policy and promotion programs and initiatives in other sectors, and we will continue to seek opportunities for fostering exports regardless of whether they occur in the targeted sectors. An example is our industry-oriented Textile and Apparel Export Expansion Program, which sponsors 12 to 14 major overseas trade promotion events annually.

This list of key sectoral opportunities in the BEMs is still evolving and will be expanded in the future. Appendix 6 summarizes the competition we face in these sectors and our export strategies for the coming year.

Focusing on New Opportunities

The Regions of Latin America and Asia-Pacific

"Working together, we can unleash the tremendous potential for jobs, trade and investment throughout the Americas. This will fuel the growth of jobs and a growth of business and investment in the United States and allow us to pursue our market-opening ambitions not only in South America and in the Americas, but also to provide the hub between the two fastest-growing regions in the world, Asia and the Americas."

Mickey Kantor, U.S. Trade Representative, remarks made before the Council of the Americas, May 4, 1993

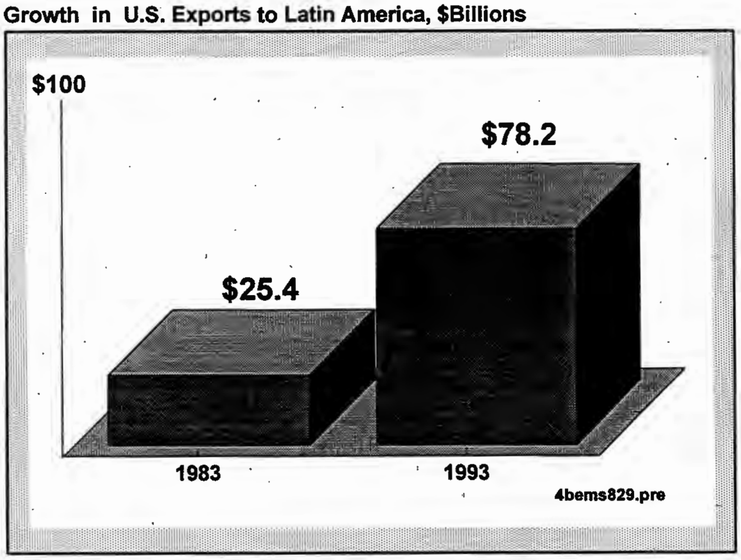
In addition to emphasizing Big Emerging Markets, we are giving increased attention to regional strategies in non-traditional markets, particularly in Latin America and Asia.

Latin America

At no time in recent history has the outlook been more encouraging for strengthening U.S.-Latin American relations, especially in the commercial arena. Latin America is one of the fastest growing regional markets for U.S. goods and services. Democracy and market-oriented reform now prevail across the region, and the North American Free Trade Agreement (NAFTA) is paving the way toward additional trade integration efforts.

In 1993 U.S. exports rose to $78.2 billion. U.S. export growth has averaged 14.4 percent annually over the past six years. In the first quarter of 1994, U.S. exports to Latin America, up 13 percent over 1993, were growing at a rate twice that of our exports to the world. The outlook is for U.S. exports to the region to continue to grow at a much faster rate than average.

Growth in U.S. Exports to Latin America, $Billions



The gains in U.S. exports to Latin American countries in recent years have coincided with continued economic restructuring and trade liberalization throughout the continent. A key step in the economic restructuring has been the privatization of state-owned industries and utilities. As a result, many U.S. firms have acquired an interest in industrial and utility companies, especially in the telecommunications sector. These developments have opened opportunities for the sale of U.S. high-tech equipment and services for expansion and modernization programs.

The implementation of NAFTA is already having a major impact on U.S. exports to Mexico, which increased almost 17 percent in the first half of 1994. The passage of NAFTA has given a new impetus to the interest of Latin American countries in working toward a hemispheric free trade zone. More regional free trade agreements are taking shape. Several

Commerce Trade Mission Yields Immediate Results

A recent Commerce Department Trade Mission to Latin America yielded immediate results. They include: the signing of a Memorandum of Understanding to promote the involvement of U.S. companies in $900 million Tiete-Parana Waterway Development Project; inauguration of the U.S. Commercial Center in Sao Paulo to showcase U.S. products and service; the signing of a Memorandum of Understanding to create a U.S. Argentina Business Development Council; and the signing of a letter of intent by one of the participants to supply a 130 megawatt power plant to an independent power company in Argentina.

countries have expressed interest in negotiating a Free Trade Agreement (FTA) with the United States.

The Clinton Administration supports the concept of free trade in the hemisphere and has indicated that Chile would be the first candidate for an FTA after passage of fast track legislation. In the meantime, the United States remains willing to conclude bilateral investment treaties and intellectual property rights agreements with other countries in the region and to work with both their public and private sectors to remove barriers to trade.

To build on the trade liberalization already underway in the region, we have launched a number of programs to help American firms expand their presence in the fast growing Latin American market.

Trade Missions: Secretary of Commerce Brown led a Presidential Business Development Mission to Argentina, Brazil, and Chile in June 1994 to highlight the region as a key priority market, support U.S. bidders in specific projects, and promote emerging commercial opportunities. Twenty-two CEOs of U.S. companies and the heads of three agencies participated in the mission. Numerous contacts were developed for future business, especially in the energy, telecommunications, environmental technology, health, and services sectors.

Private Sector Partnerships: Under the Market Development Cooperator Program, the Commerce Department has provided grants of up to $500,000 over a three-year period to "cooperators" (for example, trade associations, non-profit groups, state trade departments) to pursue promotional activities in Argentina, Brazil,

Washington Apple Sales to Mexico are Up

When Mexico opened its doors to U.S. apples in 1990, the Washington Apple Commission saw a golden opportunity to develop a new market. But the Commission faced two significant obstacles: strong competition from Mexican producers, and lack of knowledge among Mexican consumers and the trade about Washington State apples.

Utilizing their own resources and promotion funds from the USDA, the Commission swung into action by developing materials to educate the trade about apples and establishing a trade distribution network. At the same time, the Commission launched a consumer education program. The results have been dramatic: sales of Washington apples to Mexico skyrocketed from just 574,000 cartons to over 4 million cartons in just one year, and reached 5.7 million cartons in 1992/93, and 6.7 million cartons in the first 11 months of 1993/94.

TRADE MISSION TO LATIN AMERICA HAILED A SUCCESS

General DataComm Industries, Inc. participated in the Presidential Business Development Mission to Latin America lead by Commerce Secretary Ron Brown during which time they closed a major sale with a Brazilian telephone company.

General DataComm Industries is a Middlebury, CT based telecommunications company employing approximately 1,800 people worldwide. Charles P. Johnson, Chairman and CEO of General DataComm, stated that "the trip... enabled me to renew and establish many relationships that will help to further General DataComm's efforts to export leading edge, communications products used to create telecommunications infrastructure."

"Our company has been doing business in Latin America for many years. Progressive governments realize that advanced communications infrastructure are critical to growing their economies and over the past several years several nations have begun to privatize and deregulate their telecommunications industries towards this end. The Brazilian market has just recently opened and it will be imperative to have continued support from the Administration to ensure that this and other markets stay open to market based competition."

"This recent Trade Mission was an outstanding example of how the Administration is working to support American business efforts around the world, and I look forward to participating again."

Charles P. Johnson,
Chairman & CEO

Mexico, and Columbia. Targeted sectors include environmental technology, automotive parts, machine tools, and packaging equipment.

Summit of the Americas: In December 1994, President Clinton will host the Summit of the Americas in Miami, Fla. A key purpose of this meeting is to encourage economic growth through trade and investment. The Administration is working with the private sector to help achieve this objective.

Trade Finance: Latin America is a major recipient of U.S. trade finance and investment. In FY 1993, the region was the largest destination of Export-Import Bank (Ex-Im Bank) financing, with the Bank supporting $6 billion of U.S. exports. Mexico and Venezuela ranked first and second, respectively, among Ex-Im Bank's individual country markets. The Overseas Private Investment Corporation (OPIC) significantly increased its finance and investment efforts in Latin America in 1994, especially for key sectors such as energy, telecommunications, and the environment. The Trade and Development Agency (TDA) is also actively supporting U.S. commercial efforts in the region by funding an increased number of feasibility studies and orientation visits, particularly for projects in Argentina, Chile, and Mexico. Following discussions between Vice President Gore and the President of Bolivia in March 1994, TDA funded five feasibility studies that will facilitate the privatization of the Bolivian economy. The Commerce Department has initiated a pilot program for the Inter-American Development Bank designed to increase the flow of information to the U.S. business community on the bank's programs.

Export Mexico: As described in the section highlighting programs that support small- and medium-sized businesses, "Export Mexico" is an interagency initiative which provides comprehensive export promotion and finance assistance to U.S. companies seeking to penetrate this fast-growing export market. See Appendix 4 for more details.

Asia-Pacific

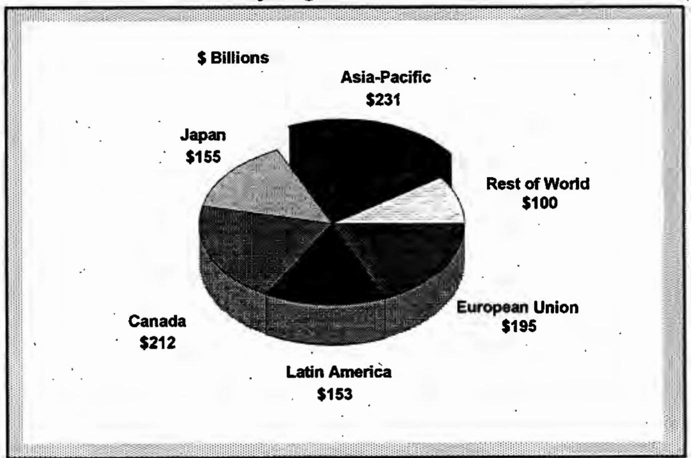
The Asia-Pacific region (excluding Japan) includes the world's fastest growing economies and three of the world's largest countries. This region, which spans Northeast Asia (China, Taiwan, and South Korea), Southeast Asia (ASEAN and Indochina), Australasia (Australia, New Zealand, and the Pacific Islands), and South Asia (India, Pakistan, and surrounding economies), has a combined GNP approaching $2 trillion, with fast rising incomes. Growth rate leaders include China, Malaysia, Thailand, Taiwan, and Indonesia, all of which have had real growth exceeding 6 percent annually.

> *"As our concern shifts to economic challenges that are genuinely global, we must look across the Pacific as well as the Atlantic... much of what Asia needs to continue on its growth pattern are goods and services in which we are strong..."*
>
> President Clinton, remarks to Seattle APEC Host Committee, November 19, 1993

In 1993, Asia absorbed more than one fifth of all U.S. exports. U.S. trade with this region (excluding Japan) exceeded $230 billion in 1993 comprising approximately one quarter of the United States' trade with the world. While exports to the region reached more than $90 billion, imports from Asia and the Pacific exceeded $135 billion, resulting in a deficit of approximately $45 billion.

Trade deficits color our major bilateral relationships throughout the region, with the exception of Australia. Within the region, the most open markets are in Southeast Asia, while market-access issues in South Korea (standards, customs procedures, and problems in consumer goods, and services), India (extensive quotas and high tariffs), China (non-tariff barriers and services), and to a lesser extent Taiwan (Intellectual Property Rights, restrictions on financial services) pose significant problems for U.S. firms.

Total U.S. Goods Trade by Region, 1993



We have undertaken a number of programs to help U.S. businesses take advantage of the export opportunities in this fast-growing region, particularly those arising out of Asia's infrastructure development, notably in energy, transportation, and telecommunications. The volume of these projects could surpass several trillion dollars in the next two decades. Taiwan is the largest market in the world for major projects, with its $300 billion Six Year Plan. China, Hong Kong, Thailand, Indonesia, and Malaysia also have many ongoing projects.

Our export initiatives include:

Information Dissemination and Advocacy: We have emphasized improved information dissemination and advocacy on behalf of U.S. companies as a way of increasing U.S. participation in the region's infrastructure projects. We distribute information through electronic databases in the United States and the domestic field network. Our interagency network and Advocacy Center are actively supporting a number of U.S. companies bidding on projects in the region including a $6 billion nuclear power project in Taiwan and a $1 billion automotive joint venture in China.

Trade Finance: Competitive financing is often a critical component of successful U.S. bids for Asian infrastructure projects. The lack of strong financing has, in the past, placed U.S. companies at a disadvantage in a number of countries, notably Indonesia and India. As a result, the financing agencies have stepped up efforts to support U.S. companies. The provision of TDA feasibility grants have been instrumental in increased U.S. exports to a number of countries, notably Malaysia and Indonesia. During fiscal years 1993 and 1994, OPIC committed significant new financing to infrastructure projects in Asia. This includes commitments to several power projects in India and Indonesia.

TDA HELPS INCREASE EXPORTS THROUGH FEASIBILITY GRANTS

TDA has taken the lead in identifying Indonesia's aviation sector as one of immense business opportunities, an $11 billion market over the next decade. TDA funded a feasibility study of Indonesia's aviation needs and followed up this year with an orientation visit of senior Indonesian aviation officials. The officials participated in a TDA-sponsored conference that outlined these opportunities for the U.S. business community. Several companies, as a result of the conference, are actively exploring business in Indonesia.

OPIC FINANCE PROJECT IN ASIA GENERATES JOBS AT HOME

AES Corporation, of Arlington, Virginia, is undertaking the development and operation of two 210 megawatt units of a coal-fired power generation facility in the State of Orissa in eastern India. Raytheon and Foster Wheeler will be providing construction management and procurement services, while Foster Wheeler and General Electric will provide equipment and equity to the project. OPIC anticipates providing $75 million in financing and $150 million of political risk insurance in support of the project. The project will help to relieve the critical power shortage in Orissa and stimulate economic development in this region of India. Additionally, the project will procure goods and services from American businesses valued between $250-$300 million and generate at least 2,220 person-years of employment.

Trade Missions: Several top Administration officials have taken trips to the region during the last year—Secretary of Commerce Ron Brown led a trade mission to China and Hong Kong; Ex-Im Bank Chairman Kenneth Brody visited Indonesia; Secretary of Energy Hazel O'Leary travelled to India and Pakistan; and Secretary Mike Espy met with government and business officials in Hong Kong and China.

In addition, we have developed specific programs aimed at the Asian market. These include:

Destination ASEAN, U.S. - ASEAN Alliance for Mutual Growth (AMG), and Ambassadors Tours: The Association of Southeast Asian Nations (ASEAN), which includes Thailand, Indonesia, Malaysia, Singapore, Philippines, and Brunei, is a region where the growth rate has been in double digits in the past five years. Very substantial growth is expected to continue in the next five to 10 years. We have been involved in three export initiatives to boost sales to this region.

Destination ASEAN, described earlier, is a customized export promotion and finance program to assist primarily smaller U.S. exporters.

- The ASEAN Alliance for Mutual Growth (AMG) is a multilateral initiative to encourage mutually beneficial trade relations between the United States and the ASEAN by offering opportunities for business and government leaders to get better acquainted through trade and economic missions and other cooperative activities. Other important elements of this initiative are: technical standards programs; joint ventures between small- and medium-sized firms in the United States and ASEAN; and management and technical training.
- Each year U.S. Ambassadors in the six ASEAN countries travel around the United States together, highlighting business and commercial activities in the Asia-Pacific region. This tour is a key part of our efforts to reach small-to-medium firms which might not otherwise have considered investing there.

In addition, the State Department is encouraging ASEAN Ambassadors accredited to the United States to speak to American exporters about the economic performance of their countries. This fall, the ASEAN Ambassadors, under the auspices of the U.S.-ASEAN Business Council, will visit a number of U.S. cities in a tour that mirrors the efforts of their American counterparts. The State Department will work with the U.S.-Philippine Business Committee in arranging a tour of Filipino government and business leaders who will be promoting infrastructure development in the Philippines.

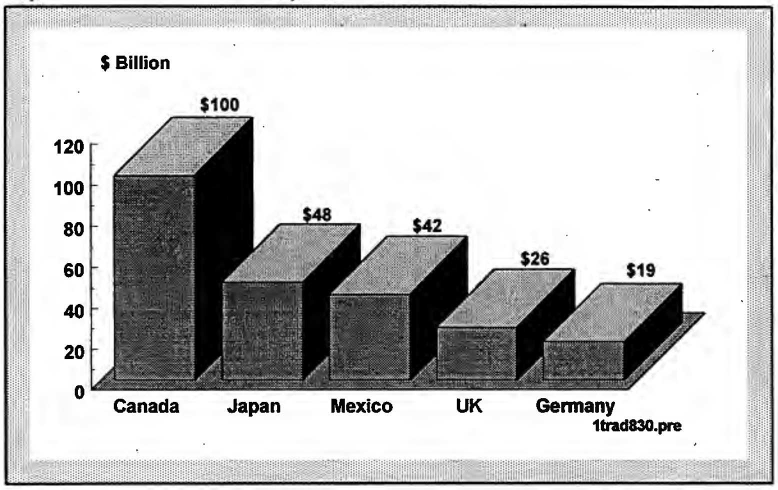
Asia-Pacific Economic Cooperation (APEC): This forum remains one of our primary vehicles for advancing economic cooperation and trade and investment liberalization in the Asia-Pacific region. The Administration is working closely with U.S. firms to ensure that their priorities and interests are fully reflected throughout APEC's ambitious work program. In the past year, U.S. agencies have worked closely with the Indonesian chair to lay the groundwork for the November 1994 Ministerial and Leaders meetings. They will support APEC goals: trade liberalization; human resources development; fostering the growth of small- and medium-sized businesses; infrastructure development; and an increased role for the private sector.

These activities complement the efforts of the office of the U.S. Trade Representative, and the Departments of Agriculture, State, Commerce, and Treasury to expand the U.S. commercial presence in the region using trade policy initiatives. Officials continue to be engaged in negotiations in a wide range of areas, including market access, customs procedures, standards, and intellectual propery. In countries such as China and South Korea, where there are systemic barriers to U.S. business, improved market access is particularly necessary for successful trade promotion work.

Focusing on New Opportunities

Traditional Export Markets

Top 5 Purchasers of U.S. Exports in 1993



While the Big Emerging Markets are a key forward-looking element of our strategy, large industrialized markets also offer excellent prospects for increasing U.S. exports. We have no intention of neglecting such key traditional export markets as Japan, Canada, and Western Europe, which accounted for $262 billion of U.S. exports in 1993, or 56 percent of our global exports. The Administration has initiated several programs to help U.S. firms increase their exports to these markets.

Japan

As the world's second largest economy, Japan offers tremendous potential for U.S. sales. It is already our second largest export market with U.S. exports to Japan in 1993 totaling $48 billion. Japan is currently implementing a 10-year infrastructure investment plan with a value of 430 trillion yen, and there has been some discussion within the Japanese Government about increasing this figure. Japan has a five-year Official Development Assistance (ODA) program of $70 billion plus an additional surplus recycling program. Japan is a key factor in the marketing strategies of U.S. firms for the Asian region as whole since much of the competition they face will be from Japanese companies and much development assistance comes from Japan. From a regional perspective, it is important for our firms to have a competitive presence in Japan.

New opportunities are being created by the far-reaching changes taking place in the Japanese economy. With their enhanced competitiveness and technological expertise, U.S. firms are in an excellent position to capitalize on these conditions. There are enormous infrastructure investments planned by the government in communications, transportation, and social sectors and the Administration is strongly supporting U.S. firms' efforts to take advantage of these and other growth markets.

Our export promotion staff in Japan, totaling 63 members, is our largest contingent in the world and represents about 30 percent of our commercial staff posted in Asia. The staff works closely with such organizations as the American Chamber of Commerce in Japan, the American State Office Association, and industry associations. Cooperation is spreading. For the first time, an interagency group in Washington, DC is coordinating agency promotional programs to mirror efforts at the U.S. Embassy in Japan.

We are now strengthening a wide range of commercial programs to assist our firms in the Japanese market:

- The Japan Corporate Program is a unique cooperative effort between the Commerce Department and 19 U.S. companies in a five-year joint endeavor to establish a strong market presence for each firm in Japan. Many participating firms have already recorded marketing successes from this program. Follow-up with participants to identify what export assistance is most effective is now a key element of this program.
- The Japan Export Promotion Program offers business counseling through the Japan Export Information Center at the Department of Commerce. The Center recently added a "fax-on-demand" system with information on the Japanese market and how to do business there, and on how to participate in Japanese ODA in Asia and elsewhere. The Center recently released the second edition of *Destination Japan: A Business Guide for the 90s*, a comprehensive export guide for U.S. firms.
- Joint Trade Promotion Cooperation Program with the Government of Japan ensures that our export promotion programs and Japan's import promotion programs support and reinforce each other.

Moreover, we are developing an expanded new export promotion program for

U.S. GOVERNMENT SUPPORT HELPS AMERICAN FIRMS ENTER JAPANESE CONSTRUCTION MARKET

U.S. Government advocacy contributed to the selection of A. Epstein & Sons, an American design firm, to help design the Osaka International Conference Center. This represents a recent success resulting from the new Construction Action Plan, an agreement negotiated by the U.S. Government to open construction procurement in Japan. Revised procedures under the plan helped the American firm enter this traditionally protected sector of Japan's construction market.

U.S. Government officials met with Japanese representatives to support Global Trek, a U.S. firm located in Kyushu that imports American building materials. Through these successful meetings, Global Trek secured an agreement with the Kitakyushu Municipal Supply Cooperative (KMSC) to supervise the construction of 36 American-style houses with U.S.-made building materials—a $13 million project. Our commercial staff met repeatedly with Japanese officials to support greater U.S. participation in the housing industry in Japan. We expect continued U.S. Government advocacy in Japan to result in increased opportunities for U.S. firms to participate in construction opportunities in Japan's growing housing sector.

Promotions Pay Off With Japanese Rice Imports

The USA Rice Council and the U.S. Department of Agriculture invested $4 million of Market Promotion Program funds in Japan to enhance the image of U.S. rice. This market development work paved the way for U.S. rice to capitalize on the recent opening of the Japanese market. In the final quarter of last year, $14 million in U.S. rice was exported to Japan; exports grew to $50 million in the first half of 1994. Growth and market share prospects are more secure as a result of such government/private cooperation on well-planned and executed market promotion activities in Japan.

the next year which will include:

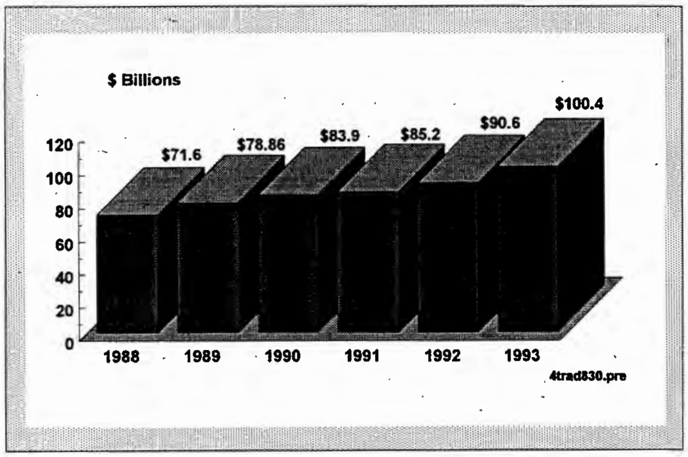
- **Advocacy:** Senior U.S. officials will aggressively intervene on behalf of U.S. business to ensure a level playing field.
- **Financing:** The Advocacy Center will track projects for which Japanese ODA is available, in order to help U.S. firms more fully participate in these financing opportunities. It will track projects in both Japan and third countries.
- **Implementation of a Prototype Export Promotion Program in the Information Technologies Sector:** This program will include several new trade events such as a software trade mission in September 1994, a computer sales mission in mid-1995, and further consultations with firms in this sector in the United States and in Japan.
- **Trade Events**: The American Catalog Show in Osaka, along with other catalog promotions, will take advantage of the booming direct mail order business. Additional trade events will be held for newly competitive and growing sectors such as textile/apparel, outdoor/recreation equipment, and auto parts.
- **Increased Linkage Between Trade Policy and Export Promotion Efforts**: We will press for deregulation in key sectors, including telecommunications and medical equipment. We will monitor the new action plan covering government procurement in the construction sector to ensure that foreign firms are given opportunities to compete in an open and transparent system.

Canada

Canada has been a mainstay in U.S. export performance, with sustained growth even during periods of recession in both countries. No market in the world is as free and open to U.S. goods and services as that of Canada. Close to 97 percent of all U.S.-Canada trade passes freely across our borders without any obstructions or problems. Implementation of the U.S.-Canada Free Trade Agreement (CFTA) in 1989 and the North American Free Trade Agreement (NAFTA) in 1994, have helped remove most of the remaining trade barriers.

Beginning with the CFTA, and extending into NAFTA, our trade initiatives with Canada have offered U.S. businesses significant opportunities in the Canadian market. While the results of NAFTA may take some time to become fully evident, the results garnered from the CFTA are well documented. From 1988 to 1993, U.S. exports to Canada grew from $71.6 billion to over $100 billion. Exports have been particularly strong in those sectors that were faced with high pre-CFTA tariff rates. Between 1988 and 1992, exports in 46 of 98 product

Growth of U.S.Exports to Canada: Total Exports, 1988-93



categories grew 100 percent or more. Based on the positive impact of the bilateral agreement, U.S. and Canadian firms petitioned their governments and received faster tariff removal on over 1,000 products worth $9 billion in the years since the CFTA was implemented.

In the wake of NAFTA, we have mounted an extensive media campaign to alert U.S. exporters to expanded market opportunities in Canada. Key elements of this program include:

- Seventy-six "Doing Business under NAFTA: Customs Rules for Exporters" seminars conducted jointly by the Commerce Department and Federal Express across the United States during January - May 1994. This series reached 17,000 U.S. exporters, and was so successful that a follow-up series is in the planning stages.
- The first North American Business Outlook Conference in May 1994 attended by 600 business representatives and government officials from Canada, Mexico, and the United States.
- A wide-ranging trade events program covering sectors such as: aviation, consumer and industrial products, packaging, hardware, and plastics.

U.S. exporters also have access to our automated fax-on-demand system established at the Commerce Department, which provides answers to the most frequently asked questions about exporting goods and services to Canada, including information on the removal of Canadian import tariffs, NAFTA customs and business travel procedures, and government procurement updates. During the first three quarters of FY 1994, more than 12,000 calls were received.

Western Europe

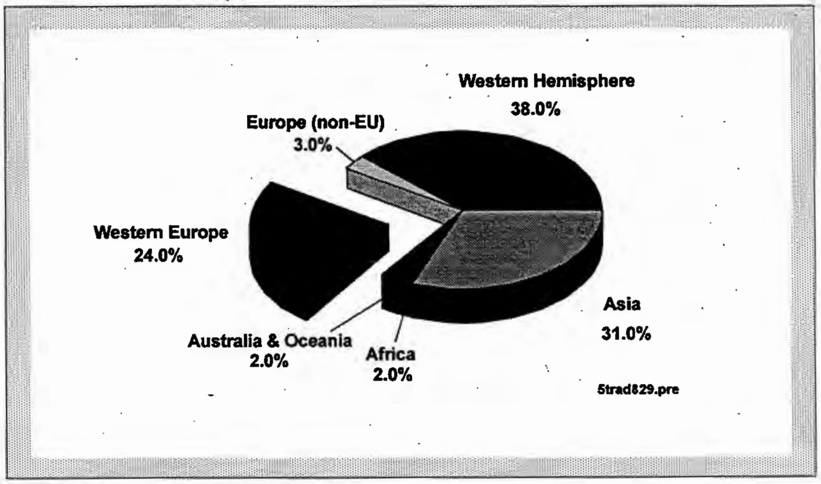
Europe's $7.9 trillion economy is the largest in the world and constitutes a major foreign market for American companies. Our more than $100 billion exports to Europe account for nearly one in every four dollars of exports. Europe presently is in a period of rapid change, as it emerges from the deepest economic downturn since the 1930s. The European Union is expanding to include virtually all economies in Europe, and is rapidly expanding its policy reach.

An economically strong Europe open to American exports and investment is critical to our international economic future. The keys to potentially large increases in U.S. exports and jobs are: (1) resumption of economic growth in

Europe, (2) increased marketing efforts by U.S. firms, (3) tailored government export promotion programs and, (4) ensuring full rights for our companies in the Single European Market. If annual European GDP growth averages 2.5 percent and we can reverse the recent trend in declining market share of European imports, our exports can grow by another $100 billion by the year 2000.

Europe Accounts for Almost One Out of Four Export Dollars

U.S. Trade with Europe is Critical, 1993



Given the huge role of U.S. investments in Europe—nearly $270 billion at year-end 1993—it is vital to ensure that U.S. companies obtain all the benefits of the integrated borderless market. U.S. firms must also be able to participate fully in the major privatization of government-owned firms now occurring in Europe. To keep up-to-date on today's Europe, the United States needs to focus on a number of new growing centers of economic power there.

Showcase Germany. A unified Germany in the heart of Europe represents a major industrialized market for U.S. commercial interests—a $19 billion market for U.S. exports in 1993—but one in which the United States is losing market share and where a sustained and reinvigorated promotional strategy is essential. Germany is an excellent platform from which U.S. sales throughout Europe can be promoted. The United States and Germany, as the world's top two exporting countries, are finding their economies, their enterprises, and their trade and investment activities increasingly linked and interdependent.

"Showcase Germany" is the cornerstone of our program to increase U.S. export sales not only to Germany, but throughout Eastern and Western Europe. The initiative was developed over the past year by our Embassy in Bonn, with active support from a number of Washington agencies, including the Departments of Commerce, State, Agriculture, and the U.S. Information Agency. Showcase Germany has three goals:

> **MUELLER INDUSTRIES REPORTS $1 MILLION IN SALES FROM GERMAN TRADE SHOW**
>
> *As a consequence of U.S. Government overseas commercial support, Mueller Industries, Inc. received $1 million in immediate sales from the October 1993 Munich "IKK" International Trade Fair for air-conditioning and refrigeration equipment.*
>
> *Mueller Industries, located in Wichita, Kansas, is a small business which produces refrigeration and air conditioning equipment, air-filters, copper tubes, valves and fittings. Overseas commercial specialists provided counseling, market research and trade fair participation promotion assistance to both Mueller Industries and the 16 other U.S. companies participating in the fair. Robert Fleeman, International Vice President, collected 97 sales leads at the fair and anticipates $2 million in future show-related exports.*

(1) to demonstrate to the German Government and German industry our recognition of the importance of a cooperative U.S.-German trade and investment relationship;

(2) to reverse the long-term decline in the U.S. share of the German market by increasing the number of U.S. companies selling there; and

(3) to build stronger and deeper economic ties between the two coun tries to support our overall relationship.

Key features of the program include:

- New business information centers in the "America Houses" in Frankfurt, Munich, Cologne, Berlin, and Hannover which give the German business community in each region a single, readily accessible source for information on American products and services. In addition, the Agriculture Trade Office will be integrated with the Consulate General in Hamburg fall of 1994.
- The Berlin "New Traditions" Conference held in September 1994, bringing U.S. and German corporate leaders together with senior government officials to emphasize Germany's commercial importance in the heart of Europe.
- The reopening of the Consulate General in Duesseldorf in June as an American Business Center to bolster the U.S. commercial presence in the heavily industrialized heart of Germany.
- A "Major Customers Initiative," which will build upon recent market openings in the telecommunications, heavy electrical, automotive, and environmental technology fields, by working with major German corporate buyers to match them with U.S. products and services.
- A series of business missions to eastern Germany, co-sponsored by the German Ministry of Economics and the Department of Commerce, will bring American companies to this underdeveloped but promising region. Missions focusing on safety/security and environmental technologies are planned for late 1994.
- A foreign buyer initiative bringing organized buyer groups from throughout east and west Europe to major trade fairs held annually in Germany, where U.S. firms are already exhibiting their goods.
- Expanded advocacy efforts on behalf of U.S. firms competing for major projects in Germany, including a major focus on infrastructure and privatization projects, particularly in the eastern part of Germany.

Next Steps: Developing a Broader European Strategy. Building on our experience with Showcase Germany, we have taken initial steps to develop a broader European strategy designed to assure that U.S. firms benefit from European economic recovery.

Early in September 1994, U.S. commercial officers from across Europe convened in Frankfurt with senior management from the Commerce Department and other agencies to begin developing a new commercial approach to Europe. It will be built on our traditionally strong commercial presence in the United Kingdom; our early successes with Showcase Germany; and a pan-European commercial strategy developed to take advantage of several trends. These include the evolution of Western Europe into a single market, the increasing commercial links between Western Europe and Eastern Europe, and the growth of U.S. exports from U.S. firms to their affiliates within Europe. This new strategy will be one of our top priorities for 1995.

Focusing on New Opportunities
Economies in Transition

"These nations' success is important to the United States for two reasons: first, their prosperity creates growing markets for American products, thus creating jobs and growth in the United States. Second, the failure to make the transition too often means instability and a costly drain on American political, economic, and military resources."

Secretary of Commerce Ronald H. Brown, remarks before the European Council of AMCHAMS, Washington, DC, April 20, 1994

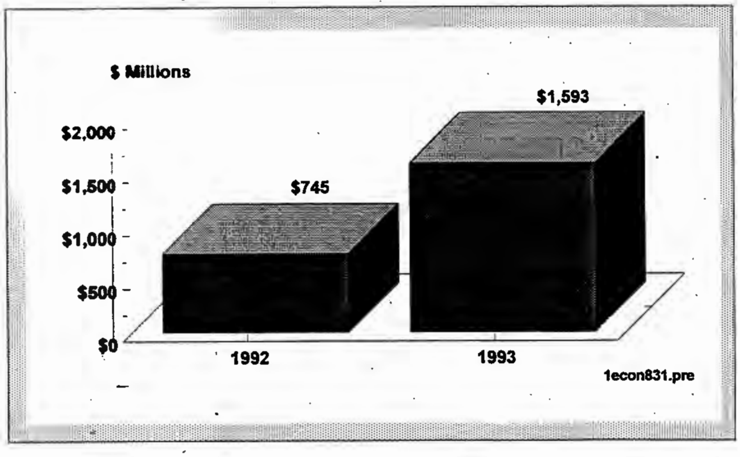
The world has witnessed many dramatic changes over the past five years. From the fall of the Berlin Wall, to the fledgling democracy being built in Russia, to the now famous handshake between two former Middle-East foes in the White House Rose Garden, the global pace of change has been unprecedented. As a result, a new international economic and commercial environment is emerging. Large parts of the world that had once been closed or had remained separate from the market economies of the West are now, slowly, making the transition to a free market system. These developments offer significant prospects for U.S. exports in the coming decades.

Nevertheless, Russia and the other countries of the former Soviet Union, the nations of Eastern Europe, and the West Bank territories are going to need help to make fundamental changes in their economies. In the past year we have launched initiatives to expand U.S. trade and investment with these nations. Most of our efforts have been geared toward opening their markets through the support of business development programs, privatization, and the expansion of U.S. investment. Through a coordinated effort described below, agencies have taken some significant steps not only to strengthen our commercial relationships with these nations, but also to promote political stability and security through economic progress.

Russia And The Newly Independent States

Russia and the other Newly Independent States (NIS)[1] are expected to be among the fastest growing markets of the 21st century, if they succeed with their political and economic reforms. The U.S. Government is pursuing the two-fold purpose of opening these new markets for U.S. goods and services and promoting the growth of market democracies. These goals are complementary. Only the Western business community, not governments, can supply the capital and technology that the NIS will need to reform and restructure their economies. U.S. manufactured exports to Russia doubled in 1993 to $1.6 billion. U.S. companies also increased their investment in Russia, currently estimated at about $1 billion, and maintained their position as the leading Western investors.

Manufactured Exports to Russia Have Doubled



A number of programs and activities support our trade objectives in this region:

[1]NIS: Russia, Ukraine, Belarus, Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan, Uzbekistan, Moldova, Georgia, Armenia,

RUSSIAN OIL & GAS PROJECT PROVIDES EXPORT OPPORTUNITIES

On June 22, Vice President Gore and Prime Minister Chernomyrdin issued a statement supporting the development of a major oil and gas project on Sakhalin Island. The first initiative of the U.S. -Russian Ombudsmen for Energy and Commercial Cooperation, the Sakhalin II Project represents a major step forward in the development of the Russian energy sector and offers a significant opportunity to demonstrate the benefits of western investment and advanced technology.

Total investment for the project is estimated at approximately $10 billion — to develop, produce and transport crude oil, liquid condensates and natural gas — offering major opportunities for U.S. energy sector exporters. Sakhalin II will help to enhance Russia's energy supply in the Far East, provide hard currency to local and regional governments, revitalize the Russian oil and gas industries, and expand international economic cooperation.

OPIC PROGRAM GENERATES AMERICAN EXPORTS

In Russia, U.S. West is designing, constructing and operating a cellular telecommunications network in St. Petersburg that will generate $26 million in American exports. OPIC issued $10 million in political risk insurance to a second U.S. West investment project designed to upgrade telephone services elsewhere in Russia.

In Uzbekistan, Newmont Mining Company is extracting gold with the support of $60 million of OPIC insurance. The Newmont investment will generate over $214 million in U.S. exports.

The U.S. - Russia Business Development Committee (BDC): Launched in June 1992, the Committee has served as the primary interagency vehicle for promoting U.S. trade and investment in Russia. Co-chaired by Secretary of Commerce Brown and Russian Minister of Foreign Economic Relations Oleg Davydov, the Committee identifies and removes impediments to bilateral trade and investment. More than 20 U.S. Government agencies and the business community play an active role in the BDC. The BDC working groups address, among other issues, standards, market access, and commercial opportunities associated with the oil and gas sector and defense conversion. The work of the BDC in combination with the U.S. and Russian Ombudsmen and the Gore-Chernomyrdin Commission[2] contributed significantly to the issuance of Russian Government decrees which called for improvements in taxation and other foreign investment rules. The Ombudsmen have promoted major new opportunities in the oil and gas sector including the Sakhalin II and Timan Pechora projects announced by the two countries' leaders in 1994.

The U.S.-Kazakhstan Business Development Committee and The U.S.-Ukraine Joint Commission for Trade and Investment: Launched in 1994 to develop a bilateral dialogue with other NIS, these Committees focus on eliminating barriers to business and building closer economic ties through private sector cooperation in trade and investment.

Finance: U.S. agencies are active in helping U.S. firms pursuing business in this region:

- As of June 1994, the Overseas Private Investment Corporation (OPIC) had approved more than $635 million in finance and $1.1 billion in insurance for some 40 projects in the NIS having a total investment of over $2.2 billion. An additional $400 million in finance and insurance for projects is pending for the remainder of FY 1994. OPIC has sponsored several investment and reverse trade missions in 1993-1994 and more are planned for the coming year.

- Since it began its program in the NIS, the Trade and Development Agency (TDA) has invested over $32 million on feasibility studies on over 80 projects and a number of other activities.

[2] The Gore-Chernomyrdin Commission, created in June 1993, supports cooperation between the United States and Russia in the areas of space, energy, trade and investment and high technology. At the Commission's first meeting, Vice President Gore and Russian Prime Minister Chernomyrdin agreed to name Ombudsmen to promote energy and commercial cooperation.

TDA STUDIES YIELD MAJOR SALES FOR U.S. EXPORTERS IN RUSSIA

Diesel Engine Upgrade *— TDA provided partial funding ($200,000) for a study on upgrading diesel engines through new fuel injection systems. Caterpillar carried out the study, and has already signed a joint venture agreement with ZiL for implementation of the project with U.S. exports of about $10 million in production equipment; additional exports of components will follow. In addition, Caterpillar has signed a joint venture with ZiL for a related project to install Caterpillar engines in ZiL trucks. U.S. exports over the next three years are estimated at over $60 million.*

Surface Transportation *— TDA provided partial funding ($450,000) for a program to identify priority surface transportation and distribution needs and to carry out feasibility studies on railroad and port MIS projects in Russia. As a result of the program, Sealand is moving forward with port projects in St. Petersburg and Vostochny, and an intermodal terminal in Moscow. Total U.S. exports for these projects, for which OPIC support is pending, are estimated at about $40 million.*

- The Oil and Gas Framework Agreement, signed in July 1993, between the Export-Import Bank of the United States (Ex-Im Bank) and the Russian Government, enables Ex-Im Bank to provide $2 billion or more of financing in support of U.S. exports for the revitalization of the Russian energy sector. In July/August 1994, Ex-Im Bank approved four transactions under the Oil and Gas Framework Agreement with a total export value of $850 million.

Travel by Senior Officials: Numerous senior U.S. Government officials have traveled to the region to promote American business interests. In the last year:

- Secretary of Commerce Ron Brown led a U.S. Presidential Business Development Mission comprising 29 CEOs and officials from 11 U.S. agencies to Russia for a series of high-level meetings with business and government officials.
- OPIC President Ruth Harkin traveled to Russia and the NIS four times — meeting with government officials and leading investment missions.
- Secretary of Energy Hazel O'Leary attended the International Conference on Oil and Gas Law in Russia.
- Ex-Im Bank Chairman Ken Brody went to Russia to establish the operating guidelines for the Oil and Gas Agreement.
- TDA Director Joe Grandmaison traveled to Russia where he signed a series of grants agreements.

TRADE MISSION YIELDS RESULTS

A high-level trade mission to Russia led by Secretary of Commerce Ronald H. Brown in March 1994 helped pave the way for U.S. companies to explore opportunities in the Russian telecommunications, oil, gas, aerospace and medical sectors. The mission facilitated four intergovernmental agreements and 12 commercial deals, which represent hundreds of millions of dollars in near-term trade and investment. The value could exceed $15 billion over the long term.

Communication and Information Dissemination: Since the U.S. private sector can expand its position in the NIS market only through a vastly expanded commercial presence, we have continued to conduct an ambitious communications program:

- The Commerce Department's Business Information Service for the Newly Independent States has expanded its client base to more than 12,000 companies.

DEPARTMENT OF TRANSPORTATION FACILITATES RUSSIAN RAILROAD UPGRADES

As a result of a visit by senior officials of the Russian Ministry of Railways (MOR) and several Russian regional railroads, a contract for $10.7 million was signed by the Gorky Railroad and the Simmons Machine Tool Corporation of Albany, N.Y., for a U.S.-made machine tool trueing facility.

Subject to international lending approval and funding, Morrison-Knudsen Rail Inc. remains in the running to rehabilitate up to $50 million worth of Russian rail passenger cars. Transportation's Federal Railroad Administration provided the liaison between MOR officials and Morrison-Knudsen.

- The Commerce Department has augmented its six NIS posts by opening four American Business Centers (ABCs) to attract and serve new American companies to the market.
- The Consortia of American Business in the NIS program has provided grants to trade associations and groups of U.S. companies to open nine new offices in the NIS to establish a commercial presence.
- The Special American Business Internship Training program has given grants to U.S. companies to provide internships in the United States for 250 citizens of the region.

To introduce the U.S. business community to other emerging NIS markets, the Commerce Department sponsored the Central Asia Business Development Conference in May 1994. Nearly 400 business representatives participated in the two-day event in Washington D.C.

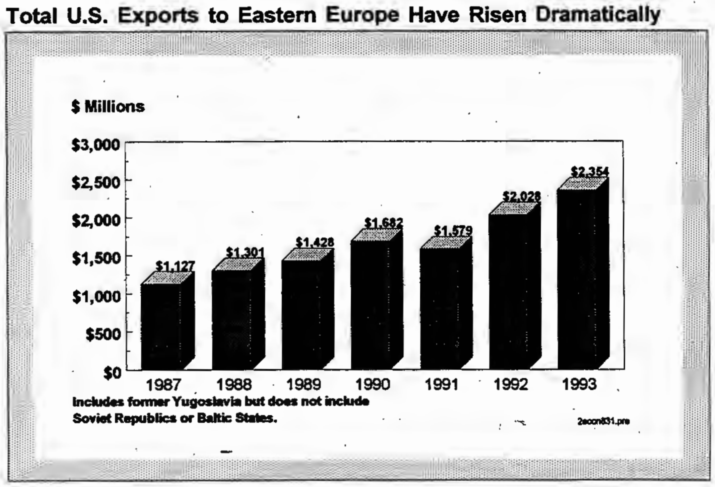
Eastern Europe

The emerging market democracies of Eastern Europe are becoming an important growth market for U.S. exports and a major target for U.S. investment. U.S. exports grew to over $2.3 billion in 1993, building on surging export growth over the previous six years. U.S. companies have invested nearly $8 billion in the region over the past four years; U.S. companies are the leading investors in Hungary, Poland, and Romania. As the region fully emerges from economic recession and as the major state-owned industries are privatized, U.S. commercial links with the region will expand.

We are building a comprehensive trade promotion program to facilitate the involvement of U.S. firms in Eastern Europe. It includes:

- The Eastern Europe Business Information Center at the Department of Commerce, which has expanded its database of companies to more than 13,000. The Center's "Eastern Europe Looks for Partners" program has matched hundreds of U.S. companies with interested East European partners.
- The Consortia of American Businesses in Eastern Europe program, which has provided a commercial presence in the region for five emerging growth sectors and has assisted in the establishment of U.S. companies in the region.
- The American Business Center in Bratislava, Slovakia, which provides much-needed commercial assistance to U.S. companies there.

Total U.S. Exports to Eastern Europe Have Risen Dramatically



"Ultimately, the success of market reforms to the East will depend more on trade than aid. None of us have enough money to markedly change the future of those countries as they move to free market systems in the government coffers. They must grow and trade their way into full partnerships with us."

President Clinton, Remarks to Future Leaders of Europe, Brussels, Belgium, January 9, 1994

- The Commercial Law Development Program for Central and Eastern Europe, which provides expanded assistance for the drafting and implementation of issues as diverse as ethics regulations in Poland and Bulgaria's GATT accession. It has placed a resident advisor in Albania to advise that government on trade policy issues.
- The White House Conference on Trade and Investment in Central and Eastern Europe, planned for early 1995. The Conference, announced by President Clinton during his January 1994 visit to Prague, will focus on the evolving commercial climate in the region. After the Conference, special emphasis will be given to matching up U.S. and East European firms.
- The "Muenster Process," or the annual West-East Conference of Ministers of the Economy, Industry, and Trade. This set of annual high level meetings was initiated by Germany three years ago to focus G-7 attention on the micro-economic problems of business development in Eastern Europe and the NIS to foster a dialogue between Western and Eastern public and private sector representatives. The United States will host the fourth "Muenster Conference" in spring 1995.

Our finance agencies are actively supporting U.S. trade and investment in this region.

- TDA has invested more than $12 million in Central and Eastern Europe since 1993. Recent activities include two TDA sponsored conferences in Budapest, one on Geographic Information System (GIS) technology, the other on highway construction opportunities for American companies.
- OPIC has committed to provide $250 million of loan guarantees and insurance services as part of the Administration's regional initiative to support privatization, market reform, and democratization. It has established a new fund, Poland Partners LTD., which has raised $65 million in capital and which will soon be ready to make investments in Polish businesses. OPIC will also lead investment missions to Hungary in October 1994 and to the Baltic nations early next year.

The Middle East

U.S. trade and investment plays a critical role in promoting our foreign policy and national security interests in the Middle East. This role has grown in importance as the Middle East peace process continues to move forward. The countries in the Gulf Cooperation Council (GCC), which include Saudi Arabia, Kuwait, United Arab Emirates, Bahrain, Qatar, and Oman, in themselves, represent a growing $10 billion export market for the United States. Thus, we are pressing forward with a variety of commercial initiatives in this region.

MIDDLE EAST MISSION LEADS TO INVESTMENT

As a result of Secretary of Commerce Ron Brown's mission to the Middle East in January 1994, a U.S. firm, Culligan, signed a $___ deal to develop a demonstration water purification and cooling system for the Bethlehem Arab Center for Rehabilitation in the West Bank. A leading sponsor of "Builders for Peace", a private sector initiative to promote trade and investment in the West Bank and Gaza, Culligan is also negotiating with local Palestinian business people to set-up a joint venture to bottle mineral and fruit- flavored water.

"We would have never been able to enter this market without the support and direction of the Secretary of Commerce. We are already looking at four different projects in the Territories. For example, we are finalizing an OPIC protocol and financing for a bottled water company in Jericho." Steven J. Green, Chairman of Culligan.

In January 1994, Secretary of Commerce Ron Brown led an interagency group to Israel, Gaza/West Bank, Egypt, Jordan, and Saudi Arabia to address a wide range of U.S. economic interests and to reinforce the importance that the United States places on this market. During the visit he signed a Memorandum of Understanding establishing the U.S.-Israel Science and Technology Commission and co-chaired the Commission's first meeting. He and members of the interagency team also held meetings with heads of state and senior trade and economic officials as well as business leaders.

The Departments of State and Commerce are also working closely in an effort to encourage abandonment of the Arab Boycott of Israel. In meetings throughout the year with Arab leaders, including the Arab League Secretary General, we have urged that steps be taken to end their boycott. The boycott remains an impediment to regional economic integration and private sector growth, and the United States is committed to working toward its elimination.

Although the United States is well positioned to maintain and even increase its share of the $110 billion that the region imports annually, we must nevertheless work to counter intense competition from the Europeans and the Japanese who consistently provide competitive financing and high-level advocacy for their domestic industries.

Because of this competitive atmosphere, U.S. Government advocacy efforts on behalf of American firms will continue to play an important role in our commercial activities in the Middle East. Last year, with advocacy support from the President, Secretary of Commerce Ron Brown, Secretary of State Warren Christopher, Secretary of Transportation Federico Pena, and other senior officials, American firms were awarded major aircraft and telecommunications contracts—totalling $10 billion—by the Saudi Arabian Government.

During the coming year, our activities will include:

- Active involvement in the U.S.-Israel-Jordan Trilateral Economic Committee and the Regional Economic Development Working Group—to ensure that the American business community plays a significant role in Middle East economic development.
- Administering an Agency for International Development-funded grant to Builders for Peace—an organization created to encourage private sector development in the West Bank and Gaza. With support from the Office of the Vice President, the Commerce Department and OPIC, Builders for Peace is organizing a trade mission for Palestinian business representatives to visit several cities in the United States. These representatives will meet with their American counterparts to explore trade and investment opportunities. A reciprocal mission comprised of U.S. business representatives is planning to travel to the West Bank and Gaza early in 1995.

OPIC has committed $125 million in financing and insurance for projects in Gaza and the West Bank by the end of FY 1995.

- Promoting additional private sector development as well as financing for new projects in the West Bank and Gaza. The process has already begun with the signing of a new OPIC agreement for West Bank/Jericho.
- Supporting technology transfer programs that provide opportunities for American business while at the same time stimulating economic development and private sector growth in the Middle East. A business center was opened in Tel Aviv in July 1994 to provide business counseling services to American firms seeking science and technology business ventures with Israeli firms. Also, the United States has established an ongoing dialogue with the Egyptian Government on the possible establishment of Manufacturing Technology Centers in Egypt. These Centers would be similar to those created in the United States to assist small firms in the manufacturing sector.