

ETTAC

Environmental Technologies Trade Advisor Committee

June 16, 2003

Dear Mr. Secretary,

The International Trade Administration (ITA) of the Department of Commerce currently faces two major issues that are of particular interest to the U.S. environmental technology industry and to the Environmental Technologies Trade Advisory Committee (ETTAC).

First, we understand that ITA is in the process of implementing a major reorganization that will have significant implications for the coverage of, and resources allocated to, specific industry sectors within ITA. In that context, ETTAC strongly recommends that the U. S. environmental technology industry continue to be a priority in the work of the new ITA. The U.S. environmental industry is critical to the U.S. economy and to global environmental protection. In 2002, the U.S. environmental technology industry generated over \$214 billion in revenues, employed some 1.4 million people, and exported \$22.4 billion. The industry is highly competitive in the rapidly growing international market for environmental goods and services.

Secondly, we also understand that the mandate for the new ITA calls for a greatly increased and strategic focus on the China market. We support this mandate entirely, and recommend that the environmental sector be a key component of any ITA strategic plan or pilot project on China. This approach can generate major economic, trade, and social benefits for our industry and for China.

It is estimated that the rate of growth for environmental goods and services in developing nations averages in excess of 10%, compared to 2-5% in developed nations. Yet with this extraordinary potential lies a significant challenge to U.S. companies in their ability to successfully compete in the \$500+ billion dollar environmental market. Of all the emerging markets, China is likely to represent the greatest potential as the world's fastest growing market with an urgent need for environmental technologies and services. However, performance to date of U.S. exporters has been weak in this arena compared to our competitors. Particularly troubling is our industry's inability to penetrate the Chinese market at an early stage that we believe prevents American environmental exporters from gaining market share in the long term. Early entry is critical in this strategically important market.

The ETTAC strongly recommends that a focused, coordinated U.S. Government program, led by the Department of Commerce, be undertaken to help our industry develop early entry market strategies into China. Existing trade sanctions render many of

the traditional U.S. Government commercial tools inoperative in this highly competitive, burgeoning market. We urge the U.S. Government to shift resources to allow for short-term program implementation that fosters the long-term relationship building so essential for success in Asian markets. To this end, ETTAC offers to participate in such a focused effort to help the Department define key program elements, identify critical requirements, and nurture key relationships.

Thank you for your kind attention.

Sincerely,

Julie M. Haines
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Chair, ETTAC