International Exporting Business Experience through the Greene County Pilot Export Assistance Program

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INTERNATIONAL EXPORTING BUSINESS EXPERIENCE THROUGH THE GREENE COUNTY PILOT ASSISTANCE PROGRAM

A INTERNSHIP REPORT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF SCIENCE

By

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B.A., Shanghai University of Finance and Economics, 1985

1994
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INTRODUCTION

The Greene County Pilot Export Assistance Project, an academic-corporate-government partnership program, is a dynamic program to assist small and medium-sized companies realizing export potentiality and capturing a share of international markets. This program is an ongoing program that is expected to last from one to two years. My part consisted of a one quarter study of the export assistance programs, processes and outcomes for selected Greene County firms, that were interested in expanding their existing export markets or have exportable products or services ready for the international market. The project entails training in the use of National Trade Data Bank (NTDB) and other information sources, as well as, specialized training sessions provided by a national professional expert on export assistance.

The Greene County Pilot Export Assistance Project consists of three distinct groups with this common goal. On the government side is the Greene County Development Department headed by Mr. Philip Houston and the Xenia Economic Growth Corporation headed by Mr. Dale Grimes Jr. The Greene County Development Department and the Xenia Economic Growth Corporation are both vitally interested in job creation and overseas market explosion. Both organizations recognize that any revenue produced in Greene county adds to the potential tax base for both Greene county and to the City of Xenia. On the corporate side are two companies and one individual that expressed interest in being assisted. They are File Sharping Company, whose primary business is sharpening of various type of industrial files, Superion Company, producer of industrial cutting tools, and Mr. Jon B. Hudson a sculptor.
The academic portion of the project is headed by Dr. Joseph A. Petrick, Team Director, Department of Management, Wright State University and a team of graduate student interns. Wright State University is interested in furthering its interaction with the local community as a metropolitan university, and to provide valid internships for the graduate students participating in the project. The student intern team consists of Ms. Amy Anderson, and Mr. Long Wu both MBA students and Ms. Joyce Kabiu and myself, both M.S. in Social and Applied Economics students. The graduate student interns selected to undertake this important project were expected to evaluate the export potential for the interested Greene county companies. And if the evaluation was positive, they were to select target markets overseas based on information contained in the NTDB.

Training on the use of export assistance tools using National Trade Data Bank (NTDB) was funded by the two government agencies and was by conducted by Mr. Gary Kunkle, President, International Market Development, 2110 Lancecrest Drive, Garland, Texas. He was assisted by Mr. Philip Flynn, Wright State University Library, a technical expert in the use of the NTDB. This paper is a report on the research outcomes for one of the participants in the project, Superior Corporation, the firm which I was assigned by Dr. Petrick to assist.

NATIONAL TRADE DATA BANK (NTDB)

1. An Overview of the NTDB

The National Trade Data Bank (NTDB) is recognized as an indispensable tool to help increase American exports through export promotion, technological development, and information dissemination. Because the NTDB provides the timely international marketing
information necessary for U.S. firms to compete globally, the NTDB is an important element in a dynamic export promotion program. The NTDB is also used by other organizations such as trade associations, economic development organization, small business development centers, universities, and libraries. In addition, federal, state, and local government officials use the NTDB to support U.S. export development activities and to analyze international economic trends.

The NTDB's origins dates back to 1988 with the enactment of the Omnibus Trade and Competitiveness Act. This legislation directed the Commerce Department to collect in one place the federal government's extensive offerings of information on international trade and export promotion. Fifteen other federal agencies that collect and disseminate trade information were directed to work with the Department of Commerce toward this goal. The data bank which resulted from this effort makes federal trade information available to virtually every U.S. citizen in electronic format.

The NTDB was designed to bring a vast amount of information into the hands of individuals. The NTDB contains over 100,000 different documents—the equivalent of more than 500,000 single-spaced typewritten pages, or three complete sets of the Encyclopedia Britannica. The CD-ROM media chosen to store the data bank and software has proved to be the ideal vehicle for delivery of the NTDB. It is inexpensive to produce and easy to distribute, it works with common microcomputers, and the CD-ROM technology is readily accepted in many libraries, providing access to almost everyone. The NTDB, which focus on the theme "Export: Generating Jobs for Americans," shows how the federal government can be a powerful resource for U.S. exporters. The NTDB includes
government-sponsored market research by country and product, foreign interest and exchange rates, stock price indexes, foreign labor costs, and import and export statistics by country and commodity. It is an extremely helpful and useful Department of Commerce service where the user selects needed international trade and economic information and the NTDB provides it in a convenient electronic format. The NTDB is an invaluable resource for businesses making crucial decisions about exporting in today's complex and competitive international market.

2. Getting Started Using the NTDB Program

Turn on your PC. If you have an external CD-ROM drive, make sure it is turned on before you turn on your PC. The PC must recognize that a CD-ROM reader is attached before it can access it. If you do not have a menu set up on your machine to directly access the NTDB, go to your DOS prompt.

At the prompt, which may be "C>", enter "E>". (this is the designation for the CD-ROM drive. If your machine has designated a different drive name, enter the drive, followed by a colon.) Note: Some computer systems use 'enter' or 'return' to designate the same key. For the purpose of clarity, "enter" will be used throughout this documentation. At E>, Enter "NTDB" and press enter. You will then see the following menu:

Welcome to the

NATIONAL TRADE DATA BANK

The Export Connection
Choose a selection from the list below:

Access the National Trade Data Bank (NTDB)

1. using the BROWSE program
2. using ROMWARE (r)

Access the Foreign Traders Index (FTI)

3. using the BROWSE program
4. using the ROMWARE (r)

5. Access documentation for the NTDB

6. Exit the NTDB Menu

At the prompt below, enter 1,2,3,4,5, or 6 and press enter

Using the Romware Program on the NTDB

At the menu, select either choice "2" to search the NTDB with ROMWARE or choice "4" to search the FOREIGN TRADER INDEX with ROMWARE, and press enter.

You are now in the section that allows you to choose market research reports. To find a desired report, choose from a combination of the selection keys: COUNTRY, COMMODITIES, PROGRAM, etc (all listed contents attached).

For example, you want to see a report on the TEXTILE MARKET in CHINA. (you can substitute any country and industry for other searches.)

Move the cursor to COUNTRY and highlight by pressing ENTER. Now you see
the beginning of the country list. Type CHINA and press ENTER.

Press ESCAPE and you will return to the selection option screen.

Move the cursor to COMMODITIES and highlight by pressing ENTER. Now you see the beginning of the commodity list. Type TEXTILE and press ENTER.

Press ESCAPE twice, you will see CHINA and TEXTILE on the screen. Move the cursor to CHINA and press "Alt-B" at the same time, then choose "AND" and press it. You will find the results of your report.

3. Simple Guide....

a. Use arrow keys to move up and down menus.

b. Choose an index from the "Choose an Index" window and a corresponding Item Selection Menu will appear.

c. Select one or more items from the menu.

d. Return to "Choose an Index" window by pressing Escape to identify additional search criteria.

e. View the selected search pattern in the Search Editing Menu by pressing Escape twice.

f. To Delete a selection scroll down to the line and press "Ctl-D".

g. Press "Ctl-B" at the same time to list the Boolean choices.

h. Scroll down to the second or later line and choose a boolean by typing the "ALT" key and choosing

i. To commence a Hypersearch (search of the criteria you have selected) press "ALT-0".

j. Once in a file, you can move down the page using the arrow keys.

k. To view the next record, press "F8"; to view a previous record, press "F7".
To print a record or a record set, access the file menu ("F10") and choose "print current record" or "print record set".

RESEARCH MARKET ANALYSIS

Founded in 1990, Superion Inc. has expertise in producing precision solid carbide and solid carbide tipped special cutting tools. The company was originally organized as an Ohio corporation under the name: Sanyo Tool of Ohio, Incorporated, and has more than 20 years history of producing cutting tools. Superion Inc is an industry leader in the research and development of and in producing cutting knives which are specialized for cutting man-made fibers. The cutting knives they produce have some major advantages over those offered by competitors: 1. Blades are crafted from the finest premium grade tungsten carbide which is harder than steel, 2. Blade edges are 100% inspected under magnification to guarantee requirements, 3. Blades hold their edge up to 20 times longer than steel blades because they are made of tungsten carbide, and 4. Blades have a higher quality/price ratio because they continuously implement new technologies. In an effort to increase the volume of exports, the company is planning to set up a direct distribution center in Xenia, Ohio to service their worldwide clients. In an effort to provide Superion with target markets, I have selected the textile industry to evaluate. Since the NTDB does not provide sufficient detail to directly evaluate the cutting blade market, I chose to evaluate the textile industry in three countries since cutting blades produced by Superion are used exclusively in this industry. Additionally, I believe it makes economic sense to believe that the textile industry and the cutting blade production to be directly linked. As production of textiles increase so does the demand for cutting
TARGET MARKET ANALYSIS

Mexico, Indonesia and China are selected as potential target markets for Superion's cutting blades those evaluations are derived from NTDB. The reasons I picked the above three countries are that Mexico is a member of NAFTA and is a major supplier of textiles to U.S. markets. Both China and Indonesia not only have large populations, but are also growing rapidly. China and Indonesia are both large producers of textiles. Moreover, all three countries are listed in the top rank for Best Market FY1993 for textile machinery and equipment by the U.S. & Foreign Commercial Service (US&FCS)-Washington D.C.

Mexican Textile Market

1. Overview

Total textile sales equalled US$1.36 billion in 1990, US$1.40 billion in 1991 and US$1.283 billion in 1992, representing first a 3 percent increase and then a fall of 8.3 percent. Despite this fluctuation, the demand for imported textile steadily increased over the same time period, growing from US$257 million in 1990 to US$ 451 million in 1992, increasing market share form 19 to 35 percent. Industry expectations are that market share for imported textile will continue to grow over the next three years until it reaches about 41 percent. Between 1990 and 1992, U.S. sales in Mexico actually fell 29 percent, from US$186 million to US$132 million, and its import market share fell from 72 to 29 percent. Gaining sales and market share were producers from HongKong, Taiwan, South Korea, Japan, and Europe. However, opportunities do exist, as general economic growth in Mexico is rooted in strong fundamentals and the North American Free Trade
Agreement (NAFTA) is likely to have profound effects in increasing the importance of U.S. imports into Mexico. New relationships between U.S. and Mexico textile manufactures have the strong potential to make both more competitive with the rest of the world.

Cutting blades produced by Superion are widely used in the textile industry. With Mexico's demand for U.S. textile products increasing, expansion of cutting blades into Mexican market makes economic sense.

2. Statistical Data

Table 1, The Mexican Textile Market ($ Millions)

<table>
<thead>
<tr>
<th></th>
<th>1990</th>
<th>1991</th>
<th>1992</th>
</tr>
</thead>
<tbody>
<tr>
<td>Imports</td>
<td>257</td>
<td>385</td>
<td>451</td>
</tr>
<tr>
<td>Local Production</td>
<td>1,169</td>
<td>1,088</td>
<td>901</td>
</tr>
<tr>
<td>Exports</td>
<td>67</td>
<td>71</td>
<td>70</td>
</tr>
<tr>
<td>Totals</td>
<td>1,359</td>
<td>1,402</td>
<td>1,282</td>
</tr>
</tbody>
</table>

Source: NTDB, October 1993

Table 2, Import market share for 1992

<table>
<thead>
<tr>
<th>Country</th>
<th>Market Share (Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>29 %</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>12.7 %</td>
</tr>
<tr>
<td>Taiwan</td>
<td>7.2 %</td>
</tr>
<tr>
<td>Japan</td>
<td>6.4 %</td>
</tr>
<tr>
<td>Italy</td>
<td>3.9 %</td>
</tr>
<tr>
<td>China</td>
<td>3.0 %</td>
</tr>
<tr>
<td>Brazil</td>
<td>1.3 %</td>
</tr>
<tr>
<td>Spain</td>
<td>0.8 %</td>
</tr>
</tbody>
</table>

Source: NTDB, October 1993
The growth of the total textile market for the next three years is estimated to be 6 percent per annum. This is a complex estimate based on macro-economic productions, statistical research, and interviews with local experts. It takes into account likely trends in overall inflation, purchasing power, investment, population growth, and how these impact the demand for textiles. U.S. imports for the same period are expected to increase 35 percent.

3. Market Assessment

The most important user of textiles by far is the apparel industry, accounting for 65 to 70 percent of all domestic purchases and 85 to 90 percent of all import purchase. Most of the remainder is purchased by linen, blanket, curtain and upholstery manufacturers, or for home use. The rest is for industrial use in such things as tires, airplane wings, filters, and non-woven fabric for crop covers. Projected real growth for the Mexican apparel industry is 2.7 percent for 1993, based on World Bank studies of developing country which projects a one percent growth of the apparel industry for each percentage growth GDP. One 1991 Mexican apparel industry study predicts that domestic market share for Mexican the apparel manufacturers will steadily decline from what was 83 percent in 1990 to 72 percent in 1995. Some reasons for this decline revolves around the need for domestic manufacturers to modernize their plant and design facilities in order to compete with foreign manufacturers who now have access to the Mexican market.

Until recently, modernization programs have been hampered by tight fiscal and monetary policies contributing to high domestic interest rates. Domestic investment
figures for the last decade are unavailable, but new foreign investment in Mexico’s textile and apparel industries totalled about US$100 million. The majority of the foreign investment in the textile industry came from the U.S. NAFTA will likely generate only a minor increase in foreign investment in the short run, but may generate a considerable increase over the long run.

4. Best Sales Prospects

Considerable opportunities exist in Mexico for the sale of textiles for fashion apparel, high quality furnishings, or hi-tech industrial use. The Mexican apparel industry is increasingly demanding more imported textiles that eventually find their way as finished goods to upper-end domestic household, exports, and corporate customers.

Apparel manufacturers reported significant imports of polyester and its blends with rayon, wool, and acrylic. Also popular are light wool blends, poplin, cotton blends, rayon, linen-rayon, jacquard, microfiber, high quality gaberdine, as well as drilling and washed silk. The following list of products appear to have the greatest import demand.

<table>
<thead>
<tr>
<th>Type of Textile</th>
<th>1992 Sales ($Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Synthetic and Man-Made</td>
<td>259</td>
</tr>
<tr>
<td>Cotton</td>
<td>71</td>
</tr>
<tr>
<td>Knitted</td>
<td>24</td>
</tr>
<tr>
<td>Wool</td>
<td>16</td>
</tr>
<tr>
<td>Silk</td>
<td>4</td>
</tr>
<tr>
<td>Other</td>
<td>3</td>
</tr>
</tbody>
</table>

Source: NTDB, October 1993
5. Competitive Situation

Domestic production satisfies the bulk of domestic textile consumption and consists roughly of two-thirds man made fiber and one-third cotton. Estimated total domestic textile production in 1992 was US$901 million, representing a two year decline of 18 percent. Projected growth in textile production for the next three years is only 4.5%.

Of the US$1.28 billion of textiles sold in Mexico in 1992, an estimated 451,357 tons, worth about US$1 billion, went to satisfy domestic consumption needs.

Protected by nearly 40 years of import substitution policies, Mexico's textile (and apparel) manufacturers are now having a difficult time competing with international producers. Foreign producers can supply higher quality, and often, less expensive products. Traditional customers are exhibiting little or no loyalty to the domestic producers upon whom they once depended. As imports steadily gain market share, inefficient domestic and lowest quality producers are the first close their doors.

Government in corporation with industry are undertaking programs to assist domestic producers. The primary focus of the Committee for the Promotion of Investment in Mexico is on the acquisition of modern technology for the domestic textile industry. In addition, large Mexican textile companies are beginning to corporate in order to consolidate Mexican expertise, search for competitive advantages, and explore what may be new market opportunities in the U.S. resulting from NAFTA. Until recently, Mexico's textile industry has been characterized by the following features:

-- Lack of modern manufacturing equipment.

-- A few, large-scale foreign affiliated man-made fibre producers, specializing in synthetics for cotton system spinning and servicing domestic mill needs
amounting to 350,000 tons.

-- A short-staple cotton sector, geared to earning foreign exchange, with an output of around 150,000 tons for exports.

-- Numerous small-scale, often underground, spinning, weaving finishing and apparel facilities, usually organized along family or ethnic lines servicing the bulk of Mexican demand.

-- A few large-scale apparel manufacturers, usually foreign affiliated, that are geared to exports.

In 1992, textile imports totalled US$451.6 million. Historically, these have been the finer fabrics destined for export, upper-income household consumption, and corporate customers. A breakdown of 1992 imports by textile type follows in table 4.

Table 4, 1992 Import by Textile Type

<table>
<thead>
<tr>
<th>Type of Textile:</th>
<th>Percentage of Import Market:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Synthetic and Man-Made</td>
<td>69 %</td>
</tr>
<tr>
<td>Cotton</td>
<td>19 %</td>
</tr>
<tr>
<td>Knitted Fabric</td>
<td>6 %</td>
</tr>
<tr>
<td>Wool</td>
<td>4 %</td>
</tr>
<tr>
<td>Silk</td>
<td>1 %</td>
</tr>
</tbody>
</table>

Source: NTDB, October 1993

Between 1990 and 1992, the U.S. share of the import market fell dramatically from 72 to 29 percent. In dollar terms, sales fell almost 29 percent, from US$186 million in 1990 to US$132 million in 1992. Noteworthy is that interviews with important Mexican apparel manufacturers suggest that perhaps 50 percent to 60 percent of textiles they imported from the U.S. probably originated from Asia. Most felt that less than 10 percent were actually made in America.
Gaining sales and market share these past two years were producers from Hong Kong, Taiwan, South Korea, Japan, and Europe. Hong Kong, Taiwan, and South Korea competed successfully in low priced finished textiles in a wide variety of colors and designs. Japan and Europe (Italy, Spain, France, and Germany) competed successfully with well designed, high quality textiles for high fashion apparel. Sales of European fabric were usually handled directly, but sales of Asian textiles were usually handled by distributors.

Industry observers believe that NAFTA may provide an excellent opportunity for American textile producers to recover lost market share. Conventional wisdom argues that U.S. imports will increase at the same rate as duties under NAFTA decrease; about 4 percent in the short run, and 13 percent in the long run. But this prediction could be somewhat conservative, because it does not take into account such factors as Mexico's rapid population growth, age demographics, or likely rise in purchasing power. Moreover, NAFTA will encourage U.S. producers to focus more on the Mexican market, better exploiting lower transportation costs and shorter delivery times along with lower import duties. Under NAFTA, U.S. producers will be able to compete not only on quality, but also on price and service.

6. Key Contact List

The following individuals and agencies can provide specific information regarding various aspects of Mexico's textile industry and are provided as a starting point for Superion's Export Manager.
Tocaz-Mex S.A. de C.V.
(Fabric Producer and Importor)
Bradley N 30
Colonia Anzures
Delegacion Miguel Hidalgo
11590 Mexico, D.F.
Phone: (525) 545-2803
Fax: (525) 250-3268
Contact: Lic. Jorge Campos
Director General

Camara Nacional de la Industria Textil
(National Chamber of Chamber of the Textile Industry)
Plinio N 220
Colonia Polanco
Delegacion Miguel Hidalgo
11510 Mexico, D.F.
Phone (525) 280-8637
Fax: (525) 280-3973
Contact: Lic. Fernando Rivero

Director General
Soltex S.A. de C.V.
(Fabric Producer and Importer)
Joselillo N 9
Colonia del Parque
Naucalpan
53390 Estado de Mexico
Phone: (525) 557-5155
Fax: (525) 3952492
Contact: Mr. Herminio Arozqueta Aboumrad

Tejer S.A. de C.V.
(Fabric Producer and Importor)
Venustiano Carranza N 131-A
Colonia Centro
Delegacion Cuauhtemoc
06060 Mexico D.F.
Phone: (525) 542-2396
Fax: (525) 542-2117
Contact: Mr. Alejandro Espinosa
Chinese Textile Equipment Market

1. Overview

Imported equipment and technology will play a pivotal role as East China's textile industry modernizes to compete in the international market. According to China's 8th Five Year Plan (1991-1995), the East China region will invest a total of US$1.14 billion to restructure its textile industry, spending US$260 million for imported equipment and technology, US$420 million for plant and infrastructure construction and US$460 million on domestic equipment for technical upgrade projects.

The East China region, which includes Shanghai Municipality and the provinces of Jiangsu, Zhejiang, and Anhui, is China's principal textile production base. It contains 50 percent of the country's textile production capacity. As it invests in modernization over the next three years, the industry will develop its cotton and wool weaving, yarn spinning, garment assembly and chemical/synthetic fiber production. Imports will be
concentrated on airjet looms, rapier looms, knitting machines, chemical fiber production equipment, and technology to improve dyeing, printing and finishing techniques. East China also expects to develop its textile machinery industry through technology licensing agreements with foreign firms.

Shanghai will spend approximately US$130 million on textile equipment imports. Zhejiang and Jiangsu will spend about US$50 million and US$80 million on equipment imports respectively.

U.S. companies are not aggressive in the Chinese textile market. Awareness of U.S. equipment, and, at 3 percent, the current U.S. market share, are both negligible. Potential end-users are drawn to the more active German, Italian and Japanese firms. Interested U.S. firms have also been unable to compete with the concessional loans provided by many European governments. U.S. equipment and technology is competitive in the dyeing and pre-treatment processes and should be able to expand their market share. Foreign competitors dominate the market for weaving, spinning and knitting equipment.

2. Statistical Data

Table 5, The Chinese Textile Market ($ Million)

<table>
<thead>
<tr>
<th></th>
<th>1990</th>
<th>1991</th>
<th>1992</th>
</tr>
</thead>
<tbody>
<tr>
<td>Imports</td>
<td>20</td>
<td>63</td>
<td>30</td>
</tr>
<tr>
<td>Local Production</td>
<td>99</td>
<td>73</td>
<td>143</td>
</tr>
<tr>
<td>Exports</td>
<td>34</td>
<td>50</td>
<td>58</td>
</tr>
<tr>
<td>Total Market</td>
<td>85</td>
<td>86</td>
<td>115</td>
</tr>
<tr>
<td>Import from U.S.</td>
<td>0.5</td>
<td>0.5</td>
<td>0.8</td>
</tr>
</tbody>
</table>

Source: NTDB, September 1993
<table>
<thead>
<tr>
<th>United States</th>
<th>3 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>35 %</td>
</tr>
<tr>
<td>Italy</td>
<td>25 %</td>
</tr>
<tr>
<td>Germany</td>
<td>20 %</td>
</tr>
</tbody>
</table>

Source: NTDB, September 1993

3. Market Assessment

During 1991, the Chinese textile industry's profits declined, with 44 percent of the industry's firms losing money. Some of the problems facing the industry are: declining efficiency, outdated equipment, over-production, shortage of domestic raw materials, rising costs of cotton and a slowdown in the international market due to the worldwide recession.


To maintain its international market share, the industry will modernize by eliminating outdated equipment (in particular an overcapacity of spindles) and will reach international standards by upgrading quality and efficiency. For example, China has 350 workers per 10,000 spindles, while Italy has 15 workers per 10,000 spindles. The labor-intensive nature of China's textile industry makes for inconsistent quality. The low worker productivity also offsets China's competitive labor costs.
a. **Market Demand**

China has approximately 40 million spindles, of which 13 million are outdated (1950's-1960's) and 3 million are antiquated (pre-1949). There are also approximately 860,000 looms, of which 250,000 are outdated. With 20.18 million spindles and 408,000 looms, the East China region possesses half of China's textile production capacity.

Shanghai has 2.5 million spindles, 1.1 million of which have been in continuous use since pre-1949. The textile Ministry set targets for Shanghai to retire 600,000 spindles by 1996 (200,000 by 1993) and to replace 500,000 other spindles by 1996. China will produce the spindles domestically but will import equipment and technology to control spindle operations. The Ministry has not set targets for looms. To date, Shanghai has voluntarily removed 84,000 cotton spindles, and 2,000 wool spindles.

Within Shanghai, enterprises in the new Pudong economic development zone will receive US$66.8 million to import new equipment for 10 large projects. These projects involve renovating 5 existing Pudong mills and constructing 5 new mills (relocated from the western bank of the neighboring Huangpu river). In 1992, Shanghai will also invest in 80 additional technological upgrade projects, 15 of which will rely upon imported textile equipment.

Jiangsu province has over 5 million spindles which are operating at 85 percent capacity. Over the next three years, the province plans to replace 1 million spindles while retiring approximately 400,000 spindles.

b. **End-User Profile**

Shanghai currently has the largest concentration of textile production in China.
Shanghai's textile exports amount to 10% of China's total textile exports and 40% of Shanghai's total industrial output. The Shanghai textile industry includes 12 corporations (spinning & weaving, dyeing & finishing, knitting, toweling & bedsheeting, handkerchief, dyed yarn weaving, thread & ribbon, chemical fibers, woolen & Jute, silk garment making, textile machinery and machine accessories), 13 research institutes and 3 textile colleges. There are 540 factories (404 State-owned, 69 collectively-owed, 6 collective and state-owed, and 61 Sino-foreign joint ventures). Its workforce exceeds 520,000.

The Jiangsu Provincial Textile Bureau includes more than 700 enterprises and produces one-third of Jiangsu's exports. The bulk of its imported equipment is from Germany, Italy and Japan. During the next three years, the Bureau plans to import equipment to improve labor productivity and raise quality rather than increase production volume.

4. Best Sales Prospects

During China's 8th Five Year Plan (1991-1995), there will be many opportunities to enter the East China market for imported machinery. In Shanghai, technical upgrade projects will require imported equipment in six key sectors:

-- Cotton Spinning: To improve yarn quality by increasing the evenness of sliver and minimizing nap impurities.

-- Weaving and Preparing: To have high speed machines that can keep warp yarn tension constant.

-- Dyeing and Finishing: To improve detail processing, special finishing and small batch jobbing in large varieties.

-- Wool Processing: To improve yarn quality by increasing the evenness of sliver and strength of yarn, with a focus on worsted light fabrics, high quality sweaters and cardigans.
-- Knitting and Garment Production: To maintain current market position with modest investments in upgrade.

-- Other Accessories

5. Competitive Situation

In the past, domestic manufacturers produced the majority of the Textile Industry's non-key equipment, relying upon imports primarily for key components. However, these manufacturers are now importing state-of-the-art technology through transfer agreements and joint ventures to manufacture their own machines. Shanghai has used technology transfer agreements 11 times since 1980. These agreements involved shuttle-less looms, circular knitting machines, steam set machines, POY polyester spinning (Barmag of Germany), overflow dye machines (Brozzoli of Italy), and ring spinning (Zinser of Germany). To date, Shanghai also has 61 joint ventures with foreign firms. These joint ventures are expected to have a total output of US$360 million in 1992.

Japan, Italy, and Germany are the three major foreign suppliers in East China. Japan was the main supplier of imported textile equipment when China began importing equipment in 1978. According to local officials, "the Japanese were the closest and arrived first." The Japanese have developed an extensive network for information and have hired Shanghai consultants to provide extensive market information. They have the best reputation for long-term involvement. In the 1980's, European, and to a certain extent, U.S. manufacturers entered the Chinese market. German companies have an excellent reputation for product quality and durability. Italian companies are very cost competitive, market directly to the factories and solicit information for product
development and improvements. Within the past five years, Italy, Germany and Japan have captured approximately 80 percent of the market.

The U.S. share in East China's imported textile equipment market is currently a limited 3 percent. U.S. manufacturers have a good reputation for quality and service but many industry contacts are unaware of U.S. suppliers and products for most of the equipment they want to buy.

Marketing is the most important aspect of doing business in East China. There are many marketing channels to reach the producers. Trade fairs, technical exchange seminars, trade publications (i.e. International Textile Bulletin), factory contact, bureau contact, and general reputation are all useful. The following individuals and agencies can provide specific information regarding various aspects of China's textile industry and are provided as a starting point for Superion's Export Manager.

6. Key Contact-lists

Mr. Zhou Gui-Chang  
Director R&D Import Department  
Shanghai Textile Industry Bureau  
24 Zhongshan Road (E.1)  
Shanghai, China 200002  
Phone: (86) 21-3233265  
Fax: (86) 21-3290982

Mr. Xing Wu Wan  
Executive Manager  
Lianyungan Textile Factory  
Southern YuDai River District  
Xinpu, Lianyungang 222004 China  
Phone: (86) 518-413877  
Fax: (86) 518-413841
Indonesia Textile Machinery Market

1. Overview

Indonesia has a population of about 186 million, which is ranked fifth in the world. With such a large population the country is certainly a potential market for various textile products. During the last few years, Indonesia's economy has developed at a very fast pace with an annual growth rate of between 6 to 7%.

The textile products industry is one of the most progressive sectors in Indonesian economy. According to the Department of Industry, the total production value of the industry which consists of fibers, yarn, fabrics, garments and textile articles was US$12.7
billion in 1992, an increase of 38% from the 1991 total of US$9.2 billion. The total export value in 1992 reached US$6 billion, an increase of about 50% over the export value in 1991 which was US$4 billion. This comprises 17.6% of the country's total exports, which was US$34 billion in 1992.

Textile yarns, which are part of the textile products industry, also have experienced an increased market demand. The total market for textile yarns in 1992 was US$3 billion, an increase of 30% over 1991, when demand was US$2.3 billion. Both imports and exports in this product category also grew. The import market increased from US$267 million in 1991 to US$307 million in 1992, while exports increased from US$204 million in 1991 to US$344 million in 1992.

Textile yarns are categorized as sewing yarns (thread), spun yarn and filament yarn. The spun yarns are produced in the spinning mills, with the staple (short) fibers as the basic materials. There are two types of short fibers, i.e. natural fibers such as cotton and fur; and man-made fibers, such as polyester, viscose rayon and acrylic staple fibre. Long filament such as polyester and nylon filaments, are used as the basic materials of the long filament yarns.

According to the Department of Industry, Indonesia has 134 spinning mills, 44 false-twisting mills and 23 thread mills, with a total production value of US$3 billion in 1992. It is expected that local manufactures will continue to increase their production in all lines of the textile industry, upstream and downstream. With the country's capacity of approximately 7 million spindles, Indonesia will be able to meet much of the increasing domestic and export demand. Even though local production and exports are
expanding, imports are still expected to grow at a rate of approximately 10% over the next 3 years.

It is noteworthy to mention that Indonesia does not have deep roots or a long tradition of modern textile industry. Therefore, the ever increasing demand for textile machinery is mainly supplied by imports, local production of textile machinery has been insignificant.

2. Statistical Data

Table 7, Indonesia's Textile Market ($ Million)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Imports</td>
<td>45.4</td>
<td>126.0</td>
<td>366.2</td>
</tr>
<tr>
<td>Local Production</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Exports</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total Market</td>
<td>45.4</td>
<td>126.0</td>
<td>366.2</td>
</tr>
<tr>
<td>Imports from U.S.</td>
<td>3.4</td>
<td>15.8</td>
<td>56.3</td>
</tr>
</tbody>
</table>

Source: NTDB, September 1993

Table 8, 1991 Import Market Share (Percentages)

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>14.5 %</td>
</tr>
<tr>
<td>Germany</td>
<td>42.9 %</td>
</tr>
<tr>
<td>Japan</td>
<td>17.7 %</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>6.5 %</td>
</tr>
<tr>
<td>Others</td>
<td>17.5 %</td>
</tr>
</tbody>
</table>

Source: NTDB, September 1993

3. Market Assessment

The rapid growth of the textile industry during the last two decades has been affected by the fast growth of the total population, purchasing power of the people, and
the tendency to buy more clothes as incomes rise. The development of the spinning industry is indicative of overall market demand for various related machinery. In 1989, total import of textile machinery was US$45.4 million. However, as a result of many deregulation policies formulated by the government in the finance and industry sectors toward the end of 1989, total imports for this product category were drastically increased by 177.5%, or US$126.0 million in 1990 and by 190.6%, or 366.2 million in 1991.

As mentioned above, there are 169 textile spinning and thread mills in Indonesia. Some spinning plants are producing textile yarns of man-made fibre at present. There are 14 companies organized in an association called the Indonesian Synthetic Fiber Makers Association which produce man-made fibers. Most of these companies are joint ventures between local and foreign investors.

4. Best Sales Prospects

Based on market observations and information obtained from major end users and importers, as well as trends in the official import list, the following individual machinery and parts appear to have excellent sales prospects in Indonesia through 1995. The order of the list is based on the rank of import volume during the last two years.

Table 9, Sales Prospects

<table>
<thead>
<tr>
<th>HS Code</th>
<th>Product Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>8444000000</td>
<td>Machines for Extruding, and Cutting Man-Made Textiles</td>
</tr>
<tr>
<td>8445190000</td>
<td>Preparation Machines for Textiles</td>
</tr>
<tr>
<td>8448320000</td>
<td>Parts and Accessories for Preparation Machines</td>
</tr>
<tr>
<td>8448390000</td>
<td>Other Parts and Accessories for Textile Machines</td>
</tr>
</tbody>
</table>

Source: NTDB, September
5. Competitive Situation

Based on a thorough independent investigation and discussion with parties and officials related to the use of textile machinery and parts, it is apparent that high quality, more sophisticated and associated machinery will sell well in Indonesia. Less sophisticated equipment may be produced locally, but it is believed that miscellaneous textile machinery will not be produced in Indonesia in the foreseeable future.

As shown in table 9, imports of associated machinery and parts in 1991 reached US$366.2 million, which increased from US$62.2 million in 1986. Considering the continuous efforts in the production of more textile products, the replacement plans for obsolete and fully depreciated machinery, and the absence of competition from domestic products, it is estimated that total imports for associated machinery and parts will increase by about an annual average of 3 to 5 percent through 1992 to 1995. This optimistic assessment is based on expectation that demand in domestic and foreign markets for textile products will constantly grow over the next few years. Demand for textile products are tremendous and will result in the increase of imports of textile machinery and parts.
Table 10, Imports of Textile Machinery and Parts (Percentages)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>17.7 %</td>
<td>13.9 %</td>
<td>30.7 %</td>
<td>20.9 %</td>
<td>33.5 %</td>
<td>42.9 %</td>
</tr>
<tr>
<td>Japan</td>
<td>44.0 %</td>
<td>57.0 %</td>
<td>34.2 %</td>
<td>38.6 %</td>
<td>31.8 %</td>
<td>17.7 %</td>
</tr>
<tr>
<td>U. S.</td>
<td>1.0 %</td>
<td>0.7 %</td>
<td>0.7 %</td>
<td>7.7 %</td>
<td>12.6 %</td>
<td>15.4 %</td>
</tr>
<tr>
<td>U. K.</td>
<td>1.1 %</td>
<td>0.9 %</td>
<td>2.2 %</td>
<td>5.0 %</td>
<td>0.4 %</td>
<td>6.5 %</td>
</tr>
<tr>
<td>Others</td>
<td>36.2 %</td>
<td>27.5 %</td>
<td>32.2 %</td>
<td>27.8 %</td>
<td>21.7 %</td>
<td>17.5 %</td>
</tr>
<tr>
<td>Total</td>
<td>100 %</td>
<td>100 %</td>
<td>100 %</td>
<td>100 %</td>
<td>100 %</td>
<td>100 %</td>
</tr>
<tr>
<td>Total Value ($Million)</td>
<td>62.2</td>
<td>53.3</td>
<td>78.6</td>
<td>45.4</td>
<td>126.0</td>
<td>366.2</td>
</tr>
</tbody>
</table>

Source: NTDB, September 1993

From 1986 through 1991, the period of rapid growth in textile and garment production, Germany and Japan have been the top two suppliers of textile machinery to the Indonesia market. The position of U.S. suppliers at the rank number three in 1991 seemed favorable, considering that there was a huge increase in dollar value proceeds compared to the two previous years. In 1989, the share of U.S. suppliers in the Indonesian total imports for the product category amounted to only US$3.5 million; it increased to US$15.8 million in 1990; and again, it increased to 56.3 million in 1991. On the assumption that there will be continued expansion of imports in this product category during the next few years, U.S. suppliers can improve further their position in the Indonesian market.

6. Key Contact List

The following individuals and agencies can provide specific information regarding various aspects of Indonesia's textile industry and are provided as a starting point for
Superion's Export Manager.

Directorate General for Miscellaneous Industries
Ministry of Industry
Jalan Gatot Subroto Kav. 51-52
Jakarta Selatan, Indonesia

Asosiasi Pertekstilan Indonesia (API)
(Indonesia Textile Association)
Sarinah building
Jalan M.H. thamrin
Jakarta Pusat, Indonesia

P.T. Sekawan (agent)
Media Tekstil Indonesia
(Publisher of Textile Directories and Periodical Information)
Jalan Bendungan Walahar Kav. 11/564

P.T. Duta Barudan (Agent)
Jalan Gunjung Sahari VII/11
Jakarta Pusat, Indonesia
Fax: 62-21-600-0189

SUGGESTIONS AND COMMENTS

Exporting can be practical and profitable for any U.S. company that has a good product or service to sell. Many successful firms are uncertain where to begin when it comes to trading with other countries. Based on my study and the experience gained from this internship, I believe five factors that can influence the success or failure of a company that is beginning its first venture into exporting:

Factor 1. Exporting requires an extension of a firm's resources. It is important that you first assess your export potential which should include a look at industry trends, the firm's domestic position in the industry, the effects exporting may have on present operations, the status of resources, and the anticipated export potential of the products.
Factor 2. Exporting requires export counseling and assistance. Firms that are entirely new to exporting should call the U.S. government's Trade Information Center, toll-free, on 1-800-USA-TRADE (1-800-872-8723) or State governments that are another prime source of export assistance.

Factor 3. Exporting requires selection of ideal or target markets from the hundreds available. Language and cultural differences, special trade regulations, local competition and economic conditions, and other vital factors must be evaluated to maximize success abroad.

Factor 4. Exporting requires the firm to formulate export strategies which include the firm's export objectives; specific tactics the firm will use; scheduling of activities, deadlines; and allocation of resources.

Factor 5. Exporting requires the firm to select a direct or an indirect marketing policy. The firm must evaluate how it can best serve its target market. Is the market serviced by the home office or is it serviced by a system of distributors?

An important consideration in international trade is setting the right price for your product. This can be the key to success or failure in the international marketplace. While the quality of U.S. products is widely recognized in markets around the world, foreign buyers, like those in the domestic market, will balance quality and price in their purchase decision. A number of factors will influence the price at which a product or service is sold, including the local and foreign competition and uniqueness of the item. Other critical elements in selling internationally are the need for complete and accurate quotations, services after selling, and choice of terms of sale.

CONCLUSION

Based on the research, I highly recommend that Superion proceed with marketing their cutting blades in Mexico, China, and Indonesia. The data shown in this report shows that there has been major growth in the textile industries of each country and that growth should continue in the future. Since growth in textile production is expected, it
follows that there will likely be growth in the necessary assessors - cutting blades in this case.

Key contact lists will help company to make linkage with appropriate users within each country. Demand of cutting blades for Superion is projected to increase in the future, although Superion currently does not export to above countries.

My research is a part of the beginning of Greene County Pilot Export Assistance Project which is expected to last at least two years. With time changing, more and more companies and students should be involved in the program. The goal of export more U.S products and services should be approached.
REFERENCES

1. National Trade Data Bank (NTDB), CD-ROM, September 1993

2. National Trade Data Bank (NTDB), CD-ROM, October 1993


5. The University of Dallas, *Export Assistance textbook*, Dallas Texas 1993


<table>
<thead>
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<tr>
<td>China</td>
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<td>4%</td>
<td>150</td>
<td>10%</td>
<td>32</td>
<td>11%</td>
</tr>
<tr>
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<td>10%</td>
<td>1200</td>
<td>10%</td>
<td>80</td>
<td>10%</td>
</tr>
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<tr>
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<td>18%</td>
<td>740</td>
<td>50%</td>
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<td>13%</td>
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<tr>
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<td>670</td>
<td>15%</td>
<td>655</td>
<td>12%</td>
<td>115</td>
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<tr>
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<td>470</td>
<td>5%</td>
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<td>Brazil</td>
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<td>300</td>
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<tr>
<td>India</td>
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<td>7%</td>
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<td>5%</td>
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<tr>
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<td>7%</td>
</tr>
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<td>20%</td>
<td>14</td>
<td>15%</td>
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<td>5%</td>
</tr>
<tr>
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<td>40%</td>
<td>0.1</td>
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</tr>
<tr>
<td>Chile</td>
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<td>35%</td>
<td>65</td>
<td>50%</td>
<td>4.0</td>
<td>50%</td>
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