

THE STATE ROLE IN EXPORT PROMOTION

BACKGROUND

State, regional, national, and international economies are linked ever more closely by the growing flows of goods, information, and people across political boundaries. The international market has become an important force in the U.S. economy. However, as a corollary of much-needed economic progress in other countries, the U.S. has become less dominant in the world economy. Most domestic producers, whether or not they export, compete for markets with foreign products.

Export markets offer opportunities for Southern producers of manufactured goods, food and fiber, and services such as engineering, architecture, computer programming, and software development. Although many Southern firms are already participating in the international markets, others with exportable products are not.

Firms, especially smaller companies, may be reluctant to enter the export market for a number of reasons, most deriving from the complexity of transacting business across national boundaries and a lack of knowledge within the firm about how to operate in foreign markets. Their reluctance results in unrealized export trade opportunities that affect not only the firms that do not make the sales and profits potentially available to them from exporting but also the local economy in terms of income and jobs also not realized. In the aggregate this represents an unrealized potential for economic growth, jobs and income that the South needs.

Recent economic trends, which include high rates of unemployment and an increase in the income gap between the South and the rest of the country, heighten the importance that Southern states place on job creation. Needed jobs can be created through expansion of an existing facility as well as the opening of a new facility. For example, the U.S. Department of Commerce estimates that each additional billion dollars of export sales would generate 20,000 new jobs.

Economic research has found that small businesses (under 250 employees) are our most important source of new jobs. As great as the job creation contribution of small businesses has been, it could be significantly larger if these businesses realized their export potential. Thus, small business development and export promotion are mutually supportive strategies for economic development.

Federal, state, and local governments have become involved in export promotion activities, each playing an important role. The federal government conducts trade negotiations with other countries, foreign service officers stationed overseas gather market information, and the International Trade Administration of the Department of Commerce conducts an outreach and information program providing market information for exporters and potential exporters. The Department of Commerce also provides an indispensable service to states by collecting and disseminating state-by-state

- (2) State agencies engaged in export promotion should work closely with the U.S. Department of Commerce District Offices to take full advantage of the market information available through the International Trade Administration. They provide market information and potential wherever there is a U.S. embassy or consulate, a resource beyond the reaches of any state. State officials should also work with the appropriate Department of Commerce officials to ensure that up-to-date, state-by-state trade data are collected and disseminated in a timely fashion, as a high-priority of federal-state relations in international trade.

State export promotion efforts should respond to indications that lack of information and reluctance to deal with unfamiliar international markets are the greatest barriers to increased exporting among small and medium-sized businesses. States can diminish these barriers and encourage exporting by offering technical assistance and educational outreach programs. Opportunities for state export promotion activities presented by the 1982 Export Trading Company Act should be evaluated, especially in the context of establishing a public export trading company to strengthen the export services provided by port authorities at international air and sea ports.

- (3) The implementation of state and federal export financing programs for small and medium-sized businesses should be monitored, and their accomplishments evaluated. Individual states then can see that information to help assess, within the context of state law, what export financing intervention, if any, would be an appropriate part of their export promotion program.

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