

A Governor's Guide to Trade and Global Competitiveness

Since their initial meeting in 1908 to discuss interstate water problems, the governors have worked through the National Governors Association to deal collectively with issues of public policy and governance. The association's ongoing mission is to support the work of the governors by providing a bipartisan forum to help shape and implement national policy and to solve state problems.

The members of the National Governors Association (NGA) are the governors of the fifty states, the territories of American Samoa, Guam, and the Virgin Islands, and the commonwealths of the Northern Mariana Islands and Puerto Rico. The association has a nine-member executive committee and three standing committees—on Economic Development and Commerce, Human Resources, and Natural Resources. Through NGA's committees, governors examine and develop policy and address key state and national issues. Special task forces often are created to focus gubernatorial attention on federal legislation or on state-level issues.

The association works closely with the Administration and Congress on state-federal policy issues through its offices in the Hall of the States in Washington, D.C. The association serves as a vehicle for sharing knowledge of innovative programs among the states and provides technical assistance and consultant services to governors on a wide range of management and policy issues.

The Center for Best Practices shares knowledge about innovative state activities, explores the impact of federal initiatives on state government, and provides technical assistance to states. The center works in a number of policy fields, including agriculture and rural development, economic development, education, energy and environment, health, social services, technology, trade, transportation, and workforce development.

ISBN: 1-55877-358-4

Copyright 2002 by the National Governors Association, 444 North Capitol Street, Washington, D.C. 20001-1512. All rights reserved.

The responsibility for the accuracy of the analysis and for the judgments expressed lies with the authors; this document does not constitute policy positions of the National Governors Association or individual governors.

For more information, visit the NGA Web site at: www.nga.org.

Table of Contents

	Foreword	5
	Acknowledgements	6
	Executive Summary	7
I.	Global Competitiveness in the 21st-Century Economy	9
II.	Key Challenges for States in Economic Globalization	11
III.	New Roles for Governors	15
IV.	Endnotes	25
V.	Appendix 1: Management Principles for State Trade and International Development Efforts	27
VI.	Appendix 2: State International Trade and Investment Spending, 1998	29
VII.	Appendix 3: ITA/Trade Development Programs for Small Business	31

Foreword

State Leadership in the Global Economy Task Force

Governor John Engler, Michigan, *Co-Chair*

Governor Paul E. Patton, Kentucky, *Co-Chair*

Governor Don Siegelman, Alabama

Governor Mike Huckabee, Arkansas

Governor Bill Owens, Colorado

Governor Dirk Kempthorne, Idaho

Governor Thomas J. Vilsack, Iowa

Governor Parris N. Glendening, Maryland

Governor Ronnie Musgrove, Mississippi

Governor Michael O. Leavitt, Utah

Governor Howard Dean, M.D., Vermont

Governor Scott McCallum, Wisconsin

Dr. Charles M. Vest, President,
Massachusetts Institute of Technology,
Co-Chair

Mr. F. Duane Ackerman, Chairman and Chief
Executive Officer, BellSouth Corporation,
Co-Chair

Mr. Augustine P. Gallego, Chancellor, San
Diego Community College District

Mr. James P. Hoffa, General President,
International Brotherhood of Teamsters

Dr. Irwin Mark Jacobs, Chairman of the Board
and Chief Executive Officer, QUALCOMM
Incorporated

Mr. Edward Sullivan, President, Building and
Construction Trades Department, AFL-CIO

Mr. Charles Whitehead, President,
Ashland Inc. Foundation

As it did 100 years ago, America enters a new century marked by an economic environment of free trade, international competition, and global business relationships. In such an environment, U.S. economic strength depends on the ability of each state to “compete” successfully in the world marketplace. Each state must exploit the unique advantages it has relative to other states and build on the strengths found in its local “clusters of innovation”—distinct groups of competing and cooperating companies, suppliers, service providers, and research institutions.

To help their clusters of innovation thrive and compete worldwide, governors will need to work with their educational institutions and the private sector to build a skilled labor force that is second to none. State governments will need to leverage public research dollars and coordinate efforts with industry to build the science and technology infrastructure that brings new ideas to the marketplace and new technologies to traditional industries. Finally, states will need to eliminate barriers to business innovation, workforce training, and international trade.

In partnership with the Council on Competitiveness, the National Governors Association (NGA) has conducted a year-long effort helping governors develop economic strategies for a global marketplace. These strategies are designed to provide lifelong learning and training for employers and employees, strengthen science and technology capacity, develop international markets, and bring prosperity to disadvantaged communities. This new approach to economic development

is a major shift from the traditional approach—which chiefly relied on location-based tax incentives to attract large manufacturing entities—and represents a more effective strategy for competing in the global economy.

To implement this effort, which began in July 2001, the NGA and Council formed a Task Force on State Leadership in the Global Economy. Under the task force, the NGA and Council sponsored regional workshops for state policy teams from around the nation to teach and discuss the approaches for cluster-based economic development. The NGA and Council also published four reports providing tools and recommendations for governors on the following topics:

- how to build a cluster-based economic development strategy,
- programs and policies for building a 21st-century workforce,
- maximizing public leadership in promoting international trade, and
- the role of science and technology in fostering an economy based on innovation.

State economies are the economic engine of America. To achieve their potential—both in terms of technology and human capital—governors must have access to the most sophisticated tools available for helping workers and industry stay competitive. The tools provided to states under this initiative should help foster a new understanding of economic development and ready states for the 21st century.

Acknowledgements

Lead writer for this report was Philip Psilos of the National Governors Association Center for Best Practices. The National Governors Association Center for Best Practices also acknowledges the generous financial support of the U.S. Department of Commerce Economic Development Administration (EDA), the Ford Foundation, the Alfred P. Sloan Foundation, and the U.S. Department of Labor for supporting this project.

Executive Summary

Since 1959, when then-Governor Luther Hodges of **North Carolina** led the first known gubernatorial trade mission to Western Europe, the nation's governors have been important actors in the international arena, pursuing trade and investment opportunities on behalf of their states' industries. This role has taken on new urgency with the rapid globalization of the world economy throughout the 1990s and early 21st century. Yet many state international programs are not prepared to meet the economic realities of global trade. For states to benefit from the opportunities of a rapidly expanding international marketplace, governors must develop and deploy new global strategies to support their states' competitive clusters.

State policymakers currently face three specific challenges:

- 1) How to help their business clusters gain access to global markets and business networks to benefit from globalization.
- 2) How to find opportunities for trade, investment, and international partnerships for states' small and medium-sized companies.
- 3) How to ensure that mature industries with a high risk of worker dislocation (especially those employing workers from low-income communities), benefit from state international policies.

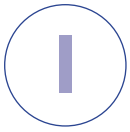
To ensure that states are successful in the global economy, governors must create a coherent, market-driven trade and international development system, leveraging their states' investment with federal, private and nonprofit resources.

Governors can play four prominent roles to help states and their business communities become more competitive in global markets.

- Governors can serve as **advocates** of global trade and development for state businesses. They can help ensure that the federal government takes into account state needs and opportunities when setting international trade frameworks.
- Governors can serve their states as **economic ambassadors** to overseas national and state-level governments, developing relationships that lead to long-term trade, investment, and partnerships among businesses.
- Governors can be their states' most important **conveners**, bringing together state constituencies and binational or multinational groups to work on high-priority issues, cooperating to create mutual economic benefit.

- Governors can increase the effectiveness of state efforts by acting as **brokers** of federal, state and private resources that allow regional business clusters to organize and engage in international markets more effectively.

This report provides policy guidance and best practices to assist governors and states in developing or expanding these roles to become more competitive in the global economy.



Global Competitiveness in the 21st-Century Economy

The possibility of an expanded World Trade Organization agreement and the impending Free Trade Agreement of the Americas have motivated governors to assume new leadership positions in facilitating international trade. At the behest of their business communities, governors have worked to help diversify the export markets of their states' businesses, reinforced relationships with traditional trading partners, and explored emerging markets, particularly the economies of Latin America and the developing Far East. As heads of state, governors bring significant clout to international markets. Their participation in trade is a reliable door-opener for U.S. businesses seeking investment and export opportunities.

Governors have used innovative strategies to make such traditional activities as trade missions more effective and part of a more coherent, long-term international policy. Strategies range from forging international

research and development collaborations to hosting trade conferences and embarking on trade missions with business delegations. States also are working cooperatively on international trade issues with such organizations as the Council of Great Lakes Governors, the Southern Growth Policies Board's Global Strategies Council and the Eastern Trade Council.

Yet, few states have developed comprehensive policies to address the opportunities and challenges of globalization, and there is currently no forum for all the governors to develop and share best practices. Most governors have not elevated international trade and globalization to a cabinet-level position, and states tend to jettison international programs during budget crises. Nor have most states made the leap to a next-generation trade development system focusing on state competitiveness, strategic positioning, and high-value-added goods and services.

Additionally, globalization often is perceived by local constituents as threatening traditional industries, even though new forms of international collaboration between clusters have helped U.S. businesses in numerous disadvantaged regions become more competitive. This fear of job loss to lower-wage countries fuels anxiety about the expansion of free trade. However, many examples suggest that globalization presents vast opportunities for wealth creation and inclusive economic growth.



Key Challenges for States in Economic Globalization

Throughout the NGA initiative on State Leadership in the Global Economy, experts and commentators alike emphasized that state competitiveness is dependent on the health of the state’s “traded clusters,” entities that combine high industry concentration and high growth rates, rely principally on sales outside of the local area, and are of sufficient scale to innovate. These clusters need a competitive state business environment—a common goal of all economic development policies. However, to be successful and bring new money into the state, they also require new markets and new customers.

Governors face three challenges in assisting their business communities to adapt to the globalized business environment. These challenges relate to the fundamentally changed business environment in a global economy, the special requirements of small and medium-sized enterprises to compete in global markets, and the need for mature and threatened industry clusters that provide employment for disadvantaged and low-income individuals and communities to manage the risks of globalization by becoming more innovative.

Challenge 1: *Position states in global markets*

Governors and states face the challenge of helping business clusters position themselves in global markets and worldwide business networks to capture the benefits of globalization.¹

Globalization forces businesses to do more than just sell products abroad: they must participate in global engineering, sales, purchasing, production and distribution networks. Today’s competitive companies—those that create employment and bring additional revenue to the states—must view the world as a single market for the products and services they design, produce, buy, sell, and distribute. Since goods and services are traded globally in increasingly sophisticated markets, companies that do not track and adapt to innovation—wherever the innovation occurs—are likely to lose out to competitors who are more globally connected.

Companies also must have immediate access to partners, both to sell products and to learn about marketplace innovations, especially in high-value, knowledge-intensive product and service industries. Strategic alliances, such as joint ventures, technology and marketing partnerships, and licensing agreements between domestic firms and host country partners have become almost a necessary condition for U.S. companies to compete in foreign markets. The legal,

political and social differences in major trading partners demand a local presence, know-how, and localization of product lines and market strategies.² And, as Didier Delepine, President and CEO of global technology leader Equant, stated, “The essence of a truly global company is to capitalize on its ability to be local everywhere.”³

Trade and investment statistics will remain important indicators to measure success in a globalized world. However, *investment and export statistics will reflect, not drive, the degree of connectedness a state’s business community achieves in world markets.* Globalization requires states to refocus their activities help their economic clusters become more functionally integrated into world markets. Governors can assist these economic clusters to function both as suppliers of innovative products and as members of international networks.

Challenge 2: *Promote small and medium-sized companies*

The second challenge for governors and states is to ensure that dynamic small and medium-sized companies are aware of opportunities for trade, investment and international partnerships. Entrepreneurial small and medium-sized businesses are the engines of U.S. exports and job growth, and they may need more state help reaching markets than larger firms with developed global brands and strategies.



According to the USTrade Secretariat and the U.S. Chamber of Commerce, “small and medium-sized businesses represent 97 percent of all U.S. exporters and account for 30 percent of the total value of U.S. exports. Very small companies, those with less than 20 employees, make up nearly two-thirds of all U.S. exporting firms.” The Commerce Department reports that “202,185 small businesses exported in 1997, up from 108,026 in 1992...still, this represents only 1 percent of small businesses in the U.S.”

Between 1993 and 1996, approximately 350,000 small, high-growth firms, representing between 5 percent and 15 percent of all U.S. businesses, created nearly two-thirds of all jobs in the country.⁴ And, while Fortune 500 companies lost more than 5 million jobs between 1980 and 2000, the U.S. added a total of 37 million jobs, most of which were created in small, high-growth companies.⁵ Official statistics from the U.S. Department of Commerce confirm that small businesses represent 64 percent of the 2.5 million jobs created each year.

Yet, small and medium-sized companies are uniquely challenged in export markets. Typically, they lack tangible international assets, such as overseas offices and distribution relationships, as well as expertise in international trade finance and logistics, personal and professional networks, and knowledge of overseas opportunities.

Additionally, small businesses often are undercapitalized and lack the operating capital to finance the longer export payment cycles.

According to Carol Conway, Director of International Programs for the Southern Growth Policies Board, small businesses in the United States face six main barriers to exporting:⁶

- apathy and ignorance;
- inability to judge risk and export readiness;
- lack of time and resources to “hunt down” information and explore new markets;
- weak U.S. private-sector export networks;
- lack of good export financing and insurance options; and
- pricing and competitiveness problems.

Governors can have a major impact on small and medium-sized businesses’ export performance if they can identify the state’s high-growth companies and business clusters that are struggling with these challenges and bring state and federal resources to help them access world markets via a coordinated state/international development system.

Challenge 3: *Promote trade for mature and at-risk industries*

Another challenge for governors is to ensure that globalization and trade benefit those mature industries having a high risk of worker displacement—particularly those providing employment in low-income communities.

While globalization can help states expand prosperity, it also carries a risk of job losses, particularly in those industries that are mature and have not competed in the world marketplace. These businesses may be less frequently organized into industry clusters or associations, less knowledgeable about exporting and global markets, and less likely to adopt innovative, new processes without technical assistance. They also may rely on low wage rates as a principal competitive advantage—a factor that makes their workers all the more vulnerable to displacement by international competition.

These drawbacks, however, are not inevitable. Trade and globalization can open new markets and opportunities for traditional as well as leading-edge industries. State-led international programs in the wood products industry in **Oregon**, and in the furniture and hosiery industries in **North Carolina** achieved better coordination among firms with local resources, such as education and research and development, helping mature and declining industries to innovate, grow, and renew themselves.

Furthermore, mature clusters exposed to international markets often become more competitive, stimulating learning and product innovation through increased knowledge of overseas customers and production requirements. “Meeting the needs of a new market abroad, and observing firsthand the competing or related products sold there, can inspire useful improvements in the firm’s domestic business lines, aiding it to maintain its competitive position at home as well as in all other markets in which it sells. For example, the taste of Hershey’s Symphony candy bar, as now sold in the U.S., is said to be modeled after that of a chocolate bar against which the company competed in Europe.”⁷

Governors must ensure that these industries are given equal consideration in statewide planning for globalization. States should extend new opportunities for learning and innovation to mature businesses as well as leading clusters.

Meeting the Challenges

To ensure that states are successful in the global economy, **governors must create a coherent, market-driven trade and international development system, leveraging their states’ investment with federal, private and nonprofit resources.** States must adopt broader international development goals that focus on competitiveness, market share and position, and value-added services. This will require a fundamen-

Guiding Principles for a Next-Generation Trade and International Development System

Key Principles:

Mission and Goals

- competitiveness is a central goal, not just exports
- focus on foreign market shares and strategic position, not just export numbers
- promote high-value-added services as well as manufactured goods

Strategies and Service Mix

- develop trade relationships and “areas of influence” with trading partners and global industries
- encourage market research and development of new products to meet demand
- provide services to small and medium-sized businesses to build export capacity
- tailor assistance to the specific needs of the company
- assist industry associations or groups of firms
- provide clients with holistic case management
- use fees as a strategic tool
- engage foreigners as teachers, motivators, and partners
- consider foreign government contracts and major projects as well as private-sector buyers

Measuring Success

- measure outcomes
- measure actual export deals over several years
- monitor changes in firm capacity (“export readiness”)
- survey all exporters
- use opinion surveys to attribute success and track changes over time

Relationship to State Economic Development Mission

- make programs collaborate around measurable outcomes
- make trade central to the state’s economic development mission

Relationships with Private-Sector Institutions & Clients

- customize services by allowing clients to participate in service design
- promote strong private-sector advisors to would-be exporters
- bring the banking system into a dialogue over export financing
- make programs answer daily to customers, not to program managers

Source: Adapted from Carol Conway, The International State, 1996, p.103



tal departure from most states' current systems, which focus primarily on promoting exports and direct foreign direct investment.

States can become more strategic, market-driven and cluster-focused in international trade and development. The risks and opportunities of the global market require efficient and coordinated state action, both in how trade services are provided and how governors involve themselves in this

process. Carol Conway, of the Southern Growth Policies Board, has provided excellent guidelines for the characteristics of a next-generation trade and international development system, outlined on the preceding page. (See Appendix 1: Management Principles for State Trade and International Development Efforts.)

While these recommendations outline what the next-generation trade and international development system should look like and how it should function, they stop short of providing governors with the guidance needed to move forward. The remainder of this report provides specific guidance on how governors can develop and expand their current roles as international actors to benefit their states.



New Roles for Governors

Governors can adopt or expand four specific roles in order to manage globalization:

- act as an **advocate** for globalization and international development, providing prestige, vision and leadership;
- serve as the state's principal **economic ambassador** to foreign governments and companies;
- **convene** local and international stakeholders from the business, government, and not-for-profit communities to work toward international goals; and
- **broker** state, federal and private-sector resources to efficiently deliver services to the states' business clusters.

Advocate for Globalization and International Development

Governors should become the leading advocates for international competitiveness and expanded global trade, both within state government and to key external constituencies. Without gubernatorial leadership, a state's numerous economic development initiatives may fail to provide organized assistance to businesses wishing to compete globally. Governors *must* involve themselves to provide a framework and vision for coordinated statewide action.

In recent years, governors have begun to use their stature and offices to elevate international economic issues rather than depend on state economic development departments to conduct international business. Governors employ a number of tools to do this, including their bully pulpit, public speeches, changes in state government, executive orders, and special initiatives. It is important that governors use these tactics, first and foremost with the state's business community, as well as with key constituencies and cabinet and state employees.

Several governors have begun to address this need, raising the profile of international trade in both political and policy forums. **Idaho** Governor Dirk Kempthorne pledged to triple Idaho's exports during his first term, and he has consistently emphasized trade development as an administration priority. By staking his administration's success, in part, on the expansion of the state's expanded role in international markets, and highlighting tangible successes in this arena, globalization has become a more important part of the state's policy agenda.

Early in his term, former **Pennsylvania** Governor Tom Ridge issued instructions to agency and division heads that Pennsylvania's international competitiveness would be a priority throughout his administration. Ridge translated this into budget priorities as well, with Pennsylvania's international presence rising from 4 to

17 international offices during his tenure in office. In 1998, to recognize success in the field, he created a "Governor's Export Excellence Award," presented annually to companies in 11 categories. At the governor's urging, several agencies became key technical assistance providers to foreign governments on public infrastructure projects, including highways, wastewater treatment and electricity deregulation.

Washington is the most trade-dependent state in the U.S., with annual per capita exports of \$5,182 in 1995, compared to \$3,063 for the rest of the nation. Washington created a cabinet-level Special Trade Representative position in 1994. According to the Washington State Office of Trade and Economic Development, the special trade representative advises the governor and legislature on trade policies; assists in the coordination of state, local government, and private-sector trade programs; serves as the state's point person with U.S. Trade Representative and advocate in Washington, D.C., on significant trade issues; and represents the state in major initiatives with foreign trading partners. In addition, the Office of the Special Trade Representative assists individual companies in addressing their specific trade issues with the state's trading partners. The **California** legislature has created a similar position in its legislative branch.⁸



Policy Recommendations for Governors as International Advocates:

- Governors should establish leadership and direction in their state's international economic efforts. They may use formal or informal executive orders to establish specific guidelines and expectations for executive branch agencies and departments with respect to international economic issues.
- Governors should consider convening a private-sector led statewide strategic planning process for globalization and development of international linkages. The business community, relevant university leadership, state and local government, federal trade officials, business associations, and nonprofit groups should be included in the process.
- Governors should examine their state's spending on trade and international development relative to other states and as a proportion of economic development spending. States' international spending ranges from less than 1 percent to 22 percent of economic development budget. (See Appendix 2: State International Trade and Investment Spending, 1998.)
- Governors should assign specific responsibility and authority to one individual or office for implementing the state's strategic plan and/or defining and implementing state international priorities. This individual or office should be the governor's chief spokesperson (and state's chief advocate) with respect to U.S. government trade policy and international relations, as well as the main outreach to statewide constituencies. For example, this position may take the form of **Washington** State's Special Trade Representative or may be structured as a cross-cutting position similar to a chief information officer (CIO). Some states may wish to create a chief international relations officer position or an Office of International Affairs in the executive office.

Economic Ambassador

Governors should personally involve themselves in international trade promotion as their states' principal economic ambassador to foreign governments and world markets. By doing so, governors broadcast the message both within their states and abroad that they are committed to boosting their states' international competitiveness.

Foreign governments see governors as high-prestige, high-impact heads of state. Due to their deep knowledge of local industries and businesses, governors usually are well equipped to play this role. This proximity to key economic clusters and inherent interest in state competitiveness also leads many foreign governments to pursue state government contacts to facilitate commercial relationships. As one Latin American ambassador stated, "For the purpose of marketing [and the development of commercial relationships], there is no United States. There are 50 states with 50 different economies."⁹ And, since many overseas governments play a larger role in their economies than in the United States, government involvement often is key to facilitating and expanding business relationships.

The presence of governors on trade missions can, in some cases, provide small and medium-sized businesses with commercial opportunities that they would otherwise be unable to

access. Following a recent governor-led trade mission to Mexico, **Idaho** Governor Dirk Kempthorne stated, “We met with a number of multibillion dollar, multinational corporations. . . . In a couple of these instances, we were the first state trade delegation to ever call on them. They were very impressed that we came by. In a variety of instances, Idaho companies have been trying for four to five years to get in and to have meetings.” One Idaho entrepreneur, who signed contracts for work on the mission, emphasized this point, stating, “We’ve gone down and spent time and time again, going down as businessmen, trying to get in to do work there. To have the governor come there, and the doors open up and let us walk through the doors, has been a marvelous thing.”

Vermont Governor Howard Dean, M.D., conducted a trade mission to Brazil and Argentina in March 2001, after the state’s business community lobbied for his direct involvement. This mission, which focused on Vermont’s small and medium-sized environmental technology businesses, yielded a 300-percent increase in Vermont’s trade with Brazil and allowed a consortium of three small technology firms to sign a \$400,000 deal with the State of Rio Gallegos, Argentina, during the trip. Governor Dean provided continuity to Vermont’s trade development efforts with South America by conducting a follow-up visit to Brazil and Chile in March 2002. The 2002 followup visit involved

companies from other industries, including architecture, which focused on developing both public and private-sector business. The trips have even paid dividends within the state, as businesses participating have developed a stronger in-state network through which they can leverage international resources, connections and newly developed international expertise. The missions were coordinated by the Vermont World Trade Office and U.S. Department of Commerce’s Market Collaborator Program.

Supported by **Georgia’s** Department of Industry, Trade and Tourism (DITT), Governor Roy Barnes led a trade mission to Mexico that included CEOs of Georgia-based Fortune 500 companies, small and medium-sized businesses, and the state’s academic leaders. The state structured this November 2001 mission to provide each of the 74 participants with appointments for business meetings with specific Mexican contacts. The meetings were scheduled in advance by DITT in collaboration with the U.S. embassy in Mexico City and represented intensive efforts to fully leverage the governor’s presence.

The governors’ role as international ambassadors extends beyond trade missions. Governors can use their position as chief executives to endorse international outreach by the state’s business community.

Pennsylvania Governor Tom Ridge created the Team Pennsylvania

Ambassador Program to “engage the ‘best and brightest’ of Pennsylvania’s business, academic and cultural leaders in helping to promote the Commonwealth as a pre-eminent location for global commercial enterprise and expansion.”¹⁰ In effect, Pennsylvania created an international sales force for the state using private-sector resources and the goodwill created by a governor’s endorsement. Ambassadors have visited Brazil, Belgium, Germany, China, Finland, Russia and Japan, among other countries, to promote Pennsylvania as a business partner, carrying with them an explicit endorsement from the governor, furthering their own and Pennsylvania’s commercial interests. The program, structured as a public-private partnership and headed by a leading Pittsburgh businessperson, represents both an innovative strategy to leverage gubernatorial involvement in the issue and an efficient way to utilize and expand the business community’s international network.

Oklahoma Governor Frank Keating initiated a program whereby the governor’s office sent a greeting to each identified foreign student arriving to study at an Oklahoma university. This strategy was designed to build lasting ties between visiting students and their host state. Recognizing that foreign students who study in the United States often are among the future leaders of their nations, this future-oriented strategy expands the state’s international network in an extremely cost-effective manner.



Policy Recommendations for Governors as Economic Ambassadors

- **Remain personally involved** in trade and investment missions abroad to enhance the profile and success of their efforts.
- **Identify the state's international business contacts**, ethnic and international communities and the state's primary trading partners and **reach out** to them with a clearly articulated message describing the state's international priorities.
- **Consider convening a State International Ambassador Program** modeled after Pennsylvania's to leverage the governor's involvement in trade and globalization, and assist in expanding the business community's international network.
- **Involve the state's academic leaders** as full participants in trade missions.

Convener of Statewide and International Groups and Events

Governors are in a unique position to convene stakeholders from the business, government and not-for-profit communities at the in-state and international levels to set strategy, identify needs, opportunities and constraints, and create opportunities for expanded international involvement. Approaches include conferences, trade education programs, cluster-based benchmarking

and learning missions to key markets, and convening industry-specific groups to develop partnerships abroad and penetrate new international markets.

In December 2000, **Kentucky** Governor Paul Patton launched a statewide trade education program focused on increasing trade with Latin America. He convened a Governor's Conference on Latin America designed to help key constituencies explore new opportunities for Kentucky in Mexico and Central and South America in business, agriculture, travel and tourism, academia, culture, and local government. Governor Patton said, "The Latin American market is one of the fastest-growing in the world, and it is vital that we begin to explore the new opportunities available to the Commonwealth in this region. This conference will allow us to bring together Kentuckians with representatives from all segments of Latin American industry to discuss the multitude of opportunities available to our state."¹¹

Connecticut Governor John Rowland started one of the most innovative state international efforts in June 2001, convening an international conference titled "Global Business in a Networked Economy," with the German state of Baden-Wurtenburg, hosted by Yale University and sponsored by Daimler-Chrysler. The conference was spurred by Governor Rowland's September 2000 trade mission to Ireland, during which he discussed the challenges of technology transfer and the role of technology in

the global marketplace with a group of Daimler-Chrysler executives. The conference attracted 217 Connecticut and German businesspeople and academics to share international perspectives on raising capital, success factors in doing business internationally, new business models, online marketing opportunities, new links between biotechnology and information technology, and business-to-business (B2B) electronic commerce. The conference focused on converging sectors of information technology, biotechnology, and pharmaceuticals, and grew out of the Connecticut's successful cluster-based economic development activities in these fields.

Recognizing that the state could play an important role in expanding services exports by assisting its engineering sector to develop international relationships, **New York** established the four-year New York Inter-American Commerce for Consulting Engineers (NYICCE) initiative (1995-1999). It was funded by Empire State Development, the U.S. Department of Commerce's Market Development Cooperator Program and the American Council of Engineering Companies and its New York member organizations with the objective of brokering partnership relations between New York-based consulting engineers and their Latin American counterparts. The program, which was awarded the "Excellence in Economic Development" award from the National Association of State

Development Agencies (NASDA), resulted in more than \$6 million in fees for New York firms as reported by participants upon the successful conclusion of the program.¹²

International convenings have been used by states to promote the competitiveness of mature industries through international learning and partnership building. In 1996 a delegation of **North Carolina** hosiery company owners and managers, Carolina Hosiery Association officials, community college technology staff, the governor's economic advisor, the director of the state technology agency, and an external cluster specialist traveled to Castel Goffredo and Carpi in Northern Italy. They met with and benchmarked their European counterparts and visited their technology and research centers, trade associations, and tool builders. Upon returning, the companies, through their association, revamped their technology center at

the college. They added research and training for textile dyeing and marketing and product testing capabilities; formed a research and development (R&D) network with North Carolina State University in which 20 members contributed a match to develop a key technology; established links to the main machine builders in Brescia; and organized export networks.¹³

Following a successful European study tour sponsored by the German Marshall Fund in 1989, a delegation representing the **Oregon** wood products sector traveled to Sweden to observe firsthand the structure of the value-added wood products sector. The delegation included the private-sector board of the Oregon Wood Products Competitiveness Corporation as well as legislative leaders and the governor's director of economic development. Oregon's traditional commodity wood industry was faced with chang-

ing world market conditions and new environmental regulations, and companies and communities' livelihoods were threatened. To survive, companies had to make the transition to value-added wood products, employing new skills and technologies. The value-added wood products sector was not yet ready to export, but this trip provided the emerging sector with critical market and competitive intelligence, including a better understanding of Oregon producers' strengths relative to the competition, exposure to use of key technologies and a network of business contacts in Sweden's high-performing industry.

Policy Roles for Governors as Conveners

Governors should work to develop appropriate trade-related convenings between state and international businesses and governments. While the precise format will vary from state to state, several recommendations should be considered:

- **Convene conferences, statewide education campaigns, and strategic planning sessions** to address the real-world needs of the states' industries — leading, mature, and declining or threatened. Especially in states with clusters not present in key global markets, governors should lead in exposing companies to the opportunities created by new multilateral trade and investment agreements and to raise awareness among stakeholder groups who can benefit from better international positioning.
- **Create venues for ongoing local and international collaboration.** Long-term collaborative relationships promote the type of trust that underpins successful business relationships. Business deals may not occur after a first meeting. Efforts should be ongoing, as in New York's NYICEE program and Connecticut's conference series with Baden-Wurtenburg. Whether through universities, business conferences or in-state trade education, initiatives should provide structured followup and indicate a lasting commitment from the state.
- **Initiate long-term learning relationships between states' clusters and complementary and competitive industries abroad,** like those in the Oregon wood products sector and the North Carolina hosiery industry, seek opportunities for declining or threatened industries to access new markets and technologies, identify product opportunities, and become more competitive.



Broker of State, Federal, and Private Resources to Clusters

Governors also can be instrumental in brokering three important sets of resources to build states' international competitiveness. Governors influence the allocation of state resources, ensure that state functions are organized to deliver needed federal resources to the states' businesses, and make certain that the state's resources harmonize with private-sector goals.

Governors' involvement in brokering these resources at the state executive level is necessary to address a crucial shortcoming of many state trade activities: the need for coordination of disparate resources at the federal, state and local levels. Carol Conway, one of the nation's leading experts in state international trade policy, wrote in *The International State*, "... state trade offices have the potential to be the nexus of a comprehensive statewide *trade development system*. But, given their limited resources, they cannot alone assure the international competitiveness of the state's economy. They must be supported by a widely shared vision of a state's international future and must integrate public, private, and nonprofit trade service providers into a coherent system for developing international business and assuring that their benefits are widely shared."¹⁴

State Resources

Governors can confer a higher priority on international efforts in state economic development policies and programs. They can bring state spending in line with the market size and opportunity in the global marketplace.

State economic development spending does not, as a whole, reflect the importance of international markets to growth and competitiveness. In 1998, the most recent year for which data are available, states spent \$75 million on international trade and investment development—only 3 percent of total economic development resources. In contrast, the U.S. market represents only 20 percent to 25 percent of world production. The collective GDP of the European Union's membership exceeds that of the U.S. The economy of East Asia, including China, is expected to surpass both the United States and European Union in terms of goods and services produced in the first quarter of the 21st century.¹⁵ Because the central issue is one of proportionality, reallocation of state economic development resources may be an effective approach.

Indeed, states can achieve a wide range of goals with relatively limited budgets through more effective service delivery and coordination of resources. (See Appendix 2: State International Trade and Investment Spending, 1998.)

Pennsylvania Governor Tom Ridge helped develop the Team Pennsylvania Export Network, an integrated, coordinated and customer-focused system of key export assistance partners that is one of the nation's most comprehensive export programs to assist companies to expand into the global marketplace. The system provides in-country trade assistance, market intelligence for Pennsylvania's leading clusters, identification of overseas partners for Pennsylvania companies, and support for in-country trade initiatives. It combines a decentralized system of 10 in-state offices with 17 overseas offices, providing program support, communication links via video-conferencing technology, and educational and networking opportunities to promote international trade and investment. A central Office of International Business Development (OIBD) is a liaison between the regional network and overseas representatives. Pennsylvania spent approximately \$5.2 million—only 1 percent of its economic development budget—on international efforts in 1998.

State resources can be employed directly in providing training in export skills to the business community, as in **New York**. New York's international spending in 1998 was \$2.5 million (2 percent of the state's economic development budget). Spending can be supplemented by innovative partnerships that leverage the state's participation and leadership. The ExportNY program

provides an intensive year-long executive leadership export institute that has been offered annually since 1998 by the Empire State Development Corporation in partnership with Niagara Mohawk, an electrical utility, and regional trade organizations to more than 30 manufacturers and service providers. ExportNY enables company executives to learn skills necessary to succeed in the global marketplace from experts. Companies such as Ceramaseal of New Lebanon, a precision manufacturer of high-technology ceramic parts, have seen their exports increase more than 40 percent because of procedures implemented since their participation in the ExportNY program.

Federal

The federal government is rich in resources for supporting international trade, particularly among small and medium-sized companies and in trade-impacted regions in the states. Because companies most frequently look first to state and local economic development providers, state trade resources delivered through these channels are an important portal to the federal government. Good coordination with the federal trade promotion system is essential to efficient use of state resources, since international networks and programs are already established at the federal level that state efforts can “plug into.”

For example, the U.S. Foreign and Commercial Service (USFCS), a division of the U.S. Department of

Commerce, maintains a network of 1,800 employees in 105 Export Assistance Centers throughout the United States and in 151 offices in 83 countries. USFCS assists with trade missions, but also can be engaged to provide services to exporters including finding international partnerships, providing custom market research, holding trade events, and consulting and advocating in overseas markets.

One of the most important federal programs to support state trade efforts is the Market Development Cooperator Program (MDCP). Administered by Trade Development in the International Trade Administration (ITA), MDCP is a competitive matching grants program that builds public/private partnerships by providing federal assistance to non-profit export multipliers, such as states, trade associations, chambers of commerce and world trade centers that are particularly effective in reaching small- and medium-size enterprises (SMEs). MDCP helps to underwrite the startup costs of exciting new export marketing ventures that these groups often are reluctant to undertake without federal government support. MDCP recently announced funding for new awards of \$2 million, with a maximum of \$400,000 per grant for up to three years. Each dollar of federal funding requested must be matched on a two-to-one basis by the applicant or others participating in the MDCP project, including cash and in-kind matches. (See Appendix 3: ITA/Trade

Development Programs for Small Business.)

It is essential that governors and states not only use federal programs, but also contribute to their future development with consistent feedback from the highest level. There is a new recognition at the federal level of the importance of states in delivering services to the local businesses they know best. The states’ obligations, in turn, are to provide clear feedback and guidance on the usefulness of federal programs, both in terms of structure and execution.

Education Sector

Universities are a cornerstone of state international efforts because of their linkages with international research and academic communities, their ease in developing nonbinding agreements, and their relative flexibility and openness to acting as the “glue” to maintain ongoing relationships, albeit often at a slow pace. In fact, university student and faculty exchange agreements, R&D collaborations, and conferences may constitute a state’s most active international sector. While most state universities retain constitutional autonomy, states have employed both public and private universities as integral parts of international outreach efforts in both leading-edge and mature sectors requiring reinvigoration.



The **North Carolina** University System is the centerpiece of a highly innovative partnership between the state and Uruguay, the smallest economy of MERCOSUR, the Southern Common Market. Uruguay initiated a trade mission to the state focusing on the exchange of language education resources, followed by a gubernatorial mission to Uruguay. Ongoing discussions between Uruguay and leaders of the High Point region's furniture business community (the state's second largest manufacturing industry employing 75,000 and generating revenues of \$6.6 billion annually) identified an opportunity to work with the Uruguayan ecological wood sector to preserve competitiveness and jobs. The collaboration centers on overcoming the potential depletion of oak reserves due to disease and over-farming and consequent risk of job loss. One promising substitute for oak in the furniture industry is eucalyptus, which is farmed in Uruguay on sustainable plantations. However, there is currently no process to dry eucalyptus to permit its use in furniture production.

To meet this need, North Carolina State University and the Catholic University of Uruguay, with the support of their respective governments, entered into a research and development agreement to jointly develop needed wood-drying technology. Projected benefits include preservation of jobs and industry competitiveness in North Carolina, increased wood

exports for Uruguay, and a patentable technology, as well as long-term research and business relationships.

Based at the University of **Minnesota**, MMBnet is a Web portal to the state's biotechnology industry and is now the U.S. centerpiece of a long-term, virtual, cluster-based collaboration between Switzerland's Zurich MedNet and the state's biotechnology sector. The collaboration links companies in the Minneapolis-St. Paul-Rochester region with university researchers, potential partners, financing organizations and business facilitators in the Winterthur region of Switzerland. As of early 2001, it was estimated that more than \$500 million in Swiss venture capital had been placed in Minnesota resulting from partnerships formed through the collaboration.

Private and Not-For-Profit Sector

Governors can play a leadership role in establishing partnerships with a variety of private-sector organizations that seek and welcome gubernatorial involvement in delivering services to a state's trade stakeholders.

The U.S. Chamber of Commerce's TradeRoots program is a sustained grassroots trade education program dedicated to raising public awareness of the importance of international trade at the local level. TradeRoots recently initiated a governors' program designed to provide organizational and educational resources to the states.

Alabama Governor Don Siegelman is one of a growing number of chief executives who have partnered with TradeRoots, whose trade leadership programs provide communities with an opportunity to interact with the state, federal and private resources available to help small and medium-sized and minority-owned businesses participate in international markets. In 2001, Governor Siegelman joined with business leaders in three Alabama cities for a Governor's Trade Education Tour. The governor was joined by business and economic development leaders and corporate sponsors in Huntsville, Mobile, and Birmingham to visit local companies that have grown substantially through trade. These events worked to build a greater understanding among key state and regional stakeholders of the importance of trade to the state's economy.

Each year, George Washington University, under a grant from the U.S. Department of Education, hosts a forum and workshop for state government officials titled "Governing in the Global Age." This intensive educational program is designed to introduce teams of state personnel to a broad range of globalization and international trade-related issues and to develop action plans for managing globalization. In 2001, bipartisan delegations—including state legislators, executive branch officials, civic leaders, and representatives of local governments in **Idaho, Maryland, Mississippi, New Mexico, New York, North**

Policy Recommendations for Brokering State, Federal, University and Private Resources

- **Collaborate and share resources** with large companies that have important and compatible state and international interests.
- **Promote international research and development and educational partnerships** among the state's universities and community colleges and overseas institutions. Use these partnerships to cement relationships where possible, as in the North Carolina relationship with Uruguay and the Minnesota MMBnet with Switzerland.
- **Explore using federal resources as key elements of the state's strategic plan**, including the services of the Trade Development Agency, Small Business Administration, and the U.S. Foreign and Commercial Service, particularly in leveraging a coordinated federal presence in foreign markets.
- **Use local and national not-for-profit trade education programs**, such as TradeRoots, to provide educational opportunities to the business community and state government.
- **Develop** (or assist in developing) **virtual tools for collaboration** between the state's key clusters and overseas groups that may be interested in collaboration, such as those developed in the Minnesota MMBnet.

Carolina, South Carolina and Tennessee participated in the conference. In 2002, delegations from **Alabama, Connecticut, Georgia, Maine, Missouri, Ohio, Oklahoma** and **West Virginia** also included two leaders in education: a state-level policymaker and a secondary school teacher with experience teaching international affairs.¹⁶

Additionally, national and local business stakeholders may prove willing to support coordinated state international trade development efforts, especially when the governor is personally involved. The Coca-Cola Company, the Business Roundtable, BASF Corporation, and research giant SAIC all are among sponsors of "Governing in the Global Age." In the case of a **Rhode Island** trade mission to MERCOSUR, BankBoston (now FleetBoston), an influential New England banking entity, provided \$20,000 to support the state's efforts to expand into a promising export market.

Conclusion

As the federal government moves to establish a broader multilateral framework for international trade through new trade agreements, governors must be prepared to take the lead in ensuring the competitiveness of their states' businesses in the global marketplace. States will increasingly require coordinated, market-driven strategies to make globalization work for their citizens and businesses. Greater awareness of and emphasis on international issues in economic development policy will be a requirement for states wishing to expand prosperity and remain competitive in the 21st century.

A comprehensive, cluster-based approach to trade and international development, which seeks to find opportunities for a state's important industry sectors, is an effective approach to this challenge. Governors must develop new policies that enhance their roles as advocates of international development, as the states' chief economic ambassadors, as conveners of stakeholders and other partners at the state and international levels, and as brokers of diverse trade resources from the public, private, education and nonprofit sectors.

IV

Endnotes

- ¹ Globalization is defined as the rapid economic integration between countries. It is visible in international trade in goods and services; capital flows including direct foreign direct investment, the role of multinational enterprises, the reorganization of production networks on an international scale; and the adoption of new technology including information technology. Peter Dicken, a leading expert on globalization writes, "Globalization involves not merely the geographical extension of economic activities across national boundaries but also—and more importantly—the functional integration of such internationally dispersed activities."
- ² "A Dependence-Trust Model of Export Alliance Performance in Small and Medium Enterprises (SMEs)," by Sanjit Sengupta, Richard M. Castaldi, Murray Silverman. Published in the *Journal of Transnational Management*, 5 (4), 2000; Dicken, Peter *Global Shift, Third Edition*. Guilford Press, 1998.
- ³ Quoted in EGON ZEHNDER INTERNATIONAL'S THE FOCUS ONLINE, 2/2001 www.ezifocus.com/issue/issue.xml.
- ⁴ Atkinson, Robert D. and Court, Randolph H. *The New Economy Index: Understanding America's Economic Transformation*. Progressive Policy Institute. November, 1998, p. 13.
- ⁵ Timmons, Jeffrey A. *America's Entrepreneurial Revolution: The Demise of Brontosaurus Capitalism*. Babson College, F.W. Olin Graduate School of Business. 1998, p. 9
- ⁶ Conway, Carol, "The SGPB Explores an Interdisciplinary Approach to Building Export Readiness," Southern Technology Council Regional Forum (Fall 1996) p. 4-5.
- ⁷ *EXPORTING, A Practical Approach*, 1994 edition by James J. Stewart Stewart and Wilhelmi Inc. (www.sbaer.uca.edu/Publications/pub00012.txt).
- ⁸ Description from www.trade.wa.gov/traderep.htm.
- ⁹ Personal conversation with Felix Fernandez Feingold, Ambassador of Uruguay to the United States.
- ¹⁰ Team PA Web site: www.teampa.com.
- ¹¹ Press Release, State of Kentucky.
- ¹² Empire State Development Corporation, memorandum to Governor George Pataki, 2001.
- ¹³ National Governors Association, *A Governor's Guide to Cluster-Based Economic Development*, 2002.
- ¹⁴ Carol Conway, *The International State: Crafting a Statewide Trade Development System*, Aspen Institute, 1996, p. 11-12.
- ¹⁵ Earl H. Fry, *The Expanding Role of State and Local Governments in U.S. Foreign Affairs*, Council on Foreign Relations Press, 1998 p. 37.
- ¹⁶ "Meeting The Challenge: Partnerships and Funding to Reach Local, State and National Audiences," June Beittel, George Washington University, Outline for Remarks at Outreach Coordinators Conference in Wisconsin May 2002.



Appendix 1

Management Principles for State Trade and International Development Efforts

Key Management Principles for Trade and International Development Programs

Management Principle	How it Applies to Trade and International Development Assistance
Mission-Driven	Clearly articulate trade development objectives and operating principles
Anticipatory	Improve long-term strategy development to anticipate shifts in global markets
Market-Oriented	Think in terms of supply and demand, rather than “programs”
Customer-Led	Ignore previous mandates or existing programs and base services on current client-articulated needs
Catalytic	Mobilize existing service providers rather than providing all services directly
Competitive	Encourage competition among public and private trade-service organizations to provide demanded services, based on quality and expertise, not past contracting history or mandates
Empowering	Help industrial sector organizations take ownership of, and responsibility for, changing business (and government) behavior about trade
Decentralized	Ensure that trade assistance services are designed and delivered as close as possible to the targeted businesses
Enterprising	Establish fees for services, commissions, cash matching contributions, soft loans, and so forth
Results-Oriented	Measure and base program funding on actual outcomes, not levels of activity; reward innovation

Source: Carol Conway, *The International State*, Aspen Institute, 1996, p.77

State International Trade and Investment Spending, 1998

State	International Trade & Investment Spending	Total Economic Development Spending	% International Trade & Investment
Alabama	337,000	4,123,500	8%
Arizona	2,271,800	21,895,687	10%
Arkansas	1,513,444	46,091,248	3%
California	8,983,000	80,546,000	11%
Colorado	1,200,000	15,100,000	8%
Connecticut	936,000	152,882,898	1%
Delaware	80,600	18,487,800	0%
Florida	4,209,000	18,805,000	22%
Georgia	0	20,302,479	0%
Idaho	346,753	1,795,782	19%
Illinois	3,629,300	263,272,900	1%
Indiana	1,900,000	45,362,000	4%
Iowa	2,546,000	56,289,000	5%
Kansas	1,411,000	32,037,000	4%
Kentucky	1,211,500	11,272,500	11%
Louisiana	1,028,018	24,219,751	4%
Maine	186,000	8,585,999	2%
Maryland	2,900,000	117,874,310	2%
Massachusetts	1,098,000	9,875,004	11%
Michigan	3,518,000	109,193,100	3%
Minnesota	2,452,000	67,959,000	4%
Mississippi	2,346,531	32,080,748	7%
Missouri	1,989,360	104,741,574	2%
Montana	0	22,847,300	0%
Nebraska	274,380	18,833,979	1%



State International Trade and Investment Spending, 1998 *continued*

State	International Trade & Investment Spending	Total Economic Development Spending	% International Trade & Investment
Nevada	45,000	4,431,477	1%
New Hampshire	229,861	6,482,816	4%
New Jersey	880,000	29,678,000	3%
New Mexico	750,534	12,251,282	6%
New York	2,477,500	149,060,400	2%
North Carolina	2,993,882	73,808,747	4%
North Dakota	36,126	23,867,126	0%
Ohio	4,700,000	137,240,786	3%
Oklahoma	1,711,250	17,743,220	10%
Oregon	1,790,463	45,353,589	4%
Pennsylvania	5,196,000	390,018,000	1%
Rhode Island	400,000	11,870,000	3%
South Carolina	722,813	72,697,281	1%
South Dakota	50,000	1,869,000	3%
Tennessee	442,700	23,335,300	2%
Texas	852,304	129,089,941	1%
Utah	1,163,200	45,866,000	3%
Vermont	187,079	33,115,764	1%
Virginia	3,900,000	36,500,000	11%
Washington	0	36,306,018	0%
West Virginia	986,000	17,209,156	6%
Wisconsin	0	32,031,400	0%
Total**	75,882,398	2,634,299,862	3%

**Does not include Alaska, Hawaii, and Wyoming

Source: NASDA, 2001 State Economic Development Expenditure Survey

ITA/Trade Development Programs for Small Business

HOW TRADE DEVELOPMENT HELPS SMALL BUSINESS EXPORTERS

The International Trade Administration's (ITA) Trade Development (TD) unit offers a well-coordinated, economical, and accessible array of services to help small businesses (SMEs) increase their export potential. TD continues to build on these and other programs to ensure that SMEs have the tools they need.

- **Small Business Program.** The *Small Business Program* is ITA's focal point for trade policy issues concerning SMEs. The program brings the small business point of view to international trade policy discussions, primarily through the *Industry Sector Advisory Committee on Small and Minority Business for Trade Policy Matters (ISAC-14)*, the only advisory committee to the U.S. government on small and minority business export concerns. The *Small Business Program* also provides outreach and plans events for small businesses and women- and minority-owned firms, such as the *1999 Canada-U.S. Businesswomen's Trade Summit*.
- **Sector Expertise.** TD's industry specialists annually provide SMEs detailed information and analysis on foreign market conditions and opportunities, advocacy assistance, general exporting advice, export financing advice, industry analysis, tariffs, regulations, business and cultural practices, etc.
- **Counseling.** *Trade Information Center.* The TIC is a comprehensive resource for export information and assistance by phone, fax-on-demand, or Internet. In addition to basic export counseling and information on regulatory requirements, trade events, government programs, and sources of financing and market research, the TIC offers country and regional information and counseling. During fiscal 1998, the center handled more than 475,000 inquiries—approximately 90 percent of which were from SMEs.
- **Advocacy.** The Advocacy Center combines the collective efforts of ITA and other U.S. government agencies (through the Trade Promotion Coordinating Committee) to level the playing field. The Center's goal is to ensure that SMEs are treated fairly when they participate in international procurement tenders and that their proposals are evaluated on technical and commercial merits. The Advocacy Center continues to be aggressive in its efforts to provide advocacy support to SMEs, which account for 51 percent of the Advocacy Center's client-base. In fiscal 1998, the total value of the 18 SME successes was \$400 million, including an estimated \$330 million in U.S. export content. In addition, as suppliers or subcontractors to larger U.S. companies' overseas projects, thousands of American SMEs benefit indirectly from the center's services.
- **Trade missions and events.** Working hand-in-hand with the private sector, TD industry experts help recruit and organize trade missions for the Secretary and Undersecretary of Commerce. In 1998, TD organized 61 trade missions, trade shows, and other promotion events, helping 1,331 mainly small businesses to export American products and services. More than 80 percent of the participants were smaller companies. These firms reported nearly \$431 million in direct export sales and more than 485 overseas distributor and joint venture agreements. It is estimated that as a direct result, over 6,600 high-paying U.S. jobs were supported.

- **Market Development Cooperator Program.** The *Market Development Cooperator Program (MDCP)* is a competitive matching grants program that builds public-private partnerships by providing federal assistance to nonprofit export multipliers, such as states, trade associations, chambers of commerce, world trade centers, etc. These multipliers are particularly effective in reaching and assisting SMEs. MDCP awards help underwrite the start-up costs of exciting new export marketing ventures that these groups would not undertake without federal government support.
- **SME Statistical Analysis.** In cooperation with the U.S. Census Bureau, TD developed new statistical information on the characteristics of U.S. exporting companies. This project, known as the Exporter Data Base (EDB), reveals

that 96 percent of all U.S. exporting companies are small or medium-sized. In 1997, 202,000 SMEs exported merchandise from the United States. These SMEs were responsible for nearly 30 percent of all U.S. exports of goods. Leading exports of SMEs include industrial machinery, computers, transportation equipment, electric and electronic equipment, food, and chemicals. Canada, Japan, Mexico, the United Kingdom, Germany, and South Korea were the leading destinations for SME exports.

- **Export Trading Companies and Trade Intermediaries.** The Office of Export Trading Company Affairs (OETCA) promotes the formation and use of export trade intermediaries and the development of long-term joint export ventures by U.S. firms, including joint ventures by

U.S. firms that are competitors in the domestic market. OETCA administers two programs available to all U.S. exporters or potential exporters. The Export Trade Certificate of Review program provides antitrust protection to U.S. firms for collaborative export activities. The U.S. Exporters' Yellow Pages™ publication is designed to assist U.S. trade intermediaries match with U.S. producers of exportable goods and services.

Source: International Trade Administration (ITA) Trade Development (TD) Program, http://www.ita.doc.gov/td/td_home/smes.html