



Fall 1995

State Involvement in the Promotion of Export Trade: Is it Time to Rethink the Concept of Federalism as it Pertains to Foreign Relations

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State Involvement in the Promotion of Export Trade: Is it Time to Rethink the Concept of Federalism as it Pertains to Foreign Relations

Cover Page Footnote

International Law; Commercial Law; Law

COMMENTS

State Involvement in the Promotion of Export Trade: Is it Time to Rethink the Concept of Federalism as it Pertains to Foreign Relations?

Table of Contents

I.	INTRODUCTION	188
II.	FEDERALISM	193
A.	Is Direct State Involvement In Making Foreign Economic Policy Constitutional?	193
B.	Even If State Participation is Constitutional, Is It Wise?	198
C.	Arguments Favoring State Involvement In Foreign Economic Policy	200
III.	NORTH CAROLINA'S EXPORT EFFORTS	202
A.	Export Outreach Program	203
B.	Trade Events Program	204
C.	Shared Foreign Sales Corporation	205
D.	Foreign Trade Offices	206
E.	Cooperation Amongst Various Export Promoting Entities	207
F.	Summary of North Carolina Export Statistics	208
IV.	STATE EXPORT EFFORTS OVERALL	210
A.	National Association of State Development Agencies (NASDA) Survey	210
1.	State Budgets	211
2.	Trade Staff	213
3.	Services Provided	214
4.	Priority Markets Targeted by State Trade Offices	219
5.	State Use of Federal Programs	220
6.	MultiState Trade Promotion Groups	220
B.	Areas Exhibiting the Potential for Future State Involvement	222
1.	Export Growth Through Multilateral Development Bank Projects	222

2.	Exporting With the Help of Electric Utility Programs	223
V.	LESSONS TO BE LEARNED FROM THE SUCCESS OF EUROPEAN EXPORT PROMOTION	225
A.	Lesson 1: The Primary Barriers to Increasing the Export Activity of Small and Medium-Sized Firms are Internal to the Firms Themselves ...	227
B.	Lesson 2: Building Export Expertise into the Heart of a Firm's Growth Plan is Essential	228
C.	Lesson 3: Export Assistance Should Only be Available to the "Export-Ready"	230
D.	Lesson 4: Help the "Export-Willing" by Either Training Company Staff Or Creating an Intermediary Body to Handle Exporting Intricacies .	232
1.	The Training Approach	232
2.	The Service Organization Approach	234
E.	Lesson 5: External Barriers are Surmountable.....	235
1.	Market Intelligence	236
2.	Market Exposure	236
3.	Market Entry.....	238
F.	Lesson 6: Specific Programs Tailored to Individual Firms are Most Effective	240
G.	Lesson 7: Reciprocal Trade Relationships Function as Learning Systems for Successful Exporters	241
H.	Lesson 8: Private or Quasi-Private Providers are the Best Deliverers of Export Assistance, but Public Sector Involvement is Crucial.....	243
I.	Lesson 9: The Most Effective Export Assistance Programs are Regionally and Sectorally Targeted.....	244
J.	Lesson 10: New Exporters Should Pay For Profitable Export Assistance	245
VI.	CONCLUSION	246

I. Introduction

In an effort to place the control of foreign relations firmly in the hands of the national government, the founding fathers looked to the seminal document of the young republic, the Constitution.¹ The text of the Constitution plainly states that "[t]he Congress shall have power . . . [t]o regulate Commerce with foreign Nations,"² that "[n]o State

¹ Richard B. Bilder, *The Role of States and Cities in Foreign Relations*, 83 AM. J. OF INT'L L. 821, 821 (1989).

² U.S. CONST. art. I § 8 cl. 3.

shall enter into any Treaty,"³ and that "[n]o State shall, without the Consent of Congress . . . enter into any Agreement or Compact with another State, or with a foreign Power."⁴ If the text were not clear enough, framer intent, as evidenced by writings such as the *Federalist Papers*, seemingly supports the proposition that foreign trade rests within the exclusive domain of the federal government. For example, Alexander Hamilton wrote that

[t]he importance of the *Union*, in a commercial light, is one of those points, about which there is least room to entertain a difference of opinion, and which has in fact commanded the most general assent of men, who have any acquaintance with the subject. This applies as well to our intercourse with foreign countries.⁵

Similarly, James Madison concluded "[i]f we are to be one nation in any respect, it clearly ought to be in respect to other nations."⁶

Nonetheless, over one thousand U.S. state and local governments are participating in foreign affairs, and their numbers are expanding.⁷ Governors, mayors, and other state and local officials have become unofficial diplomats engaged in a variety of international activities. Their efforts are "so prevalent that many state and local governments are building international relations into their policymaking processes much like they built domestic intergovernmental relations into their policymaking processes during the 1950s and 1960s."⁸ While critics argued in the 1980s that "[t]he national interest demands that local interference in foreign . . . policy be curtailed before the federal government finds itself hamstrung by hundreds of would-be secretaries of state touting their own parochial agendas,"⁹ the facts are that in the 1990s, states are "engaged in a range of international activities that include overseas offices, foreign technical and commercial exchange agreements and coordinated efforts to influence U.S. foreign economic policy."¹⁰ In addition, state efforts are supported by federal officials. In 1993 the U.S. Advisory Commission on Intergovernmental Relations (ACIR) published eight findings and four recommendations regarding state and local government involvement in foreign affairs. These recommendations advocated that the President and Congress

³ U.S. CONST. art. I § 10 cl. 1.

⁴ U.S. CONST. art. I § 10 cl. 3. The Constitution further provides that "[n]o State shall, without the Consent of Congress, lay any Imposts or Duties on Imports or Exports, except what may be absolutely necessary for executing its inspection Laws." U.S. CONST. art. I § 10 cl. 2.

⁵ THE FEDERALIST NO. 11, at 65 (A. Hamilton) (J.E. Cooke ed., 1961).

⁶ THE FEDERALIST NO. 42, at 279 (J. Madison) (J.E. Cooke ed., 1961).

⁷ Bilder, *supra* note 1, at 821.

⁸ John Kincaid, *Implications of Constituent Diplomacy for the Future of Federalism and the Nation-State*, in NORTH AMERICAN AND COMPARATIVE FEDERALISM 27, 27 (Univ. of Calif., Berkeley, Inst. of Gov. Studies Press 1992).

⁹ Bilder, *supra* note 1, at 821 (quoting Spiro, *Taking Foreign Policy Away from the Feds*, WASH. Q., No. 1, 1988, at 191, 202-203).

¹⁰ John M. Kline, *Federalist Systems Around the World Cope With Sub-Central Governments' New Roles in Foreign Policy*, 2 CLEARINGHOUSE ON STATE INTERNATIONAL POLICIES 7, 1992 at 5.

“support programs . . . with state and local governments to expand the outreach and improve the effectiveness of trade and export promotion efforts.”¹¹

What has caused the erosion of our traditionally bifurcated system of federalism whereby domestic policy was intergovernmentalized and foreign policy federalized? The easy answer is that state and local export promotional activities have helped to reduce the U.S. trade deficit and to create jobs.¹² The United States no longer dominates the world economy, and this loss of status translates into a loss of influence and, consequently, economic stability. The new arrangements, which focus on local economic interests rather than a single national interest, are at least, “in part, responses to global economic and technological forces that already transcend the nation-state.”¹³ In short, state and local governments are compensating for the weakened economic power of the federal government by directly addressing the international forces that affect their jurisdictions.¹⁴

At first glance, it seems that the states are doing a competent job. As shown in Table 1 below, data provided by the U.S. Bureau of the Census¹⁵ indicates that since the beginning of the U.S. export surge in 1987, all fifty states have boosted sales of U.S. merchandise in world markets and twenty-one states have more than doubled their export sales over the period from 1987 to 1993. However, some authorities contend that “[t]he glamour of governor-led missions abroad, legions of visiting foreign dignitaries and a doubling of U.S. exports . . . have lent a false image of adequacy to state trade development policies and programs” and that compared to other economic powers, the current U.S. trade system is dysfunctional (See Table 2).¹⁶ Experts estimate that only one-in-four companies that could export, actually does so.¹⁷ Among existing exporters, export sales are only a fraction of their potential.¹⁸ Considering that each additional billion dollars in exports creates twenty thousand jobs¹⁹ and that at least eleven percent of the civilian work force (over 10.5 million workers) is supported by the ex-

¹¹ *The U.S. Advisory Commission on Intergovernmental Relations Issues Recommendations Regarding State International Affairs*, 4 CLEARINGHOUSE ON STATE INTERNATIONAL POLICIES 4 (Corp. for Enter. Dev., Entergy Corp., Kenan Inst. of Private Enter., Southern Growth Policies Bd., and U.S. Econ. Dev. Admin.) 1994, at 5. See *infra* note 27 and accompanying text.

¹² Kincaid, *supra* note 8, at 32.

¹³ *Id.* at 30.

¹⁴ *Id.* at 28.

¹⁵ Exporter Location Series.

¹⁶ Carol Conway *et al.*, CRAFTING A STATEWIDE TRADE DEVELOPMENT SYSTEM (Aspen Inst. eds., forthcoming 1995) (manuscript at 1, on file with author).

¹⁷ *Id.*, manuscript at 13.

¹⁸ *Id.*

¹⁹ Leslie Stroh, *Fishing Where the Trout Are*, 3 CLEARINGHOUSE ON STATE INTERNATIONAL POLICIES 5, 1993 at 3.

port of goods and services²⁰ according to accepted estimates, it is obvious why the efficiency and claimed success of state initiatives must be closely scrutinized.

In light of the significant role states and localities have undertaken in what is now deemed to be a global economy, this Comment will explore the concept of federalism to determine whether or not state and local participation in economic foreign relations in fact violates the letter or spirit of the Constitution. Since it appears that state involvement will continue regardless of whether it is constitutional, the Comment will also look specifically at what North Carolina is doing to promote export trade. In addition, it will review the latest statistics available in order to make a general comparison of what states are doing overall. Finally, the Comment will focus on the innovative efforts used by European export promoters and documented by William Nothdurft²¹ in his study of how Europe helps small firms to export.

Table 1
State & Regional Exports for 1987 and 1993*
(Thousand \$)

	1987	1993	PERCENT CHANGE 1987 - 1993
Alabama	1,482,853	2,504,344	68.9%
Alaska	538,431	817,676	51.9%
Arizona	2,468,494	5,785,148	134.4%
Arkansas	408,285	1,109,725	171.8%
California	32,890,959	68,067,134	106.9%
Colorado	4,848,228	6,214,809	28.2%
Connecticut	4,666,119	10,198,199	188.6%
Delaware	2,723,982	3,454,507	26.8%
Dist. of Columbia	408,966	4,264,978	942.9%
Florida	7,804,344	14,695,824	88.3%
Georgia	2,431,917	6,050,113	148.8%
Hawaii	159,954	207,882	30.0%
Idaho	412,027	1,235,896	200.0%
Illinois	10,229,536	20,347,213	98.9%
Indiana	3,743,293	8,445,322	125.6%
Iowa	1,087,034	1,929,057	77.5%
Kansas	1,877,363	3,109,413	65.6%
Kentucky	1,720,190	3,348,842	94.7%
Louisiana	2,978,976	3,220,327	8.1%
Maine	533,698	1,065,258	99.6%

²⁰ *Importance of Trade to the U.S. Economy*, TRADE INFORMATION CENTER (Fax Retrieval Hotline) 1994 at 1. Figures are based on 1992 statistics.

²¹ William E. Nothdurft is a writer and independent public policy consultant who has authored or co-authored dozens of state policy initiatives on economic development, workforce education and training, welfare reform, adult literacy, rural development, agricultural diversification, natural resource management, and state development marketing and promotion programs.

Maryland	1,531,860	2,713,437	77.1%
Massachusetts	8,297,703	11,597,179	39.8%
Michigan	19,542,822	25,324,771	29.6%
Minnesota	5,556,427	9,974,369	79.5%
Mississippi	448,451	802,711	79.0%
Missouri	3,383,505	4,733,284	39.9%
Montana	148,118	243,265	64.2%
Nebraska	328,863	1,740,700	429.3%
Nevada	269,087	502,716	86.8%
New Hampshire	662,197	1,134,873	77.4%
New Jersey	7,648,640	14,540,560	90.1%
New Mexico	116,527	397,199	240.9%
New York	29,570,000	40,703,235	37.7%
North Carolina	3,472,260	7,976,373	129.7%
North Dakota	163,116	343,707	110.7%
Ohio	6,468,319	17,479,892	170.2%
Oklahoma	967,003	2,334,549	142.4%
Oregon	3, 117, 438	6,204,733	99.0%
Pennsylvania	7,166,999	13,189,649	84.0%
Rhode Island	376,656	911,932	142.1%
South Carolina	1,017,005	3,219,519	216.6%
South Dakota	41,963	213,811	409.5%
Tennessee	2,970,399	6,145,363	106.9%
Texas	18,045,460	35,626,656	97.4%
Utah	667,429	2,045,015	206.4%
Vermont	265,572	2,276,131	757.1%
Virginia	3,147,793	8,154,475	159.1%
Washington	10,317,038	27,397,726	165.6%
West Virginia	656,321	753,639	14.8%
Wisconsin	2,939,795	5,810,366	97.6%
Wyoming	60,273	88,509	46.8%
Puerto Rico	1,980,613	4,365,071	120.4%
Virgin Islands	1,178	162,125	**
Unallocated	19,644,476	39,679,136	102.0%
U.S. TOTAL	\$244,405,955	\$464,858,344	90.2%
New England	14,801,945	27,183,572	83.6%
Mid Atlantic	44,385,639	68,433,444	54.2%
South Atlantic	23,194,448	51,282,865	121.1%
North Central	55,362,036	99,451,905	79.6%
South Central	29,021,617	55,092,517	89.8%
Mountain	8,990,183	16,512,557	83.7%
Pacific	47,023,820	102,695,151	118.4%
Other	1,981,791	4,527,196	128.4%

Source: U.S. Bureau of the Census, Export Location Series.

* Data shows exports sold from the above locations by exporters of record. The location from which exports are sold is not always the same as the location where the goods were produced.

Table 2
1992 Manufacturing Exports
Per Capita*
(U.S. \$)

Belgium	\$11,781
Netherlands	10,588
Switzerland	8,978
Norway	8,174
Ireland	7,895
Denmark	7,670
Sweden	6,522
Iceland	6,178
Austria	5,644
Germany	5,250
Canada	4,899
Finland	4,756
France	4,102
United Kingdom	3,287
Italy	2,936
New Zealand	2,928
Japan	2,724
Australia	2,412
UNITED STATES	1,799
Portugal	1,742
Spain	1,644
Greece	855
Chile	665
Mexico	292

Source: International Monetary Fund (IMF) Yearbook

* Figures are rounded to the nearest whole \$.

II. Federalism

A. *Is Direct State Involvement In Making Foreign Economic Policy Constitutional?*

An analysis of the framers' intent and the plain meaning of the text of the Constitution arguably establishes that the promotion of export trade with foreign nations is exclusively within the realm of the federal government.²² However, as Chief Justice John Marshall of the U.S. Supreme Court noted as long ago as 1819, the Constitution is a living document that provides for the crises of human affairs.²³ Changed circumstances and history (two additional interpretive tools used by scholars and the courts to construe the true meaning of the Constitution) favor a broad reading of Article I to permit state intervention in foreign export trade promotion.

In addition, the federal government has shown its express approval of state and local government participation in foreign trade.

²² See *supra* notes 2-6 and accompanying text.

²³ *McCulloch v. Maryland*, 17 U.S. 316 (1819).

For example, the United States and Foreign Commercial Service is a federal agency established within the International Trade Administration of the Department of Commerce.²⁴ One stated purpose of this division is to emphasize exports "by carrying out activities such as [those] . . . assisting the coordination of the efforts of State and local agencies and private organizations which seek to promote United States business interests abroad so as to maximize their effectiveness and minimize the duplication of efforts."²⁵ Another example of federal approval is spelled out in the list of congressional findings contained within the Export Trading Act of 1982.²⁶ Finding-number-nine states that "activities of State and local governmental authorities which initiate, facilitate, or expand exports of goods and services can be an important source for expansion of total United States exports, as well as for experimentation in the development of innovative export programs keyed to local, State, and regional economic needs."²⁷ By implication, this finding not only supports current state involvement but encourages it to go forward.

A third example of express federal approval is the creation and undertakings of the U.S. Advisory Commission on Intergovernmental Relations (ACIR). The ACIR was created in 1959 in order to "recommend, within the framework of the Constitution, the most desirable allocation of governmental functions, responsibilities, and revenues among the several levels of government."²⁸ It has researched state and local involvement in international affairs for thirty-five years, and its findings and recommendations have not only supported but encouraged state involvement in the promotion of export trade.²⁹

However, the issue of federal support for state intervention is not settled. Both the Executive and Congress enjoy the prerogative of being able to adopt new policy. If Congress should pass legislation which conflicts with state initiatives, the federal provision will control according to the Supremacy Clause of Article VI.³⁰ It is well established that "the government of the Union, though limited in its powers, is supreme within its sphere of action."³¹

In addition, and probably more importantly, the U.S. Supreme Court has the final authority on all constitutional issues,³² and it is not

²⁴ 15 U.S.C. § 4721 (1988).

²⁵ *Id.*

²⁶ 15 U.S.C. § 4001 (1988).

²⁷ *Id.*

²⁸ *The U.S. Advisory Commission on Intergovernmental Relations Issues Recommendations Regarding State International Affairs*, 4 CLEARINGHOUSE ON STATE INTERNATIONAL POLICIES 4, 1994 at 5.

²⁹ *Id.*; see *supra* note 11 and accompanying text for an example.

³⁰ U.S. CONST. art. VI, § 2.

³¹ *McCulloch v. Maryland*, 17 U.S. 316, 405 (1819).

³² *Marbury v. Madison*, 5 U.S. (1 Cranch) 137 (1803); *cf.* *Planned Parenthood of Southeastern Pennsylvania v. Casey*, 112 S.Ct. 2791 (1992) (suggesting that the Court gains legitimacy from its adherence to already established principles so that when the Court is

clear from the relevant precedent that the Court will always share the same view as the Executive and Congress regarding whether state interference in foreign economic policy is permissible.³³ In *Hines v. Davidowitz*,³⁴ the Court struck down a state-enacted alien registration law on the grounds that the state law addressed an issue that was exclusively within the domain of federal government regulation.³⁵ Even though the state law did not conflict with existing federal law, the Court held that “[t]he Federal Government, representing . . . the forty-eight states, is entrusted with full and exclusive responsibility for the conduct of affairs with foreign sovereignties.”³⁶ This pronouncement has been repeated in a number of later cases.

Not long after the *Hines* decision, the Court took a similar position in *Clark v. Allen*,³⁷ although reaching a different conclusion. In *Clark*, the Court upheld a state reciprocal inheritance statute on the grounds that the statute only had “some incidental or indirect effect in foreign countries.”³⁸ In making its decision, however, the Court distinguished *Hines* and reiterated that states may not “enter[] the forbidden domain of negotiating with a foreign country”³⁹ or “make[] a compact with it contrary to the prohibition of Article I, Section 10 of the Constitution.”⁴⁰

Twenty years later in *Zschernig v. Miller*,⁴¹ the Court considered a similar state-enacted reciprocal inheritance statute. This time, the Court looked more closely at the way the law was applied and determined that the law “has more than some incidental or indirect effect in foreign countries, and . . . [a] great potential for disruption or embarrassment” in the realm of foreign relations.⁴² The Court noted that the statute “required detailed inquiries by probate courts into the kinds of governments existing in foreign countries, the practical administration of foreign law, the credibility of foreign diplomatic statements and the existence of a right to receive the funds.”⁴³ The Court

asked to decide a deeply divided conflict, it is especially important for the Court to adhere to existing principles).

³³ Since the relevant case law pertaining to the constitutional constraints on state and local involvement has been discussed extensively elsewhere, it will only be summarized here. See L. HENKIN, *FOREIGN AFFAIRS AND THE CONSTITUTION* (1972); *RESTATEMENT (THIRD) OF FOREIGN RELATIONS LAW OF THE UNITED STATES* (1987); Michael Shuman, *Dateline Main Street: Local Foreign Policies*, *FOREIGN POL'Y*, No. 65, Winter 1986-87; Peter J. Spiro, *Taking Foreign Policy Away From the Feds.*, *WASH. Q.*, No. 1, 1988; Jessica V. Carter, Comment, *The Role of Local Government in Foreign Trade: The Case of Baltimore*, 15 *MD. J. INT'L L. & TRADE* 169 (1991).

³⁴ 312 U.S. 52 (1941).

³⁵ *Id.*; Carter, *supra* note 33, at 172.

³⁶ *Hines*, 312 U.S. at 63.

³⁷ 331 U.S. 503 (1947).

³⁸ *Id.* at 517.

³⁹ *Id.* (citing *United States v. Curtiss-Wright Corp.*, 299 U.S. 304, 316-17 (1936)).

⁴⁰ *Id.*

⁴¹ 389 U.S. 429, *reh'g denied*, 390 U.S. 974 (1968).

⁴² *Id.* at 434-35.

⁴³ Bilder, *supra* note 1, at 825.

rejected the argument that the statute should be upheld under *Clark* because of the absence of specific evidence of harmful effect on foreign relations.⁴⁴ Instead, the Court ruled that the potential for interference remained, and thus, the statute was invalid.⁴⁵

Zschernig is a unique case because it applies a vague doctrine of "dormant" foreign relations power.⁴⁶ Some sources have interpreted the "dormant foreign relations clause" to suggest that the Court "may be signaling that it will be obliged to curtail state interference in foreign trade even when the federal government has not acted."⁴⁷ The reasoning and scope of the decision is puzzling since the Court does not articulate a demarcation between "constitutionally permissible and prohibited state and local action."⁴⁸ Neither *Zschernig* nor *Clark* have been overruled.

In 1979, however, the Court moved away from the "incidental or indirect effect" test in *Japan Line, Ltd. v. County of Los Angeles*,⁴⁹ a case involving a state statute which imposed a state property tax on Japanese shipping companies. The Court struck down the statute on the grounds that it prevented the federal government from "speaking with one voice."⁵⁰ Specifically, the Court stated that if a "tax prevents the Federal Government from 'speak[ing] with one voice when regulating commercial relations with foreign governments' . . . [the tax] is unconstitutional under the Commerce Clause."⁵¹ The Court emphasized the need for federal uniformity by stating "[f]oreign commerce is pre-eminently a matter of national concern . . . [and] '[i]n international relations and with respect to foreign intercourse and trade the people of the United States act through a single government with unified and adequate national power.'"⁵²

Despite the Court's seemingly decisive approach in *Japan Line, Ltd.*, a more recent opinion by the Court "suggest[s] caution in concluding that a state practice with some impact on international relations necessarily trespasses on an exclusively federal preserve."⁵³ In *Barclays Bank PLC v. Franchise Tax Board of California*,⁵⁴ the Court con-

⁴⁴ *Zschernig*, 389 U.S. at 434-435.

⁴⁵ *Id.*

⁴⁶ Bilder, *supra* note 1, at 825.

⁴⁷ Carter, *supra* note 33, at 176; see also Louis Henkin, FOREIGN AFFAIRS AND THE CONSTITUTION, (1972) at 238-41.

⁴⁸ Bilder, *supra* note 1, at 825.

⁴⁹ 441 U.S. 434 (1979).

⁵⁰ *Id.* at 451-52.

⁵¹ *Id.* at 449 (quoting *Michelin Tire Corp. v. Wages*, 423 U.S. 276, 285 (1976)).

⁵² *Id.* at 448 (quoting *Board of Trustees v. United States*, 289 U.S. 48, 59 (1933)); see also *United States v. Curtiss-Wright Corp.*, 299 U.S. 304, 319 (1936) (quoting John Marshall, 6 ANNALS 613 (1800)) (declaring that "[t]he President is the sole organ of the nation in its external relations, and its sole representative with foreign nations").

⁵³ A.M. Weisburd, *State Courts, Federal Courts, and International Cases*, 20 YALE J. INT'L L. 1, 25 (1995).

⁵⁴ 114 S.Ct. 2268 (1994).

sidered a case challenging California's method of taxing multinational corporations. Plaintiffs argued that the scheme offended "the Commerce Clause by frustrating the Federal Government's ability to 'speak with one voice when regulating commercial relations with foreign governments.'"⁵⁵ In determining whether California's tax system impaired "federal uniformity in an area where federal uniformity is essential,"⁵⁶ the Court stated that "Congress may passively indicate that certain state practices do not 'impair federal uniformity.'"⁵⁷ Specifically, the Court held that since Congress had studied state taxation of multinational enterprises on many occasions without enacting legislation which would have prohibited the type of state taxation at issue in this case, Congress had passively approved such taxation methods — indicating that federal uniformity was unimpaired.⁵⁸ The Court stated that given Congress' willingness to tolerate the states' taxation methods, "we cannot conclude that 'the foreign policy of the United States — whose nuances . . . are much more the province of the Executive Branch and Congress than of this Court — is [so] seriously threatened'⁵⁹ . . . as to warrant our intervention."⁶⁰ Note that the Court reached its conclusion "despite undisputed evidence that California's taxation scheme had aroused great opposition from foreign governments."⁶¹

Thus, it remains settled that Congress has the final word in regulating trade with foreign nations. It is uncertain, however, when the Supreme Court will deem state interference in foreign economic policy impermissible in light of the *Barclays Bank* decision. *Zschernig* implies that states are "completely excluded from activities bearing on foreign relations."⁶² In a broad sense, *Zschernig* also implies "that this exclusion was beyond the power of Congress to affect."⁶³ *Japan Line, Ltd.* implies that state interference is impermissible anytime it prevents the federal government from "speaking with one voice"⁶⁴ involving matters of national concern.⁶⁵ *Barclays Bank*, on the other hand, implies that the Court will uphold state practices whenever there are pas-

⁵⁵ *Id.* at 2272 (quoting *Japan Line, Ltd.*, 441 U.S. at 449).

⁵⁶ *Id.* at 2281 (quoting *Japan Line, Ltd.*, 441 U.S. at 448).

⁵⁷ *Id.* at 2282.

⁵⁸ *Id.* at 2283-84.

⁵⁹ *Id.* at 2284 (quoting *Container Corp. of America v. Franchise Tax Bd.*, 463 U.S. 159, 196 (1983)).

⁶⁰ *Id.*

⁶¹ Weisburd, *supra* note 53, at 25; *Barclays Bank PLC*, 114 S.Ct. at 2284 n. 22 (finding that "the governments of many of our trading partners [i.e., the United Kingdom, Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain] have expressed their strong disapproval of California's methods of taxation" by submitting amici briefs in support of the plaintiffs). *Id.*

⁶² Weisburd, *supra* note 53, at 25.

⁶³ *Id.*

⁶⁴ *Japan Line, Ltd.*, 441 U.S. at 451-52.

⁶⁵ *Id.* at 448-51.

sive indications that Congress has found them to be unobjectionable.⁶⁶

In the end, there still remains the argument that extensive state involvement with foreign economic policy violates the text of the Constitution and the intentions of the founding fathers. However, considering executive and congressional approval in most instances and the Supreme Court's recent stance to uphold state activity in the absence of congressional protest, it is unlikely that state involvement will be curtailed. In addition, changing circumstances, such as the rise of the new global economy, provide powerful impetus to reconsider traditional notions of federalism. States and localities are being driven to compensate for the weakened economic power of the United States at the same time that revenue capacities of state and local governments are being constrained by "(1) voter resistance to many tax increases; (2) a decline of federal aid as a proportion of federal, state, and local outlays since 1978; [and] (3) the shifting of more domestic policy costs from the federal government to state and local government."⁶⁷ There is little choice for state and local governments but to turn to the global economic arena.⁶⁸

In light of these changing circumstances, the remainder of this section will summarize additional concerns that ought to be considered before a decision is ultimately reached regarding whether a new federalism permitting state activism should be promoted.

B. Even if State Participation is Constitutional, is it Wise?

As noted above, one argument for keeping state and local governments completely out of matters relating to foreign affairs is that it is imperative that other nations perceive our nation as "speaking with one voice."⁶⁹ It is vital to our national interest that U.S. foreign policy be viewed as unified and coherent; otherwise, the appearance of disagreement, confusion, uncertainty, and weakness in stated foreign policy positions will undermine the credibility of the federal government's negotiating posture.⁷⁰

An example of state meddling which undermined federal negotiating strength involves the European Community's (EC) ban on the import of hormone-treated meat.⁷¹ This ban severely restricted U.S. exports, hitting the Texas cattle industry particularly hard. The U.S. government argued that the hormones given to American livestock

⁶⁶ 114 S.Ct. at 2282-84.

⁶⁷ John Kincaid, *Implications of Constituent Diplomacy for the Future of Federalism and the Nation-State*, in NORTH AMERICAN AND COMPARATIVE FEDERALISM ESSAYS FOR THE 1990s 27, 28 (Univ. of Calif., Berkeley, Inst. of Gov. Studies Press 1992).

⁶⁸ *Id.*

⁶⁹ See *supra* notes 49-52 and accompanying text.

⁷⁰ Bilder, *supra* note 1, at 827.

⁷¹ John M. Kline, *United States' Federalism and Foreign Policy*, in STATES AND PROVINCES IN THE INTERNATIONAL ECONOMY 201, 221 (Univ. of Calif., Berkeley, Inst. of Gov. Studies Press 1993).

were safe and that the ban violated a section of the General Agreement on Tariffs and Trade (GATT) which prohibited the use of health regulations to restrict imports.⁷² The Texas cattle industry was not satisfied with the federal approach, however.⁷³ The cattle industry persuaded Texas state authorities to independently negotiate trade deals whereby state officials would certify that their "meat exports were not from hormone-treated animals."⁷⁴ Texas undercut the U.S. government's position⁷⁵ by giving the EC a way to demonstrate it could and would only accept meat imports that met its specified health-related requirements.⁷⁶ Although the federal government tried to discourage Texas officials from meddling in foreign policy and maintained that the certification tests the State was willing to conduct were both unnecessary and unreliable, state officials persisted, "claiming that 'if Washington won't play a stronger hand — a winning hand for cattle producers — then we in Texas will.'"⁷⁷

Another example of how the pursuit of state officials' own interests has served to undermine federal foreign policy involves the Texas oil industry. The United States does not have a government representative at the Organization of Petroleum Exporting Countries (OPEC), nor does it approve of the policies of OPEC to manipulate prices and organize non-OPEC producers.⁷⁸ A Texas Railroad Commissioner is an invited observer, however, who regularly attends OPEC meetings and, acting as a private citizen, meets with OPEC ministers and conducts related activities.⁷⁹ The Commissioner's activities (which in the past have consisted of organizing meetings in "Texas of non-OPEC producers in order to discuss possible cooperation with OPEC on price stability issues") are clearly in opposition to federal foreign policy.⁸⁰ It is not difficult to see how state interference, such as that in the above examples, might impede otherwise coherent and unified federal policy and undermine the credibility of the federal government's negotiating posture regarding specific foreign policies.

A second reason why some authorities feel it may be unwise to permit state and local involvement in matters relating to foreign affairs is that

state and local activities may sometimes directly impede or frustrate national foreign policy or embarrass our foreign relations by causing

⁷² *Id.*

⁷³ *Id.*

⁷⁴ *Id.*

⁷⁵ The U.S. government argued that the ban was merely an "unfair trade practice motivated by protectionist agricultural policies." *Id.*

⁷⁶ *Id.*

⁷⁷ *Id.* (quoting *Hightower to Feds: 'Cut the Bureaucratic Crap,'* 52 BULLETIN OF MUNICIPAL FOREIGN POLICY 3 (Spring 1989)).

⁷⁸ Kline, *supra* note 71, at 222.

⁷⁹ *Id.*

⁸⁰ *Id.*

offense or injury to foreign nations, their citizens or their economic interests. It is inappropriate and irresponsible for particular states and localities, acting on their own and without regard to broader national public opinion or policy, to adopt measures that may result in adverse consequences for the nation as a whole.⁸¹

Such may be the case where more than half of the states "acted unilaterally to discourage U.S. corporations from doing business in South Africa" during the 1980s.⁸² These actions certainly hurt the economic interests of South Africa, as they were "influential in leading many companies to sell their operations in South Africa."⁸³

Other instances of state intrusion impacting foreign policy include protests targeted at the former Soviet Union. For example, "fifteen states pulled Soviet vodka from state liquor store shelves after the downing of a Korean passenger plane in 1983"; New York and New Jersey attempted "to deny the Soviet foreign minister's plane the right to land" at airports in their states; and Oregon attempted "to bill the Soviet Union for costs associated with [Oregon's] response to the Chernobyl nuclear accident."⁸⁴

Ultimately, it may be unwise to permit state and local involvement in matters relating to foreign affairs simply because such involvement is inconsistent with the structure of our democratic society. Consider that "state and local officials are not elected to conduct foreign policy or on the basis of their foreign policy views; and they certainly do not represent, and are not accountable to, the nation as a whole in this respect."⁸⁵ In addition, there is a persuasive argument that the states lack the necessary (and oftentimes confidential) information and resources available to the Executive and Congress when it comes to making decisions on complex international relations issues.⁸⁶

C. *Arguments Favoring State Involvement In Foreign Economic Policy*

The first argument in support of state participation in the arena of foreign economic policy is that growing state and local involvement "is not an attempt to invade or usurp federal prerogatives but simply the adaptation of American politics and federalism to a changing world in which the line between national and state or local concerns is much less clear than when the Republic was founded."⁸⁷ States are not trying to control or even overstep traditional boundaries with respect to foreign relations but are merely trying to promote legitimate local concerns.⁸⁸ In promoting local concerns, states must necessarily put forth

⁸¹ Bilder, *supra* note 1, at 827.

⁸² Kline, *supra* note 71, at 222.

⁸³ *Id.*

⁸⁴ *Id.* at 223.

⁸⁵ Bilder, *supra* note 1, at 827-828.

⁸⁶ *Id.* at 828.

⁸⁷ *Id.*

⁸⁸ *Id.*

the views of its citizenry on issues of importance and relevance to them.⁸⁹

A second argument suggests that most state and local involvement with foreign policy is not intended to, and in practice does not, have a "direct or significant adverse impact" on foreign policy.⁹⁰ This argument reminds opponents that in cases where local activities do threaten serious foreign relations damage, Congress, the Executive and the courts retain constitutional authority to stop the interfering state involvement. In addition, state initiatives may promote better foreign relations. Sister Cities Programs are just one example of compacts between local governments and foreign nations that have proven to be overwhelmingly successful. These programs have fostered cultural and educational exchange between U.S. and foreign cities since the early years following World War II.⁹¹

A third line of reasoning argues that decentralized involvement in foreign economic relations strengthens the democratic process by allowing more citizen participation.⁹² The federal government has become larger, more remote and more indifferent to the views of individual citizens. Therefore, if ordinary citizens are to make their voices heard, they must act through their local and state governments, which are more accessible and responsive.⁹³ In addition, proponents argue that while

[e]xpressions of dissent from national policy may make the nation look less "unified" and this impression, in turn, may occasionally affect negotiations with foreign governments . . . [we as a nation] have never believed that dissent should be stifled in the name of efficiency, or that our nation would be better off if government policy were free from challenge, discussion and debate.⁹⁴

Finally, proponents of state involvement argue that the kinds of international matters state and local governments are concerned with do not require the specialized knowledge unavailable to them.⁹⁵ One need not be a foreign relations expert to promote trade in local products or to have a sensible opinion on issues such as apartheid.⁹⁶ Moreover, proponents contend "experiences, such as the Iran-Contra scandal, show that even ostensible expertise and 'secret knowledge'

⁸⁹ *Id.*

⁹⁰ *Id.*

⁹¹ Carter, *supra* note 33, at 195. "In 1990, there were more than 868 United States cities involved in the Sister Cities Program with relationships with over 1,300 cities in 90 foreign countries." *Id.* Note that in 1840, the Supreme Court in *Holmes v. Jennison* held that Article I § 10 cl. 3 of the Constitution, which forbids states to enter compacts with foreign powers without the consent of Congress, did not pertain to all compacts but only those threatening egregious transgressions of national sovereignty. 39 U.S. (14 Pet.) 540 (1840).

⁹² Bilder, *supra* note 1, at 828.

⁹³ *Id.* at 829.

⁹⁴ *Id.*

⁹⁵ *Id.*

⁹⁶ *Id.*

cannot prevent amateurism, confusion, tunnel vision or gross errors of judgment at the highest levels of national government."⁹⁷ In the alternative, however, state involvement can serve as a check on ill-conceived national foreign policies and promote useful and innovative ideas.⁹⁸

In considering the arguments both for and against state involvement in the shaping of foreign trade policy, specific information describing what "involvement" consists of and how state export programs function is necessary. The next two sections will provide this information by first detailing a specific state trade program and then looking at how state programs compare generally.

III. North Carolina's Export Efforts⁹⁹

In 1982, the North Carolina Department of Commerce established the International Trade Division (Division).¹⁰⁰ Operating under a budget of \$2.5 million in fiscal year 1993-94,¹⁰¹ the Division offers three main programs in pursuit of its goals: the Export Outreach Program; the Trade Events Program; and the Shared Foreign Sales Corporation.¹⁰² The Division also maintains five overseas offices.¹⁰³ The stated mission of the Division is to be the State's lead organization for "foster[ing] . . . growth of exports for small and medium-sized manufacturers and service companies with a proven domestic track record and a willingness to commit the time, personnel, and finances necessary to participate in a global market."¹⁰⁴ The goals of the Division are to "[p]rovide opportunities for ready-to-export companies to link with distributors, representatives, and/or other appropriate sales distribution channels; [p]rovide the N.C. exporter with financial assistance opportunities in export ventures; [and] [p]romote export awareness opportunities."¹⁰⁵ Overall, the Division hopes to help the State maintain a positive trade balance (see Table 3).

⁹⁷ *Id.*

⁹⁸ *Id.*

⁹⁹ This section will discuss only North Carolina's International Trade Division. While the Governor's Office is responsible for additional export promoting activities in conjunction with the North Carolina Department of Commerce, information pertaining to these activities is currently unavailable.

¹⁰⁰ The Division was not created pursuant to any specific statutory authority but was created under the general authority of N.C. GEN. STAT. § 143B-431, which authorizes the Department of Commerce "to establish and provide for the operation of North Carolina nonprofit corporations to achieve the purpose of aiding the development of small businesses . . ." N.C. GEN. STAT. § 143B-431 (1994).

¹⁰¹ Telephone Interview with Lynn Muchmore, Senior Fiscal Analyst, Fiscal Research Division of the North Carolina General Assembly (Dec. 7, 1994).

¹⁰² Interview with Bill King, Director of the International Trade Division of the North Carolina Department of Commerce, in Raleigh, N.C. (Sept. 28, 1994).

¹⁰³ *Id.*

¹⁰⁴ INTERNATIONAL TRADE DIVISION NORTH CAROLINA DEPARTMENT OF COMMERCE SUMMARY OF ACTIVITIES, FISCAL YEAR 7/1/93 - 6/31/94.

¹⁰⁵ *Id.*

Table 3
North Carolina Trade Balance
(Millions \$)

YEAR	TOTAL NC EXPORTS	TOTAL NC IMPORTS	TRADE BALANCE
1993	\$ 9,889.0	\$9,670.3	+\$ 218.7
1992	10,373.4	8,951.3	+\$1,422.1
1991	8,010.0	7,943.0	+\$ 596.8
1990	8,010.0	5,581.1	+\$ 460.4
1989	6,571.2	5,581.1	+\$ 990.1

Source: Wachovia North Carolina World Trade Index

A. Export Outreach Program

The Export Outreach Program consists of a series of three workshops designed to walk a potential exporter through every facet of the export process.¹⁰⁶ In cooperation with the North Carolina Community College Small Business Network, the workshops are available in six regional centers across the state: Charlotte, Raleigh, Greensboro, Wilmington, Asheville, and Lenoir.¹⁰⁷ The Division reports that the workshops are "hardcore, intense programs where commitment, preparation and action are instilled as the basis for successful exporting."¹⁰⁸ Program administrators feel that the workshops are responsible for increasing the quality and competitiveness of North Carolina exports.¹⁰⁹

The Division does not encourage all companies to attend the workshops. Instead the Division directs its efforts toward small and me-

¹⁰⁶ *Id.*

¹⁰⁷ *Id.* For more information on workshops, the Export Outreach Program Regional Centers may be contacted directly:

CHARLOTTE REGIONAL CENTER Central Piedmont Community College Small Business Center	Emma Quinn, Director (704) 342-6900
RALEIGH REGIONAL CENTER Wake Technical Community College Small Business Center	Wayne Loots, Director (919) 715-3440
GREENSBORO REGIONAL CENTER Guilford Technical Community College Small Business Assistance Center	Gary Dent, Director (910) 334-5211
WILMINGTON REGIONAL CENTER Cape Fear Community College Small Business Center	Gayle Harvey, Director (910) 343-0481
ASHEVILLE REGIONAL CENTER Asheville-Buncombe Technical Community College Small Business Center	Harry Ponder, Director (704) 254-1921, ext. 129
LENOIR REGIONAL CENTER Caldwell Community College and Technical Institute Small Business Center	George Millsaps, Director (704) 726-2383

¹⁰⁸ Interview with Bill King, Director of the International Trade Division of the North Carolina Department of Commerce, in Raleigh, N.C. (Sept. 28, 1994).

¹⁰⁹ *Id.*

dium-sized companies that have an acceptable, proven product or service and that have not exported or have responded to export requests without an export plan.¹¹⁰ The Division also encourages the participation of companies that already have an international trade section but need staff training.¹¹¹ It provides services for start-up export trading or export management companies.¹¹²

The first of the three workshops is aimed at helping the business attendees to qualify their companies for exporting through product development, basic market research, and market-entry strategies.¹¹³ The second workshop focuses on legal considerations, pricing and quotations, payments and financing, shipping, and insurance and tax concerns.¹¹⁴ The third and final workshop concentrates on distribution networks, contracts, trade shows, travel and culture as well as advertising and promotions.¹¹⁵ At the end of all three workshops, the goal of the Division is that each company will not only know how to export its product, but will also be able to make a self-determination as to the feasibility of exporting.¹¹⁶

B. Trade Events Program

The International Trade Division conducts the Trade Events Program to link those companies that are ready to export with distributors, dealers and buyers in foreign markets.¹¹⁷ Trade events may consist of either catalog shows or trade fairs in a number of locations throughout the world. At trade fairs, companies display actual products in booths provided to them in a pavilion built by the Division to the particular specifications of the host country.¹¹⁸ The Division also provides an interpreter.¹¹⁹ For a listing of trade shows in which the Division and Export Outreach Program attendees participated in fiscal year 1993-94 and related sales information, see Table 4.¹²⁰ Generally,

¹¹⁰ *Id.*

¹¹¹ *Id.*

¹¹² *Id.*

¹¹³ *Id.*

¹¹⁴ *Id.*

¹¹⁵ *Id.*

¹¹⁶ *Id.* During the past four fiscal years, the number of businesses in attendance at the various regional workshop has been:

FY 1990-91	233 Attendees
FY 1991-92	136 Attendees
FY 1992-93	138 Attendees
FY 1993-94	128 Attendees

For fiscal year (FY) 1993-94, 62 (or 48%) of the overall attendees attended workshops at the Charlotte Regional Center. *Id.*

¹¹⁷ *Id.*

¹¹⁸ *Id.*

¹¹⁹ *Id.*

¹²⁰ Although the Division was established in 1982, it did not begin its work with trade fairs until 1988. The Division reports that before the trade fairs were available to provide the necessary link between North Carolina exporters and foreign purchasers, individual trade

a company must register to participate in the trade event six to twelve months in advance of the actual event.¹²¹

Table 4¹²²
FY 1993-1994 Trade Shows

EVENTS	TOTAL # OF N.C. PARTICIPANTS	TOTAL # OF N.C. EXPORT OUTREACH PARTICIPANTS	FLOOR SALES AS OF SEPT. 1994	TOTAL PROJECTED SALES ¹²³
TECNO MUEBLE '93 Mexico	23	5	\$ 387,500	\$ 3,275,000
DECOSIT '93 Belgium	8	3	490,000	7,750,000
USA TECH/ ENVIROMEX Mexico	6	1	52,000	1,880,000
INDEX '93 Dubai, U.A.E.	7	0	504,500	1,600,000
FISA '93 Chile	4	1	20,000	1,275,000
IFFT '93 Japan	7	1	598,000	800,000
EXPO CORMA Chile	6	1	50,000	600,000
HOTEL EXPO OF THE AMERICAS Mexico	3	0	10,000	75,850,000
HEIMTEXTIL '94 Germany	7	3	1,975,000	8,800,000
COLOGNE '94 Germany	7	0	275,000	11,200,000
EXPO MUEBLE '94 Mexico	32	2	3,634,000	9,255,000

C. Shared Foreign Sales Corporation

In the Tax Reform Act of 1984,¹²⁴ Congress provided the Foreign Sales Corporation (FSC) designation as a means of encouraging exporters to increase sales.¹²⁵ The Foreign Sales Corporation Program permits a percentage of income from foreign sales to be excluded from federal and state taxable income of designated companies, thus

specialists were used to initiate contact between the two. However, the Division reports that the trade fairs have been more efficient and served to increase exports. *Id.*

¹²¹ *Id.*

¹²² All data was compiled and provided by the International Trade Division of the North Carolina Department of Commerce.

¹²³ Total projected sales data was provided to the International Trade Division by the individual companies who participated in the trade fairs.

¹²⁴ 26 U.S.C. § 921 (1988).

¹²⁵ Interview with Bill King, Director of the International Trade Division of the North Carolina Department of Commerce, in Raleigh, N.C. (Sept. 28, 1994).

allowing remaining profits to be taxed at a lower rate.¹²⁶ The objective of the tax reduction is to allow a company to reinvest its savings into increased export volume and/or new export markets.¹²⁷

To obtain the tax reduction, an exporter would generally have to form a solely owned small or large FSC in one of the host countries or territories approved by the U.S. Treasury.¹²⁸ Small FSCs are for companies with annual sales under \$5 million.¹²⁹ However, for the benefit of smaller companies, Congress has allowed for the formation of *Shared* FSCs.¹³⁰ North Carolina, through the International Trade Division, has formed such an FSC in order to relieve businesses of the individual responsibilities of meeting compliance requirements.¹³¹ By simply acquiring an interest in the State's already established Shared FSC, a small company places all formation and annual compliance requirements in the hands of the State's FSC management company. The company forwards copies of its export invoices to the FSC on a quarterly basis, and the FSC handles the rest.¹³² By participating in a Shared FSC, the company avoids having to expend time and resources managing the FSC and reduces the taxable amount of its export profits by as much as thirty percent.¹³³

D. Foreign Trade Offices

In addition to its Raleigh headquarters and in-state regional centers, the International Trade Division maintains international offices in Dusseldorf, Toronto, Hong Kong, Tokyo, and Mexico City.¹³⁴ These offices are staffed by Trade Directors who support the Division's export efforts by making direct contacts with trade organizers and individual buyers. Trade Directors are also responsible for familiarizing themselves with the rules and regulations pertaining to foreign export efforts as established by the foreign countries. In addition, the Directors establish direct personal contact with appropriate foreign ministers in an attempt to make North Carolina's export efforts visible.¹³⁵

¹²⁶ *Id.*

¹²⁷ *Id.*

¹²⁸ National Association of State Development Agencies, 1992 STATE EXPORT PROGRAM DATABASE: INTRODUCTION AND ANALYSIS 31 (1992).

¹²⁹ Interview with Bill King, Director of the International Trade Division of the North Carolina Department of Commerce, in Raleigh, N.C. (Sept. 28, 1994).

¹³⁰ *Id.*

¹³¹ *Id.*

¹³² *Id.*

¹³³ Individual companies are required to pay a formation fee. Although any corporation with foreign sales can utilize an FSC, profitability may be the deciding factor in determining whether a company should choose to do so. The break-even point to cover the annual compliance cost of an FSC is approximately \$8,000 in profits for a Shared FSC and \$24,000 in profits for a Small FSC. The break-even point for Large FSCs must be individually calculated.

Id.

¹³⁴ *Id.*

¹³⁵ *Id.*

The Trade Directors are members of teams consisting of a Senior Trade Specialist and other Trade Specialists located in Raleigh.¹³⁶ Overall, there are three Senior Trade Specialists and each is responsible for coordinating the team effort for their respective territories. The territories reflect the three major territories of the world: (1) Europe, Africa and the Middle East; (2) the Americas; and (3) the Far East.¹³⁷

E. Cooperation Amongst Various Export Promoting Entities

Because each North Carolina exporter must comply with all federal international trade agreements and tariffs,¹³⁸ the International Trade Division works closely with the U.S. Department of Commerce. Both Bill King, Director of the International Trade Division, and Samuel Troy, Director of the Greensboro District Office of U.S. Department of Commerce, note that the two offices have had great success working as partners.¹³⁹

The Greensboro District Office has a staff of four trade specialists, each of whom is assigned to a territory within the State.¹⁴⁰ Since the federal trade specialists also work with export underachievers, cooperation and communication between the state and federal efforts are essential to promote efficiency and avoid duplication.¹⁴¹ The Greensboro office has special expertise in the marketing area and will freely offer assistance in this area to state trade specialists. In addition, the two offices will sometimes work together to promote the Governor's trade missions.¹⁴²

Export promoters also identify cooperation between intrastate departments and divisions and outside resources as essential in the overall effort to increase N.C. exports. For example, the Governor's trade missions are often responsible for negotiating new trade relationships with foreign countries.¹⁴³ Where the Governor leaves off, however, the

¹³⁶ *Id.*

¹³⁷ *Id.*

¹³⁸ *Id.*

¹³⁹ Interviews with Bill King, Director of the International Trade Division of the North Carolina Department of Commerce, in Raleigh, N.C. (Sept. 28, 1994) and Samuel P. Troy, Director of Greensboro District Office, U.S. Department of Commerce, in Greensboro, N.C. (Oct. 14, 1994). The working relationship between state and federal officials in North Carolina exemplifies the National Export Strategy (NES) announced by the Secretary of Commerce to Congress on September 30, 1993. "The aim of the NES is to expand and update the nation's export services and to make them more accessible to U.S. companies . . . [by] *increasing interaction* with other providers of export services in state and local government, universities, and industry associations." Diane E. Burke, *Commentary*, 4 CLEARINGHOUSE ON STATE INTERNATIONAL POLICIES 7, 1993, at 5 (emphasis added).

¹⁴⁰ Interview with Samuel P. Troy, Director of the Greensboro District Office of the U.S. Department of Commerce, in Greensboro, N.C. (Oct. 14, 1994).

¹⁴¹ *Id.*

¹⁴² *Id.*

¹⁴³ Interview with Bill King, Director of the International Trade Division of the North Carolina Department of Commerce, in Raleigh, N.C. (Sept. 28, 1994).

Division picks up and will sometimes be responsible for organizing new trade shows.¹⁴⁴

Other key relationships are those between the Division and the Attorney General's Office, non-profit organizations and other private trade service providers, and even other states.¹⁴⁵ The Attorney General's Office provides legal specialists in the field of international law. Non-profit organizations and other community, education and trade-based organizations provide a host of services (see Appendix A). Collective efforts between the states facilitate growth within a region.¹⁴⁶

F. Summary of North Carolina Export Statistics

For a summary of the latest North Carolina exporting statistics, see Tables 5 through 7 below.

Table 5
North Carolina Exports
(Thousand \$)

INDUSTRY	VALUE OF EXPORTS IN 1987	VALUE OF EXPORTS IN 1993	PERCENT CHANGE 1987-1993
TOTAL ALL INDUSTRIES	\$3,472,260	\$7,976,373	129.7%
TOTAL MANUF. PROD.	2,924,880	7,228,733	147.1%
Food Products	64,771	111,769	72.6%
Tobacco Products	483,777	730,623	51.0%
Textile Mill Products	183,993	619,297	236.6%
Apparel	97,760	584,266	497.7%
Lumber & Wood Products	55,307	154,025	178.5%
Furniture & Fixtures	32,591	150,874	362.9%
Paper Products	70,822	133,188	88.1%
Printing & Publishing	6,236	34,420	452.0%
Chemical Products	418,762	979,053	133.8%
Refined Petro. Products	1,223	3,042	148.7%

¹⁴⁴ *Id.*

¹⁴⁵ *Id.* Some sources have concluded that "each state's ability to export will vary according to its industrial profile and its private 'export infrastructure.' The latter might be defined to include: (1) the vector and valence of business attitudes; (2) the number and quality of existing nonprofit and private trade service providers; (3) the state's exposure to foreigners through tourists, immigrants, and television; (4) the international skills and savvy of the work force; and (5) the physical transportation and communication support structure." *Fact Sheet: State Per Capita Spending on Trade Programs*, 3 CLEARINGHOUSE ON STATE INTERNATIONAL POLICIES 8, 1993, at 3.

¹⁴⁶ Interview with Bill King, Director of the International Trade Division of the North Carolina Department of Commerce, in Raleigh, N.C. (Sept. 28, 1994).

Rubber & Plastic Products	76,839	135,432	76.3%
Leather Products	4,286	23,075	438.4%
Stone, Clay, & Glass Prod.	39,364	51,035	29.6%
Primary Metals	78,758	318,369	304.2%
Fabricated Metal Prod.	63,672	198,942	212.4%
Indust. Mach. & Computers	518,833	1,155,050	122.6%
Electric & Electronic Equip.	274,609	1,029,913	275.0%
Transportation Equip.	257,952	473,254	83.5%
Scientific & Meas. Instrum.	84,329	259,432	207.6%
Misc. Manufacturers Unidentified Manuf.	23,046	67,422	192.6%
AG. & LIVESTOCK PRODUCTS	87,947	16,252	-81.5%
OTHER COMMODITIES	503,820	647,479	28.5%
TOTAL U.S. EXPORTS	43,559	100,161	129.9%
STATE TOTAL	\$244,405,955	\$464,858,344	90.2%
STATE SHARE (%)	3,472,260	7,976,373	129.7%
	1.4%	1.7%	

Source: U.S. Census Bureau, Location Exporter Series.

Table 6
North Carolina Exports
Second Quarter 1994 Update
(Thousand \$)

LEADING INDUSTRIES	VALUE OF EXPORTS IN 2ND Q. 1993	VALUE OF EXPORTS IN 2ND Q. 1994	GROWTH RATE
Indust. Machine & Equip.	388,900	562,000	44.5%
Electronic & Other Elec.	281,000	327,800	16.7%
Chemical & Allied Prod.	278,200	322,900	16.0%
Ag. Prod. (Crops)	274,400	291,200	6.1%
Tobacco Products	181,200	262,300	44.7%
Transportation Equip.	317,800	217,200	-31.7%
Textile Mill Prod.	177,900	206,100	15.9%
Apparel	177,000	205,200	15.9%
Fabricated Metal Prod.	80,400	189,900	136.2%
Paper & Allied Products	115,500	116,600	1.0%

Source: Wachovia North Carolina World Trade Index.

Table 7
1993 Rank of Export Volume From North Carolina
By Country of Destination
(Thousand \$)

DESTINATION	1993 EXPORT		U.S. RANK
	TOTAL	NC RANK	
Canada	\$2,484,882	1	1
Japan	1,220,911	2	2
Saudi Arabia	722,421	3	16
Belgium	590,669	4	12
Germany	507,786	5	5
United Kingdom	488,320	6	4
Mexico	470,682	7	3
Netherlands	296,079	8	9
Australia	197,535	9	14
Taiwan	186,604	10	6
Hong Kong	181,674	11	11
Costa Rica	160,196	12	38
France	153,535	13	8
South Korea	147,060	14	7
Italy	146,450	15	17
Turkey	139,670	16	26
Singapore	121,075	17	10
China	100,990	18	13
Spain	100,299	19	22
United Arab Emirates	95,092	20	37
Thailand	94,943	21	24
Dominican Republic	90,739	22	35
Argentina	89,314	23	23
Jamaica	83,536	24	44
Brazil	76,341	25	19

Source: N.C. 1993 State Export Reports. Trade Inflo, Rockville, MD.

IV. State Export Efforts Overall

A. *National Association of State Development Agencies (NASDA) Survey*

Precise statistics pertaining to the individual efforts states are putting forth to promote export trade are lacking. However, since 1984, the National Association of State Development Agencies (NASDA) has been conducting a biannual survey of state international trade and investment programs that describes state budgets, staff, overseas offices, program products, program evaluation efforts, and regional collaboration.¹⁴⁷ While the survey is the only one of its kind and is useful for broad analytical purposes, it should not be used as the basis for a com-

¹⁴⁷ *Fresh Insights From NASDA's 1992 State Export Program Database*, 3 CLEARINGHOUSE ON STATE INTERNATIONAL POLICIES 6, 1993 at 1.

prehensive comparison between the states, as there is a lack of comparable data. States do not produce unified budgets for export development, and expenditures may be allocated through different departments.¹⁴⁸ Some states are better than others at collating allocations, but oftentimes appropriations going to nonprofit or university-based service providers go unreported.¹⁴⁹ On the basis of the information that is available from the 1992 NASDA State Export Program Database (SEPD) survey,¹⁵⁰ however, the following represents an overall look at what the states are doing to promote exports.

1. State Budgets

The budget section of the survey asked state respondents to include allocated appropriations for trade development/export promotion; foreign investment attraction; agricultural export promotion; international tourism promotion; and "other," regardless of whether the promotional activity was handled by the international trade office.¹⁵¹ The 1992 SEPD survey results are shown in Table 8. They indicate that between 1990 and 1992, total appropriations, on average, increased by seven percent.¹⁵² NASDA reported that of "the 42 states responding in both 1990 and 1992, 18 experienced budget cuts of 20.8 percent . . . while the remaining 24 states experienced average increases of almost 50 percent."¹⁵³ For those states experiencing cuts, however, survey results indicated that state international trade budgets "were being affected proportionately less than other economic development programs."¹⁵⁴ The survey also indicated that budget cuts most affected overseas offices and trade shows.¹⁵⁵ The number of program staff and trade missions was also significantly influenced.¹⁵⁶ Overall, "export financing, counseling, and seminars were least affected."¹⁵⁷

¹⁴⁸ *Id.*

¹⁴⁹ *Id.*

¹⁵⁰ The 1994 SEPD survey was originally expected to be released in May of 1995. However, at the time of this publication, the latest data had not been released.

¹⁵¹ National Association of State Development Agencies, 1992 STATE EXPORT PROGRAM DATABASE: INTRODUCTION AND ANALYSIS 9 (1992).

¹⁵² *Id.* NASDA predicts the 1994 data, however, will show an average decrease in overall appropriations. Telephone Interview with Amy Schwiderski, National Association of State Development Agencies (Aug. 24, 1995).

¹⁵³ *Supra* note 151, at 9-10.

¹⁵⁴ *Id.* at 10.

¹⁵⁵ *Id.* at 10-11.

¹⁵⁶ *Id.* at 10.

¹⁵⁷ *Id.* at 11.

Table 8
Total State Appropriations

STATE	FISCAL YR. 1992	FISCAL YR. 1990	CHANGE	% CHANGE
Alabama	\$1,084,900	\$1,105,082	(\$20,182)	-2%
Alaska	1,397,000	3,448,000	(2,051,000)	-59%
Arizona	950,000	700,000	250,000	36%
Arkansas	862,124	696,778	165,346	24%
California	8,260,000	10,556,530	(2,296,530)	-22%
Colorado	1,057,000	1,007,742	49,258	5%
Connecticut	995,000	476,000	519,000	109%
Delaware	940,000	441,000	499,000	113%
Florida	3,500,000	2,900,000	600,000	21%
Georgia	2,885,423	3,361,848	(476,425)	-14%
Hawaii	9,827,000	8,650,000	1,177,000	14%
Idaho	621,750	242,000	379,750	157%
Illinois	6,600,000	N/A	N/A	
Indiana	3,000,000	1,884,000	1,116,000	59%
Iowa	1,493,000	1,900,000	(407,000)	-21%
Kansas	N/A	N/A	N/A	
Kentucky	N/A	1,075,300	N/A	
Louisiana	850,000	1,675,000	(825,000)	-49%
Maine	N/A	390,000	N/A	
Maryland	4,317,807	5,000,000	(682,193)	-14%
Massachusetts	1,015,000	624,750	390,250	62%
Michigan	3,400,000	5,071,760	(1,671,760)	-33%
Minnesota	N/A	N/A	N/A	
Mississippi	1,500,000	1,800,000	(300,000)	-17%
Missouri	2,092,266	1,800,000	292,266	16%
Montana	567,000	561,000	6,000	1%
Nebraska	168,580	168,580	0	0%
Nevada	380,000	400,000	(20,000)	-5%
New Hampshire	N/A	90,000	N/A	
New Jersey	1,844,000	2,400,000	(556,000)	-23%
New Mexico	337,000	238,000	99,000	42%
New York	5,082,000	5,300,000	(218,000)	-4%
North Carolina	2,000,000	N/A	N/A	
North Dakota	470,000	211,153	258,847	123%
Ohio	3,107,266	3,500,000	(392,734)	-11%
Oklahoma	2,192,000	1,730,000	462,000	27%
Oregon	3,300,000	5,531,000	(2,231,000)	-40%
Pennsylvania	900,000	1,200,000	(300,000)	-25%
Rhode Island	240,000	N/A	N/A	
South Carolina	1,706,892	1,649,379	57,513	3%
South Dakota	387,000	190,000	197,000	104%
Tennessee	651,000	568,500	82,500	15%
Texas	2,713,530	3,295,611	(582,081)	-18%
Utah	1,100,000	1,000,000	100,000	10%
Vermont	180,000	200,000	(20,000)	-10%
Virginia	3,036,000	3,100,000	(64,000)	-2%
Washington	4,600,000	1,900,000	2,700,000	142%
West Virginia	375,000	400,000	(25,000)	-6%
Wisconsin	4,464,216	2,358,400	2,105,816	89%
Wyoming	329,017	310,000	19,017	6%
TOTAL	\$96,778,771	\$91,107,413	\$5,671,358	6%
AVERAGE	\$2,150,639	\$2,024,609	\$135,032	7%

Source: NASDA 1992 State Export Program Database

N/A = Not Available

2. Trade Staff

Each state trade office organizes its staff to best serve its individual clients.¹⁵⁸ However, most states divide personnel by country or market specialists. Eight states divide staff according to industry specialists.¹⁵⁹ NASDA reports that sixteen states have too few staff members "to be specialized, indicating that staff members need to cross industry and market lines in order to best assist companies."¹⁶⁰ For the number of total staff that state international trade programs utilized in domestic and overseas offices in 1992, see Table 9 below.

Table 9
State Trade Staff for Fiscal Year 1992

STATE	DOMESTIC	OVERSEAS	TOTAL
Alabama	3	6	9
Alaska	8	6	14
Arizona	5	4	9
Arkansas	7	6	13
California	43	15	58
Colorado	8	4	12
Connecticut	6	0	6
Delaware	4	1.5	5.5
Florida	28	8	36
Georgia	8	10	18
Hawaii	34.25	6.5	40.75
Idaho	5	2	7
Illinois	30	24	54
Indiana	14	14	28
Iowa	6	6	12
Kansas	13	4	17
Kentucky	7	2	9
Louisiana	3.5	5	8.5
Maine	1	0	1
Maryland	22	12	34
Massachusetts	16	2	18
Michigan	14	15	29
Minnesota	24	0	24
Mississippi	7	4	11
Missouri	8	12	20
Montana	4	6	10
Nebraska	2.5	0	2.5
Nevada	3	3	6
New Hampshire	7	2	9
New Jersey	19	1	20
New Mexico	1	3	4
New York	25	17	42
North Carolina	10	12	22
North Dakota	2	0	2

¹⁵⁸ *Id.*

¹⁵⁹ *Id.*

¹⁶⁰ *Id.* at 11-12.

Ohio	16	15	31
Oklahoma	16	6	22
Oregon	12	8	20
Pennsylvania	9	4	13
Rhode Island	1	0	1
South Carolina	3	6	9
South Dakota	12	3	15
Tennessee	4	0	4
Texas	8	12	20
Utah	9	10	19
Vermont	2.5	0	2.5
Virginia	13	1	14
Washington	27	6.35	33.35
West Virginia	1.5	2	3.5
Wisconsin	11	15	26
Wyoming	2.5	2*	4.5
TOTAL	545.75	303.35	849.1
AVERAGE	10.9	6.1	17.0

Source: NASDA 1992 State Export Program Database

* Both of Wyoming's overseas staff are part time.

3. *Services Provided*

a. *Outreach, Counseling and Marketing Services*

The 1992 SEPD survey indicated that all but one state offers either in-house or on-site export counseling to companies.¹⁶¹ In addition, twenty-six states "participate in mentoring programs, linking new-to-export companies with established exporters (volunteers) that can share their international business experiences and show the inexperienced exporters 'the ropes.'"¹⁶² Virtually all of the states obtain market studies and research from the U.S. Department of Commerce and the National Trade Data Bank.¹⁶³ Survey results also indicate that many states are producing their own market and industry reports and are relying less on external providers and consultants who generally tend to be more expensive.¹⁶⁴

b. *Trade Development Training*

In addition to counseling services, thirty-six states provide training to export assistance providers (e.g., state business development staff and local officials) and/or private businesses.¹⁶⁵ Covering a variety of topics from financing and foreign direct investment to export readiness, "training is usually provided on a formal basis through the use of

¹⁶¹ *Id.* at 16.

¹⁶² *Id.*

¹⁶³ *Id.* at 16-17. Note that the National Trade Data Bank is an effort by the U.S. government to "consolidate all federally-generated information related to international trade." *Id.* at 17.

¹⁶⁴ *Id.* at 17.

¹⁶⁵ *Id.* at 23.

standard training courses and workshops."¹⁶⁶

c. Trade Lead Matching Programs

All but three states have trade lead matching programs whereby state trade officers directly link companies with potential business partners overseas.¹⁶⁷ Of the forty-seven states that use this approach, the majority utilize on-line electronic services to facilitate the task.¹⁶⁸ Available electronic services include (1) the U.S. Department of Commerce's Electronic Bulletin Board; (2) the World Trade Center Network system; (3) the NASDA Global Export Manager software; and (4) individual state in-house bulletin board systems.¹⁶⁹

d. Business Seminars and Conferences

All fifty states sponsor trade development seminars or conferences.¹⁷⁰ Often the seminars are held with the support of other agencies such as the U.S. Department of Commerce, the Small Business Administration or small business development centers.¹⁷¹ Seminar topics usually involve basic "how-to" instruction; information regarding specific questions, such as export documentation or licensing; general information essential to doing business in a specific market; and current events.¹⁷²

e. Trade Shows, Catalog Shows and Trade Missions

The 1992 SEPD survey results indicate that overseas trade shows, catalog shows and trade missions are integral to a state's exporting success.¹⁷³ On average, states attended 5.8 trade shows, 4.9 catalog shows and 2.5 trade missions per year (see Table 10).¹⁷⁴ States have indicated a desire to participate in more trade shows and trade missions (partly because physical contact is thought to be the best way to establish and maintain international trade relationships), but budgetary constraints are forcing states to emphasize catalog shows¹⁷⁵ because catalog shows are much less expensive for both the state trade office and the potential exporter.¹⁷⁶ Generally, "[c]ompanies need only pay

¹⁶⁶ *Id.* at 24.

¹⁶⁷ *Id.* at 17-18.

¹⁶⁸ *Id.* at 18.

¹⁶⁹ *Id.*

¹⁷⁰ *Id.* at 22.

¹⁷¹ *Id.*

¹⁷² *Id.*

¹⁷³ *Id.* at 32. Survey results also indicate that video shows have basically become obsolete. *Id.*

¹⁷⁴ *Id.*

¹⁷⁵ *Id.* at 32-33.

¹⁷⁶ For those trade shows that are held, however, 31 states offer financial assistance to companies that would like to participate but otherwise could not afford to do so. *Id.* at 36-37. The assistance may come in the forms of direct cost reimbursement up to a certain dollar

a small fee to the state and provide a product/service catalog for the state to take overseas to distribute to potential buyers on their behalf."¹⁷⁷

Table 10
Summary of Overseas Trade Shows, Catalog Shows and Trade Missions

STATE	# OF TRADE SHOWS PER YEAR	# OF TRADE MISSIONS PER YEAR	# OF CATALOG SHOWS PER YEAR
Alabama	2	0	7
Alaska	3	7	4
Arizona	6	0	0
Arkansas	1	2	6
California	25	16	10
Colorado	11	4	2
Connecticut	2	0	12
Delaware	2	2	1
Florida	6-8	6-10	0
Georgia	6	0	1
Hawaii	3-5	0	0
Idaho	9	1	12
Illinois	15	0	22
Indiana	8	1	6
Iowa	5	5	5
Kansas	4	4	2
Kentucky	0	10	0
Louisiana	4	6	3
Maine	1	0	0
Maryland	4	1	3
Massachusetts	4	4	1
Michigan	1	2	0
Minnesota	4	3	2
Mississippi	8	17	15
Missouri	9	1	15
Montana	9	3	1
Nebraska	0	0	0
Nevada	5	0	1
New Hampshire	7	2	0
New Jersey	6	0	4
New Mexico	5	3	0
New York	8	1	2
North Carolina	8	2	19
North Dakota	0	1	1
Ohio	9	2	3
Oklahoma	5	3	6
Oregon	4	0	0
Pennsylvania	8	1	12
Rhode Island	2	2	0

amount or cost savings through state initiatives, such as where the state purchases booth space or ships a potential exporter's equipment. *Id.* at 37.

¹⁷⁷ *Id.* at 33.

South Carolina	5	1	12
South Dakota	5	4	1
Tennessee	4	3	0
Texas	15	1	10
Utah	11	2	25-30
Vermont	6	2	1
Virginia	3	2	N/A
Washington	7	3	3
West Virginia	0	0	0
Wisconsin	5	1	18
Wyoming	10	N/A	0
TOTAL	290-294	121-125	238-243
AVERAGE	5.8	2.5	4.9

Source: NASDA 1992 State Export Program Database

N/A = Not Available

f. Overseas Offices

Although the states operated a combined total of only fifty-three foreign trade offices abroad in 1984, that total had increased to 163 offices by 1990.¹⁷⁸ In 1992 the number was down sixteen percent, however, to a total of 137 offices.¹⁷⁹ Based on the 1992 SEPD survey, NASDA suggested that the most notable statistic was the decline in the number of offices operating in Asia.

In 1990, 43 states were operating 94 offices in the region, but by the time of the 1992 survey 15 states had closed a total of 17 offices there. Japan, alone, lost seven offices, while Taiwan lost five, Korea and Hong Kong lost two each, and Thailand lost one. No country located in that region gained any offices.¹⁸⁰

Another notable statistic demonstrated by the 1992 survey was "the virtual absence of offices in Africa, the Middle East, Eastern Europe, and the lesser developed countries . . . of Asia and Latin America."¹⁸¹ Respondents indicated that no offices were operated in Africa or India and only one office existed in China and the Middle East (Israel).¹⁸² In addition, there were only three offices being operated in the former Soviet bloc (one in Poland and two in Hungary) despite the collapse of communism.¹⁸³

¹⁷⁸ *Id.* at 40.

¹⁷⁹ *Id.*

¹⁸⁰ *Id.*

¹⁸¹ *Id.* at 41.

¹⁸² *Id.*

¹⁸³ *Id.* at 42. The survey indicated "standard" office locations to be in the following cities:

- | | |
|---------------------|----------------------|
| - Tokyo, Japan | - Frankfurt, Germany |
| - Taipei, Taiwan | - Beijing, China |
| - Seoul, Korea | - Toronto, Canada |
| - Hong Kong | - London |
| - Brussels, Belgium | - Mexico City |

Some states also maintained offices in the following locations, however:

- | | |
|---------------------|-------------------------|
| - Berlin, Germany | - Nagoya, Japan |
| - Hannover, Germany | - Hsin Chu City, Taiwan |

g. Export Finance Assistance Programs

Due to existing gaps in federal and private programs,¹⁸⁴ twenty states fund and operate export financing programs that provide pre- and post-shipment working capital loans and/or guarantees to small exporters.¹⁸⁵ Of these twenty states, the 1992 SEPD survey indicated that five states offered both loans and guarantees, one state offered only loans, and the remaining fourteen states offered only guarantees.¹⁸⁶ The survey also indicated that nine of the states not funding or operating export financing programs have constitutional prohibitions against doing so.¹⁸⁷ Where available, loans and guarantees may be directly available through the state's trade office or, as in Georgia, South Carolina and Arkansas, state trade officers may have coupled them with domestic financing programs.¹⁸⁸

The California Export Finance Office (CEFO) is an example of a state export finance program offering loan guarantees to small exporters.¹⁸⁹ It offers three types of guarantees: (1) a pre-shipment working capital guarantee; (2) a post-shipment accounts receivable guarantee; and (3) a combination guarantee.¹⁹⁰ The terms of each of the guarantees are that CEFO will offer an eighty-five percent guarantee to the lending institution, but the loan must be short term (6-18 months), the loan amount must not be more than \$500,000 per transaction, the receiving exporter must be a California-based company, and over half of the exports must be California products.¹⁹¹ CEFO estimated that it "supported exports valued at \$180 million in fiscal year 1993."¹⁹²

*h. Foreign Sales Corporations*¹⁹³

NASDA reports that in 1988 only four states used Foreign Sales Corporations for trade development purposes, but, according to the

-
- | | |
|---------------------------|-----------------------|
| - Dusseldorf, Germany | - Sao Paulo, Brazil |
| - Stuttgart, Germany | - Guadalajara, Mexico |
| - Ottawa, Canada | - Monterrey, Mexico |
| - Budapest, Hungary | - Warsaw, Poland |
| - Amstelveen, Netherlands | - Sydney, Australia |
| - Breda, Netherlands | - Jerusalem, Israel |
| - Singapore | - Paris, France |

Id. at Table 30.

¹⁸⁴ NASDA reports that, traditionally, many federal loan programs have not been available to small exporters with orders under \$100,000. Similarly, private banks lack the incentive to finance small transactions because the same overhead costs (e.g., staff time and documentation) are associated with processing a \$5 million transaction as are associated with processing a \$50,000 transaction. *Id.* at 27.

¹⁸⁵ *Id.* at 26-27.

¹⁸⁶ *Id.* at 27.

¹⁸⁷ *Id.*

¹⁸⁸ *Id.*

¹⁸⁹ *Id.*

¹⁹⁰ *Id.*

¹⁹¹ *Id.*

¹⁹² *Id.*

¹⁹³ See *supra* text accompanying notes 124-133.

1992 SEPD survey, this number has grown to ten.¹⁹⁴ In addition, for those ten states, the utilization of Shared Foreign Sales Corporations has proved to be a successful means to help small to medium-sized companies "share the expenses and risks associated with exporting while realizing tax savings on income earned from exports."¹⁹⁵

i. Joint Ventures

Survey results indicate that forty-three states assist companies that wish to participate in cooperative international business ventures.¹⁹⁶ The most common form of assistance is the simple introduction of potential business partners and the referral of potential joint venture participants to other service providers, such as banks, attorneys or private consultants who can offer special expertise in setting up the joint venture. Few states get involved in the actual brokering of joint ventures due to the numerous legal complications.¹⁹⁷

j. Publications

In 1992, twenty-eight trade offices published literature dedicated to the relevant issues of international business development.¹⁹⁸ Directories are the most popular form of publications.

Directories often take the form of company listings or specialized one-topic manuals covering such topics/industries as trade, export/import, technology and the environment. Virtually all states produce exporter directories listing information on state companies and the products they produce. While some are generic, states are also producing more and more industry-specific company directories for distribution to potential buyers.¹⁹⁹

4. Priority Markets Targeted by State Trade Offices

The 1992 SEPD survey asked the states to indicate to which major commercial centers of the world they gave priority when providing export services to their client companies.²⁰⁰ For the purposes of the survey, the world was divided into the following thirteen markets: (1) Western Europe; (2) Canada; (3) Mexico; (4) Other Latin America; (5) Japan; (6) Southeast Asia; (7) China/Taiwan; (8) Other Asia; (9) Central/Eastern Europe; (10) Former USSR; (11) Middle/Near East and North Africa; (12) Other Africa; and (13) Australia.²⁰¹ Survey results showed that the Japanese, Western European, Mexican and Cana-

¹⁹⁴ National Assoc. of State Development Agencies, *supra* note 151, at 31.

¹⁹⁵ *Id.*

¹⁹⁶ *Id.* at 21.

¹⁹⁷ *Id.*

¹⁹⁸ *Id.* at 14.

¹⁹⁹ *Id.* at 15.

²⁰⁰ *Id.* at 2.

²⁰¹ *Id.* at 3.

dian markets were overwhelmingly targeted as priority markets.²⁰² Respondents from all fifty states indicated that they targeted Western Europe, forty-eight states indicated that they targeted Japan and Canada, and forty-six states indicated that they targeted Mexico.²⁰³ Only fifteen states indicated that they targeted Southern Africa while only twenty states were targeting the newly independent states of the former Soviet Union.²⁰⁴

5. *State Use of Federal Programs*

In order to launch a national export strategy to help U.S. companies compete in the international export market, the Bush Administration created the Trade Promotion Coordinating Committee (TPCC).²⁰⁵ The TPCC is chaired by the Secretary of Commerce and comprised of eighteen agencies available to help U.S. companies conduct international business.²⁰⁶ In addition to the various TPCC agencies, respondents were asked to indicate any other federal agencies providing services. Survey results showed that "[b]y far the most frequently used programs are offered by the U.S. Department of Commerce."²⁰⁷ These programs include the overseas and domestic operations of the U.S. and Foreign Commercial Services, the Department of Commerce's country desks, and utilization of the Department's industry specialists.²⁰⁸ In addition, over half of the state trade offices used services provided by the Small Business Administration, the Export-Import Bank of the U.S., and the U.S. Department of Agriculture.²⁰⁹ The least utilized programs were the Overseas Private Investment Corporation, the U.S. Trade and Development Program,²¹⁰ and the Bureau of Export Administration.²¹¹

6. *Multistate Trade Promotion Groups*

NASDA reports that "[d]espite the common misperception that states compete with one another both to attract investors *and* to promote their exports, states are highly aware of the benefits afforded by trade cooperation with their neighbors."²¹² As shown by the 1992 survey, "an overwhelming majority of the states, 45 of 50, belong to one or more multistate trade promotion groups [sic] which range in size from

²⁰² *Id.* at 2.

²⁰³ *Id.* at 3.

²⁰⁴ *Id.*

²⁰⁵ *Id.* at 3.

²⁰⁶ *Id.* at 4.

²⁰⁷ *Id.*

²⁰⁸ *Id.*

²⁰⁹ *Id.*

²¹⁰ Changed to the U.S. Trade and Development Agency in 1993. *Id.* at Table 3.

²¹¹ *Id.* at Table 3.

²¹² *Id.* at 5.

two states to all 50."²¹³ Overall, NASDA has obtained information identifying twenty-six different multistate trade organizations.²¹⁴

The Mid-South Trade Council is one of the oldest existing multi-state trade groups.²¹⁵ It was formed by the World Trade Center of New Orleans and the states of Alabama, Arkansas, Mississippi, and Tennessee in 1983, with Kentucky joining later.²¹⁶ The purpose of the alliance is to provide "a more practical and economical way to introduce southern exporters to new markets."²¹⁷ This trade group does not impose dues; it does not maintain outside personnel; and plans are approved by the mutual consent of all its members.²¹⁸ Benefits enjoyed through mutual cooperation include (1) cost savings that reflect an increased number of trade events in which each state can participate; (2) the establishment of regional pavilions at overseas trade shows (attracting more attention than individual state pavilions); (3) the ability to more easily attract foreign buyer missions; (4) the creation of an informal network for accessing market research and trade leads; and (5) a greater degree of federal support.²¹⁹

Another prominent multistate trade group is the Council of Great Lakes Governors.²²⁰ It was formed in 1988 by the governors of Indiana, Michigan, Pennsylvania, Ohio, New York, Minnesota, Illinois and Wisconsin to "explore the concept of shared overseas representation."²²¹ One of the alliance's most significant accomplishments was to establish a Joint Trade Office in Toronto.²²² The Toronto office serves to "increase the awareness of small and medium-sized U.S. companies of the full impact of the U.S./Canada Free Trade Agreement, to promote state trade activities in Canada and regional tourism, and to identify transborder joint venture opportunities."²²³

Other noteworthy multistate trade organizations include Top of New England, the Pacific Northwest Economic Region, the Pacific Northwest Economic Partnership, the Western Trade Directors Council, and the National Governors' Association.²²⁴ Top of New England was formed by Maine, New Hampshire, and Vermont. It was "the first multi-state grouping to join the U.S. Export-Import Bank's City/State Program (the U.S. government's effort to improve access by U.S. exporters to federal export financing assistance)."²²⁵ Formerly called the

²¹³ *Id.*

²¹⁴ *Id.*

²¹⁵ *Id.*

²¹⁶ *Id.*

²¹⁷ *Id.*

²¹⁸ *Id.*

²¹⁹ *Id.* at 6.

²²⁰ *Id.*

²²¹ *Id.*

²²² *Id.*

²²³ *Id.*

²²⁴ *Id.* at 6-9.

²²⁵ *Id.* at 7.

Pacific Northwest Legislative Leadership Forum, the Pacific Northwest Economic Region represents the membership of five U.S. states and two Canadian provinces: Alaska, Washington, Oregon, Idaho, Montana, Alberta and British Columbia. It enhances the region's total economic competitiveness in domestic and international markets by promoting collaboration among the members in the areas of tourism, value-added wood products, environmental technology, workforce training/retraining, telecommunications in higher education, and recycling.²²⁶ The Pacific Northwest Economic Partnership is a compact between British Columbia and the State of Washington. It has organized a public/private sector committee for the purpose of fostering "cooperation in target industries in the Pacific Northwest, with special emphasis on biotechnology, [the] environment and software."²²⁷ The Western Trade Directors Council is an alliance of the nineteen states west of the Missouri River.²²⁸ The Council was reorganized and became part of NASDA in 1992.²²⁹ Finally, all fifty states belong to the National Governor's Association. Among other things, the National Governor's Association opened a trade office in Moscow in June of 1993.²³⁰

B. Areas Exhibiting the Potential for Future State Involvement

1. Export Growth Through Multilateral Development Bank Projects

A new strategy for expanding medium-sized business exports that most state and local governments have not addressed involves multilateral development bank (MDB) projects.²³¹ There are currently five MDBs²³² having a "total lending program of approximately \$45 billion per year to support economic growth in developing countries. MDB projects offer excellent opportunities for U.S. companies to supply engineering, construction, and goods and services for manufacturing and investment."²³³

Although MDBs have been around for decades, only large companies have participated in the projects in the past.²³⁴ There are basically two reasons why this is true. First, only large companies have had the resources and ability to contend with practical concerns such as the

²²⁶ *Id.*

²²⁷ *Id.* at 8.

²²⁸ *Id.*

²²⁹ *Id.*

²³⁰ *Id.* at 9.

²³¹ *MDBs*, 4 CLEARINGHOUSE ON STATE INTERNATIONAL POLICIES 7, 1994 at 3.

²³² The five MDBs are the African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank, and the World Bank (also known as the International Bank for Reconstruction and Development). *Id.*

²³³ *Id.*

²³⁴ *Id.*

large size of the projects, long lead times, etc.²³⁵ Secondly, many of the projects involve the sale of services, which is an area U.S. export programs as a whole have not been prepared to exploit.²³⁶ While many of the same difficulties still exist, some commentators stress that "the market for overseas MDB-backed projects is too important to be overlooked any longer."²³⁷ Thus, it may be time for state and local export programs to further explore this route to export development.²³⁸

In 1994, the U.S. government made it a priority to integrate MDB projects into its overall export expansion strategy.²³⁹ The new emphasis on MDBs should mean closer cooperation between the MDBs and U.S. agencies charged with increasing U.S. exports.²⁴⁰ Considering that the federal government has also stated its intention of working closely with state and local export efforts,²⁴¹ the states may be able to achieve inroads that they have been too busy to consider making in the past. "To help in the education process, the U.S. Department of Commerce has recently established the Office of Multilateral Development Bank Operations (MDBO). The MDBO offers one-stop shopping services, with descriptive materials, advice, and referrals to U.S. commercial personnel stationed in each of the MDBs."²⁴²

2. *Exporting With the Help of Electric Utility Programs*

As part of their ongoing search to discover additional means to promote exports, state and local trade experts may turn to electric utility programs. While the main business of electric utilities is to sell electricity, some authorities predict that the utilities could turn out to be "one of the country's most important institutional assets."²⁴³ This, experts say, is because electric utilities:

- * are at the junction of two key networks — industrial plant managers and economic development leaders;
- * frequently cross state and local political jurisdictions and thus can help leaders envision programs that serve functional economic regions;
- * have a track record of patient investments;
- * take a strong customer-centered view of service delivery;
- * are themselves potential exporters; and
- * have a vested interest . . . in the export success of firms in their

²³⁵ *Id.*

²³⁶ *Id.*

²³⁷ *Id.*

²³⁸ *Id.*

²³⁹ *Id.*

²⁴⁰ *Id.*

²⁴¹ See *supra* notes 24-29 and accompanying text.

²⁴² *MDBs, supra* note 231, at 3.

²⁴³ *Electric Utility Programs: Overviews & Models*, 4 CLEARINGHOUSE ON STATE INTERNATIONAL POLICIES 7, 1994 at 1.

service territory.²⁴⁴

Already, a few utilities have been "very active and creative in providing export services to their clients (not counting the usual one-time event sponsorship)."²⁴⁵ Generally, these activities can be categorized as follows:

In the area of export leadership:

- * teaming experienced exporters with novices for mentoring;
- * serving on boards of local trade service support organizations;
- * interacting with local foreign trade associations;
- * making contacts with foreign banks;
- * ownership of a World Trade Center; and
- * being a general "behind the scenes" player, aimed at encouraging the region to develop some form of trade service system.²⁴⁶

In basic export education and awareness:

- * running their own seminars and conferences;
- * establishing trade hotline and referral services;
- * providing financial incentive to their industrial clients to explore exporting; and
- * making personal calls on industrial clients.²⁴⁷

In industry-specific export development:

- * full-service training and technical assistance to a small "class" of the most promising industrial clients;
- * direct counseling;
- * compiling a detailed, firm-specific database on existing and potential exporters in their service territory;
- * contracting with overseas marketing consultants; and
- * co-sponsoring advertisements in trade journals on behalf of their industrial clients.²⁴⁸

Utilities cannot maximize their contribution without the support of state and local officials, however, due to the large number of internal and external barriers they face.²⁴⁹ Examples of such barriers include the utilities' inability to engage the interest of busy executives in the existing jumble of trade programs, a lack of standing which causes industrial customers to question the utilities' sincerity and commitment, and skepticism on the part of foreign leaders who are accustomed to power generation existing only under the tight control of their respective governments.²⁵⁰ In the future, state and regional trade promotional efforts may benefit from cooperation between resource-rich utilities and existing state programs.

²⁴⁴ *Id.*

²⁴⁵ *Id.* at 2; see also *Utilities Spark New Interest in Trade*, 4 CLEARINGHOUSE ON STATE INTERNATIONAL POLICIES 4, 1994 at 1.

²⁴⁶ *Electric Utility Programs: Overviews & Models*, 4 CLEARINGHOUSE ON STATE INTERNATIONAL POLICIES 7, 1994 at 2.

²⁴⁷ *Id.*

²⁴⁸ *Id.*

²⁴⁹ *Id.*

²⁵⁰ *Id.*

V. Lessons to be Learned from the Success of European Export Promotion

Although state promotion of export trade has expanded significantly, contributing to the 90.2 percent increase in total United States exports between the years of 1987 and 1993,²⁵¹ some experts contend that the United States is still an export underachiever.²⁵² Table 2²⁵³ provides a comparison of the United States' per capita merchandise exports with the same exports for selected countries. Table 11 provides a comparison of individual state per capita merchandise exports for 1992. The statistics support the claim that the United States could do better. For example, only four states (Alaska, Washington, Louisiana, and Vermont) have per capita merchandise exports that exceed Japan's per capita exports. Of these states, only Vermont "is a bona fide export power-house."²⁵⁴ Vermont has built a highly diversified and modernized industrial base whereby over forty percent of Vermont's companies export.²⁵⁵ In contrast, Louisiana's rates are high because the state is the port of record for massive grain shipments; Alaska's rates are high only because of huge oil exports; and Washington enjoys high rates primarily because of a single manufacturer, Boeing.²⁵⁶

Table 11
1992 Per Capita State Merchandise Exports

Alaska	\$6,336	Kansas	\$1,094
Washington	5,961	Idaho	1,089
Louisiana	3,960	Kentucky	1,084
Vermont	3,937	West Virginia	1,026
Delaware	2,624	Pennsylvania	1,005
Michigan	2,386	Maryland	1,003
California	2,232	Iowa	1,001
Massachusetts	2,027	Rhode Island	999
Oregon	1,894	Alabama	982
North Carolina	1,743	New Hampshire	944
Connecticut	1,741	Virginia	916
Arizona	1,723	Nebraska	886
Texas	1,684	Colorado	859
Ohio	1,665	Maine	831
New York	1,622	Mississippi	822
Utah	1,598	Missouri	775
Minnesota	1,597	Oklahoma	702

²⁵¹ See Table 1, *supra* p. 191.

²⁵² See Herbert Ouida, *Xport*, COMMENTARY, Fall 1992; WILLIAM E. NOTHDURFT, GOING GLOBAL (1992).

²⁵³ See *supra* p. 193.

²⁵⁴ *Room to Grow*, 4 CLEARINGHOUSE ON STATE INTERNATIONAL POLICIES 4, 1994 at 3.

²⁵⁵ *Id.* Overall in the United States, it is estimated that about 250 companies account for 50 percent of all exports, leaving "thousands of small and mid-sized companies with untapped export growth potential." Herbert Ouida, *Xport*, COMMENTARY, Fall 1992 at 4.

²⁵⁶ *Room to Grow*, 4 CLEARINGHOUSE ON STATE INTERNATIONAL POLICIES 4, 1993 at 3.

Illinois	1,515	Arkansas	643
New Jersey	1,428	North Dakota	612
Florida	1,390	Nevada	412
Wisconsin	1,388	Wyoming	411
South Carolina	1,331	South Dakota	354
Georgia	1,333	Montana	353
Indiana	1,208	Hawaii	273
Tennessee	1,153	New Mexico	239

One perspective on why the United States is not as export-intensive as its European competitors²⁵⁷ is set out by William E. Nothdurft²⁵⁸ in his book, *Going Global*. Nothdurft contends that, unlike the European Community, the United States lacks a coherent trade strategy which is due, in part, to historical circumstances.²⁵⁹ Traditionally, European nations have been forced to export because their domestic markets are too small to offer businesses significant room for growth.²⁶⁰ American businesses, however, have enjoyed a huge domestic market.²⁶¹ The result is that European nations have geared their entire economies toward exporting²⁶² while in the United States, the Census Bureau estimates that fewer than 2.7% of all potential exporters are involved in any sort of export activity.²⁶³ Of that small percentage, it is estimated half of the firms export to only one market, with fewer than 20% targeting five or more markets.²⁶⁴ When one considers that the vast majority of U.S. enterprises are not exporting at a time when increased export growth is essential for a healthy economy,²⁶⁵ the importance of coherent export planning becomes clear.

Nothdurft submits that in order to develop strategic planning amid current fiscal restraints, American trade promoters must answer the following fundamental questions: (1) Why are more small and medium-sized firms not exporting successfully and regularly? (2) Which firms should be provided export assistance? (3) Which export barriers are real and which are imagined? (4) How should services be delivered and by whom? (5) What forms of assistance/services are most effective? (6) And, who should be responsible for paying for the provided services?²⁶⁶ In answering these questions, Nothdurft proposes that Ameri-

²⁵⁷ In 1990, exports represented less than eight percent of this country's gross domestic product (GDP) whereas exports among European countries represented anywhere from sixteen to sixty percent of GDP. William E. Nothdurft, *It's Time the U.S. Got Serious About Exporting*, NORTHWEST REPORT, Jan. 1993, at 28.

²⁵⁸ See *supra* note 21.

²⁵⁹ WILLIAM E. NOTHDURFT, *GOING GLOBAL* 5 (1992).

²⁶⁰ *Id.* at 3.

²⁶¹ *Id.* at 3, 5.

²⁶² *Id.* at 3-4.

²⁶³ *Id.* at 7. It is also estimated that sixty-six firms account for fifty-four percent of the value of U.S. exports. *Id.*

²⁶⁴ *Id.*

²⁶⁵ During the years from 1990 to 1993, exports were responsible for seventy percent of the growth in the U.S. economy. William E. Nothdurft, *It's Time the U.S. Got Serious About Exporting*, NORTHWEST REPORT, Jan. 1993, at 28.

²⁶⁶ NOTHDURFT, *supra* note 259, at 10.

can export planners consider the basic principles of export promotion as derived from the experiences of European promoters.²⁶⁷

As noted above, European countries provide, and have provided for years, successful export programs. Through impressive financial and political commitment, European nations have built a private and public infrastructure that not only meets the special and individual needs of small and medium-sized enterprises²⁶⁸ but is also remarkably uniform and perhaps adaptable to the United States.²⁶⁹ Nothdurft summarizes the basic principles embodied in Europe's widespread commitment to the development and maintenance of export trade as ten lessons to American export promoters.

A. *Lesson 1: The Primary Barriers to Increasing the Export Activity of Small and Medium-Sized Firms are Internal to the Firms Themselves*

There is the belief among state, federal and private-sector export assistance promoters in the United States that effectively educating small and medium-sized businesses will increase the number of firms that export.²⁷⁰ The experience of successful European export assistance programs indicates, however, that even where genuine export obstacles ranging from basic language differences to product standards have been overcome, there still exists one paramount barrier to increased exports among small firms: owner-managers of small firms do not have the time to pursue exporting activities even though they may be aware of the advantages of exporting.²⁷¹

In 1987, a study commissioned by the British Overseas Trade Board (BOTB) compared small and medium-sized firms which actively export to passive firms which do not. The study concluded that attitude (specifically a lack of persistence and commitment by owner-managers), and not external obstacles, precluded small firms from realizing their export potential.²⁷² Even though

²⁶⁷ *Id.* at 11.

²⁶⁸ Note that the exporting habits of small and medium-sized businesses (as compared to those of large enterprises - defined by the U.S. Department of Commerce as a firm having 500 or more employees) are of critical importance here since large firms have the resources and expertise to export, and are, in fact, exporting, but make up only one percent of U.S. manufacturers. Nearly ninety percent of all U.S. manufacturers have fewer than 50 employees. *Id.* at 9.

²⁶⁹ *Id.* at 10-11.

²⁷⁰ *Id.* at 12. This is consistent with the conclusion reached by the U.S. House Small Business Committee's Subcommittee on Export Opportunities in 1984. The subcommittee asserted that a lack of information on export opportunities was the chief barrier to increased exporting by small firms. *Id.*

²⁷¹ *Id.* at 15.

²⁷² Researchers found that among active exporters, procedural problems such as customs declarations and export documentation were only minor inconveniences. In contrast, firms that were not actively exporting envisioned similar problems as major barriers. Likewise, potential but inactive exporters perceived financing as a major barrier, but active exporters did not find it difficult to obtain financing. Inconsistencies between the actual

[p]enetrating an export market is a resource intensive activity, requiring money to research the market, modify products, and finance deals; skilled people to develop, execute, and service those deals; and time to overcome a seemingly endless stream of procedural barriers . . . the most important and scarcest resource required for successful exporting is the ability of the company's management to see beyond short-term barriers to the long-term benefits of exporting . . .²⁷³

In small firms where the export manager, research manager, shipping manager, finance manager, and personnel manager are all likely to be a single person — the owner — it is unlikely the firm will become export-active regardless of what educational resources are available to train the firm to utilize exporting opportunities.²⁷⁴ The firm will not take advantage of promotional efforts because the owner is preoccupied with the day-to-day responsibilities of simply keeping the business going.²⁷⁵

B. Lesson 2: Building Export Expertise Into the Heart of a Firm's Growth Plan Is Essential

Export development should be thought of as a process, not an event.²⁷⁶ European experience suggests that businesses that fail at exporting are twice as likely to have initiated export activity as a result of an unsolicited order rather than establishing *a priori* export strategy.²⁷⁷ When adventurer companies begin exporting improvisationally, they are likely to fail because they have not addressed key issues such as export maturity, market choice, and export vehicle choice.²⁷⁸ Export maturity implies that companies who have not established a solid management base, reliable products, sufficient sales experience and adequate financial resources²⁷⁹ are not ready to export. Market choice

experiences of active firms and the misperceived notions of insurmountable barriers of inactive firms were also apparent on a number of other issues. *Id.*

²⁷³ *Id.* at 16.

²⁷⁴ *Id.*

²⁷⁵ *Id.* The lack of enthusiasm for export activity among small firms has already been observed to some degree by export promoters in the United States. For example, in 1992 the federal government began the National Export Initiative, a series of conferences whereby federal officials attempted to encourage small and medium-sized firms to export. Of the 7,000 firms who participated in the conferences, only 350 firms subsequently contacted a U.S. Department of Commerce district office for more detailed export assistance. *Id.* at 9. In addition, surveys have indicated that up to one-third of small firms have not considered exporting, despite the availability of state and federal assistance, and that up to 75% of non-exporting firms do not attend awareness or training seminars even though they are aware of them. Daniel E. Pilcher and Lanny Proffer, *The States and International Trade: New Roles in Export Development*, NATIONAL CONFERENCE OF STATE LEGISLATURES, 1985, at 13.

²⁷⁶ NOTHDURFT, *supra* note 259, at 17.

²⁷⁷ *Id.* at 18 (citing F.H. ROLF SERINGHAUS AND PHILIP J. ROSSON, GOVERNMENT EXPORT PROMOTION: A GLOBAL PERSPECTIVE 172 (1990)).

²⁷⁸ *Id.*

²⁷⁹ Similar to firms in the United States, most European firms that enjoy a strong domestic market fully utilizing production capacity will initially ignore export opportunities and planning. Once the domestic market enters a slump, these firms become agreeable to the prospect of exporting. At this point, a company is seldom in a position to export successfully,

strategy ensures that a company will determine for itself whether a given market demands their product or service, offers the best prices, and provides a compatible business culture instead of allowing unfavorable markets to choose them through unsolicited orders. Through adequate investigation and planning, a company can choose an appropriate export vehicle suitable to the company, product, and market, thus avoiding the danger of being lured into unfavorable binding relationships with distributors or sales representatives.²⁸⁰ Export managers stress that once a company is ready to export, “[t]he key is to concentrate strategically on a few markets with the right fit and the right agents and turn away all the others.”²⁸¹

European export promoters attempt to overcome adventurism and encourage firms to think strategically about their export options by using a number of techniques. These techniques may include promoting internal export expertise through management training, brokering individual export deals, or arranging for third-party organizations to provide expert export services.²⁸² For example, Denmark has instituted a comprehensive program to upgrade the technical and managerial sophistication of small firms.²⁸³ The Danish Technology Institute, a premier European research and technology deployment center, in cooperation with the Irish Productivity Center and the Dutch Institute for Small and Medium Craft Businesses, operates the International Company Development Program (ICDP). The program helps a limited number of firms to develop new corporate plans with exporting as a major component.²⁸⁴

To participate in an eighteen-month pilot project funded primarily by the European Community Social Fund and the governments of Denmark, Ireland, and the Netherlands, the ICDP identified eighteen companies, six from each of the funding countries, to participate in the development of a two-to-five year rolling plan for internationalization.²⁸⁵ The firms were chosen based on size (fifty or more employees), stability, well-defined management, and their interest in exporting.²⁸⁶

During the project, teams from each of the firms acquired management skills necessary to implement their international plans and to succeed in foreign markets. Each team “attended six national semi-

however, as it will not have the financial strength to export. A business that pursues exporting prospects nevertheless is likely to deplete its resources and place its future in jeopardy. *Id.* at 19.

²⁸⁰ *Id.* at 18.

²⁸¹ *Id.* (quoting interview with Kent Goldmann, Export Manager for Swedish Trade Council, in Stockholm, Sweden (Dec. 1989)).

²⁸² *Id.* at 19.

²⁸³ *Id.*

²⁸⁴ *Id.* at 19-20.

²⁸⁵ *Id.* at 20.

²⁸⁶ *Id.*

nars on general management, financial controls management, technology and production management, leadership and organization culture, and strategic management and planning."²⁸⁷ The teams also attended three international seminars where they obtained training in export marketing, technology, production, and leadership and organization.²⁸⁸ Each seminar required the management teams to complete a significant amount of work on their own.²⁸⁹ In addition, training facilitators made on-premises visits to the companies on a regular basis.²⁹⁰

Upon completion of the pilot project, nearly all of the participating firms competently implemented their export plans and the Danish Technology Institute expanded the program to other European Community countries such as Spain, Portugal, Italy, France, and the United Kingdom.²⁹¹ In addition to the achievement of successful internationalization of the participating firms, the program was a success as it established "trade networks of trained and motivated smaller firms capable of influencing, by design or example, the behavior of other firms in their sector or region."²⁹²

C. *Lesson 3: Export Assistance Should Be Available Only To The "Export-Ready"*

Customarily, export assistance programs in Europe and the United States, whether operated by public or private-sector entities, have targeted small to medium-sized enterprises.²⁹³ This is because there are numerous small and medium-sized enterprises that have export potential, but unlike large firms, neither have sufficient internal resources to use for exporting nor available capital to pay the high costs of privately provided export services.²⁹⁴ In addition, the resources available to export assistance programs are generally too modest to benefit large firms that are likely to have well-developed export systems of their own.²⁹⁵

Unlike the majority of export promotion programs in the United States, however, public and private service providers in Europe do not promote export assistance programs that encourage all small and medium-sized companies to export.²⁹⁶ Experience has shown that "lavish-

²⁸⁷ *Id.*

²⁸⁸ *Id.*

²⁸⁹ *Id.*

²⁹⁰ *Id.*

²⁹¹ *Id.* at 21.

²⁹² *Id.*

²⁹³ *Id.* at 23. The precise definition of what constitutes a small or medium-sized enterprise varies between countries and between regions within countries. A small firm may be defined as having anywhere from 20 to 500 employees. *Id.* at 27-28.

²⁹⁴ *Id.* at 23.

²⁹⁵ *Id.*

²⁹⁶ *Id.*

ing detailed technical assistance on a firm that is unprepared strategically not only wastes money but also threatens the stability of the firm itself."²⁹⁷

Thus, to separate the export-ready from the merely export-willing, European export promoters usually require interested enterprises to submit strategic export plans for approval before the firm is eligible to receive even the most basic services such as market research or trade fair participation support.²⁹⁸ Also, there may be a fee for formerly free services to force the interested firm to prove its commitment toward export efforts.²⁹⁹

Increasingly, export assistance providers are requiring that interested firms undergo an export audit prior to receiving extensive export assistance.³⁰⁰ The audits have the twofold purpose of (1) illuminating the firms' export readiness and (2) ensuring that enterprise managers and executives understand the major issues associated with exporting.³⁰¹ Britain, Germany, Sweden, France, and Denmark all have formal export audit programs that are part of a national strategy even where the export assistance services are provided through private regional or local organizations.³⁰² The audits are generally performed by private consultants, and the costs are shared between the interested firms and the governments.³⁰³

In the United Kingdom, most market research services are provided by local or regional branches of the Association of British Chambers of Commerce (ABCC) and a network of export development advisors under contract with the ABCC.³⁰⁴ The London Chamber of Commerce has instituted a free Confidential Export Audit Program³⁰⁵ to ensure that firms that receive services "see exporting as a natural development of their home base, not a cure for their home ills — that exporting is part of an integral business plan."³⁰⁶ Provided that the audit indicates that the interested enterprise is export-ready, action plans are developed. The German state of North Rhine-Westphalia performs similar audits.³⁰⁷

²⁹⁷ *Id.*

²⁹⁸ *Id.* at 24.

²⁹⁹ See Lesson 10, *infra* p. 245.

³⁰⁰ NOTHDURFT, *supra* note 259, at 24.

³⁰¹ *Id.*

³⁰² *Id.*

³⁰³ *Id.*

³⁰⁴ *Id.*

³⁰⁵ The audit covers the firms' financial status, products and services, stock levels, production capacity and limitations, research and development history, domestic customers, sales, existing and potential competition, growth or contraction, and export experience, among other factors. *Id.* at 25.

³⁰⁶ *Id.* (quoting interview with Peter Bishop, London Chamber of Commerce and Industry, London, England (Nov. 1990)).

³⁰⁷ *Id.* German Chambers of Commerce and state government have teamed up to form a joint venture known as the Foreign Trade Institute. The institute provides private consultants to undertake a comprehensive review of the interested firm. The audit covers issues

D. *Lesson 4: Help the "Export-Willing" by either Training Company Staff or Creating an Intermediary Body to Handle Exporting Intricacies*

There are basically two ways to help companies that are export-willing but lack the skills to export successfully.³⁰⁸ The first approach is to train company staff in the intricacies of export market development.³⁰⁹ The second approach "is to have public, private, or quasi-private organizations act on the company's behalf — a growing trend in Europe, especially at the local and regional levels."³¹⁰

1. *The Training Approach*

There are few similarities between American and European programs which provide training for potential exporters.³¹¹ In the United States, a 1991 survey of the National Association of State Development Agencies, the fifty states, Puerto Rico, and the Virgin Islands indicated that there were over 1,500 export trade seminars conducted in 1990,³¹² but the majority "tended to be general and largely motivational" rather than instructional.³¹³ In fact, a review of state export assistance programs conducted by the Michigan Department of Commerce concluded that although export seminars were the tool most often used to develop skills among exporters, the seminars were "poorly attended" and "worthless to most companies."³¹⁴

In contrast, "most export training in Europe is narrowly focused (on either specific industry sectors or markets, or both) and technical (addressing the nuts and bolts of export strategy development and techniques)."³¹⁵ For example, the principal export promotion agency in Sweden is the Swedish Trade Council.³¹⁶ The Council, although publicly chartered, is an independent organization supported equally by private industry and the government with a staff of over four hun-

such as staffing, production capacity, existing markets and distribution networks, management structure and commitment, proposed markets, development and promotion budgets, and the type of foreign representation best suited to serve the firm's objectives. The Institute covers up to 50% of audit costs up to a predetermined maximum amount. *Id.*

³⁰⁸ Some studies show that the attrition rate for first-time exporters in the United States is as high as 50%. Gordon McRoberts and Carol Conway, *Wholesalers and Retailers of Export Assistance: The State-Local Roles of the Future?*, LOCAL INSIGHT, Feb. 1990, at 1.

³⁰⁹ NOTHDURFT, *supra* note 259, at 29.

³¹⁰ *Id.*

³¹¹ *Id.*

³¹² *Id.* Although most of the seminars were conducted by state export promoters, many were co-sponsored by federal agencies and private organizations. *Id.*

³¹³ *Id.* (citing data from the National Association of State Development Agencies (NASDA) report for 1990).

³¹⁴ *Id.* (quoting MICHIGAN DEPARTMENT OF COMMERCE, TRENDS IN STATE EXPORT PROMOTION STRATEGIES(1989)).

³¹⁵ NOTHDURFT, *supra* note 259, at 29-30. The different strategies may be in part due to the historical differences in domestic markets in the United States and Europe. See *supra* notes 259-261 and accompanying text.

³¹⁶ NOTHDURFT, *supra* note 259, at 30.

dred trade specialists, about half of whom are located in Stockholm and half of whom are located in embassies, consulates and trade offices abroad.³¹⁷ Rather than general motivational seminars, the Council offers courses in marketing and sales tailored to companies at different stages of export development; international negotiation techniques; payment and financing, export procedures such as country-of-origin rules and customs; packaging; transportation; distribution; languages, and cultural studies.³¹⁸ The Council also provides company-tailored in-house training as well as a six-week international market development course for executives with export experience.³¹⁹

This narrowly focused approach to training is repeated throughout Europe.³²⁰ And, in some countries, not all training is geared towards the firms themselves. In Denmark, for example, the local branch of Denmark's National Union of Clerks in Aarhus, in cooperation with the Aarhus branch of the Federation of Danish Employers and the School of Commerce, has developed an eighteen-month export assistant training curriculum.³²¹ The objective of the course

is to create a cadre of young office workers fluent in another language, conversant with the technical vocabulary of exporting, knowledgeable in business organization and management, trained in the type of communication and information technologies essential to export trade (faxes, telexes, computer databases, business graphics, spreadsheets, and word processing), skilled in the procedural details of export transactions, and familiar with the cultural norms of other nations.³²²

The curriculum alternates classroom study with internships and intensive language study in a country on which the course focuses.³²³ Once trained, the skilled office workers can help small firms solve adminis-

³¹⁷ *Id.*

³¹⁸ *Id.*

³¹⁹ *Id.*

³²⁰ Note that these narrowly focused training programs assume that the participating firms have the organizational capacity to export. This is not always the case, however. See *supra* notes 270-275 and accompanying text. Export-willing firms that lack the internal capacity to begin exporting need special assistance. For these firms, the Swedish Trade Council offers an innovative Export Manager-for-Hire Program. *Id.* at 31-32. An export manager-for-hire is an export professional with substantial private sector experience, who works under a contract with the Council. Under the program

companies hire 20 to 40 percent of an export manager's time for two to four years. During this time, the manager functions as the company's own export director, helping management design an export plan, identifying potential markets, contacting potential customers, suggesting product modifications, and so forth, while at the same time training company personnel in export techniques. The company bears 49 percent of the cost of the manager's services in the first year . . . , 75 percent in the second year . . . , and 95 percent in the third.

Id. at 32. In the fourth year, if a company is not ready to undertake exporting on its own, it may continue to use the manager's services, but it must bear the full cost. In most cases, however, firms are capable of managing on their own by this time. *Id.*

³²¹ *Id.* at 33.

³²² *Id.*

³²³ *Id.*

trative problems.³²⁴

2. *The Service Organization Approach*

As noted above, the training approach will only work when small and medium-sized businesses have the organizational capacity to acquire exporting skills.³²⁵ European export promoters realize that not all export-willing enterprises that produce products with a significant export potential have such capacity.³²⁶ Some owner-managers of small businesses simply do not have the educational or psychological profile to design, execute and manage export development programs.³²⁷ Others are simply not interested in devoting the time it would take to become export-literate. Thus, instead of trying to train the entrepreneurs who lack the talent or interest to export, officials in some parts of Europe, such as Italy and France, have started programs to identify, research, and broker export agreements on behalf of these businesses.³²⁸

Although the service organization approach is not a new idea,³²⁹ traditional service organizations have not adequately served small and medium-sized business because of the limited range of services provided and because the fees charged are often too high to place the services within reach of smaller exporters.³³⁰ Even trading houses³³¹ and trading companies³³² which are equipped to provide comprehensive services are not well suited to assist small and medium-sized exporters. Trading houses pay the lowest possible price for the goods they market. Trading companies, on the other hand, "operate on fixed and narrow margins established by the sellers and buyers in the marketplace."³³³ Yet, because trading companies generally lose their clients after successful deals are struck and trade with a customer becomes regular, the trading company is limited as a private, profit-seeking, intermediary service provider.³³⁴

To address the limitations of unqualified potential exporters and existing export service organizations, European countries, such as Italy, are establishing quasi-public economic development corpora-

³²⁴ *Id.*

³²⁵ See *supra* notes 270-275 and accompanying text.

³²⁶ NOTHDURFT, *supra* note 259, at 34.

³²⁷ *Id.*

³²⁸ *Id.*

³²⁹ Private institutions such as banks, major accounting firms, shipping companies and freight forwarders have customarily been available to provide export services. *Id.*

³³⁰ *Id.*

³³¹ Trading houses operate by purchasing goods from producers and then selling these goods in the market where they command the highest price. *Id.* at 34-35.

³³² Trading companies facilitate export agreements and are paid on commission. *Id.* at 35.

³³³ *Id.*

³³⁴ *Id.*

tions.³³⁵ These entities, which provide sophisticated business services, may offer their expertise to specific industrial sectors or may provide services to all companies within a particular region. In addition to being able to provide detailed promotional and technical services to individual firms, the service organizations serve as important follow-up agencies.³³⁶ In Europe, as in the United States, export promoters that have helped small firms to participate in foreign trade fairs have had no way to ensure that participating companies pursue trade leads generated during the fairs. Thus, they had "no way to realize the benefits of their sponsorship."³³⁷ Under this new approach, follow up is possible. In addition, the new quasi-public service organizations may charge fees to offset the costs to taxpayers; and they are not limited by the need to make a profit. Upon self-sufficiency, whereby an enterprise is able to maintain existing export trade, resources are freed up for new exporters.

E. Lesson 5: External Barriers Are Surmountable

In addition to psychological barriers and the occasional structural incapacity of firms, there are external hurdles which prevent small firms from exporting; but these barriers are surmountable.³³⁸ Studies indicate that the major external barriers to firms that export³³⁹ are "obtaining market intelligence, setting prices, finding representatives, completing the required export documentation and other paperwork, and negotiating satisfactory payment terms."³⁴⁰ Permissible³⁴¹ government assistance to help firms overcome these types of barriers in all countries has traditionally been provided through programs that offer information on export opportunities, support for market research, trade missions, trade fair participation, permanent overseas trade promotion offices, government-sponsored research and development of exportable products, trade finance, and insurance.³⁴² Within this general framework, a number of European countries have constructed comprehensive systems of public and private export assistance aimed at meeting three explicit goals: (1) enabling small and medium-sized exporters to obtain market intelligence; (2) enabling them to gain market exposure; and (3) enabling them to accomplish market entry.³⁴³

³³⁵ *Id.*

³³⁶ *Id.*

³³⁷ *Id.* at 36.

³³⁸ *Id.* at 40.

³³⁹ There is a lack of information pertaining to what barriers have proven greatest to firms that have considered, but ultimately rejected, exporting. *Id.*

³⁴⁰ *Id.*

³⁴¹ The General Agreement on Tariffs and Trade (GATT) prohibits direct government subsidies that would promote exporting through the reduction of the buyer's price. *Id.*

³⁴² *Id.*

³⁴³ *Id.* at 41.

1. *Market Intelligence*

Information pertaining to foreign market structures, market trends, trade statistics, and trade leads is gathered by every industrial nation.³⁴⁴ The problem, however, is that by the time this information reaches the firms in need, it is often outdated. In addition, the information may be too general to be useful to a firm that is concentrating on a specific market niche.³⁴⁵ Consequently, some European nations have created market research consultancies partially subsidized by government or government/industry partnerships to help firms overcome informational barriers to exporting. The consultancies provide individual firms with detailed and timely market intelligence specific to their needs.³⁴⁶

For example, the British have created what is known as the Export Market Research Scheme (EMRS).³⁴⁷ Through this program, businesses with fewer than two hundred employees that are not divisions of other companies may receive assistance in obtaining narrowly targeted market intelligence in one of three ways. The businesses' first alternative is to hire a private research consultant whereby the government will pay half of the cost up to a predetermined, but reasonable, amount. A business may also choose to do its own research in-house, providing that company staff are deemed to be qualified, and "the government will cover half the travel-related costs of the study as long as the target market is outside of the European community."³⁴⁸ Finally, an enterprise may purchase published research, providing such research exists. The government will pay one-third of these costs.³⁴⁹ In 1992, roughly six hundred EMRSs were being approved annually in Britain.³⁵⁰

2. *Market Exposure*

Market exposure is generally thought of as "the step between gathering intelligence on market opportunities and actually implementing a market penetration plan."³⁵¹ It can reduce a company's risks by providing knowledge about the market itself.³⁵² Yet, market exposure can present a significant barrier to small and medium-sized firms that cannot afford to fund extensive travel for top-level executives to explore possible new markets.³⁵³

³⁴⁴ *Id.*

³⁴⁵ *Id.* at 43.

³⁴⁶ *Id.*

³⁴⁷ *Id.*

³⁴⁸ *Id.* at 44.

³⁴⁹ *Id.*

³⁵⁰ *Id.*

³⁵¹ *Id.* at 46.

³⁵² *Id.*

³⁵³ *Id.*

As a result, the governments of most industrialized nations have undertaken the responsibility of sponsoring opportunities to introduce small firms to foreign markets.³⁵⁴ Sponsorship may take the form of directly subsidizing travel expenses incurred as firm representatives explore new markets, funding participation costs for trade fairs and trade missions, covering the costs of bringing buyers from foreign markets to visit the home market, or operating overseas offices.³⁵⁵ The tool predominantly employed in both the United States and Europe, however, is the sponsorship of trade fairs.³⁵⁶

Trade fairs are thought of as a low-risk method of enabling "firms to present their products to many potential buyers at a small per-contact cost."³⁵⁷ Trade fairs are also valuable in that they provide firms with an opportunity to evaluate their competition and enable inexperienced exporters to interact with more seasoned participants.³⁵⁸ Despite the obvious benefits, however, some trade experts criticize trade fairs as being inefficient methods of promoting export exposure.³⁵⁹

In Norway, for example, experts analyzed trade fair support systems and found that

while 80 percent of the firms surveyed said they would not participate without a subsidy, the subsidy itself was minuscule, averaging only 0.2 of 1 percent of companies' annual export sales; that 60 percent of participants failed to follow up leads from fairs; that half the participants were either neutral or negative about the results of participation; and that most participants were not new-to-market [small and medium-sized enterprises] but well established exporting firms, which had been participating and being subsidized for many years.³⁶⁰

Consequently, Norway tightened eligibility standards for subsidized participation, but the question still remains as to whether trade fair investments are an economical means of promoting market exposure.

At least for the present time, it seems that the question may be moot because trade fairs, which enjoy high visibility and political clout, are likely to remain the dominant mode of government participation in the promotion of export trade.³⁶¹ France is one example of aggressive government participation.³⁶² Through the French Committee for

³⁵⁴ *Id.*

³⁵⁵ *Id.*

³⁵⁶ See Table 10, *supra* p. 216 and notes 173-177 and accompanying text.

³⁵⁷ NOTHDURFT, *supra* note 259, at 49.

³⁵⁸ *Id.* at 49-50.

³⁵⁹ *Id.* at 49-51.

³⁶⁰ *Id.* at 50 (citing Carl A. Solberg, *Export Promotion and Trade Fairs in Norway: Are There Better Ways?*, in J. TAMER CAVUSGIL & MICHAEL R. CZINKOTA, INTERNATIONAL PERSPECTIVES ON TRADE PROMOTION AND ASSISTANCE 121 (1990)).

³⁶¹ *Id.* at 51.

³⁶² Sponsorship of trade fair participation is not the only form of government assistance available to enable small French firms to gain foreign market exposure, however. The French Insurance Company for Foreign Trade (COFACE) is also available to reimburse firms for 50% of the costs of "two individual missions by up to three company executives for as long as two weeks." *Id.* at 46. In addition, and even more significantly, "for an annual premium

External Economic Events (CFME), "France sponsors or helps organize representation in more than 200 trade events each year including sector- or country-specific trade fairs, French pavilions in international expositions, in-store promotions, technology expositions, and targeted missions abroad."³⁶³ These events may be jointly sponsored with regional chambers of commerce or trade associations or they may be in direct competition with them.³⁶⁴

3. Market Entry

The successful entry of small and medium-sized firms into foreign markets requires that export promoters institute export assistance programs, in addition to export promotional programs.³⁶⁵ Export assistance programs can be distinguished from promotional programs because their focus is to eliminate informational and transactional barriers while promotional programs merely seek to overcome motivational and informational barriers.³⁶⁶

Transactional barriers are the "nuts and bolts of exporting, the arrangements needed to close an export deal."³⁶⁷ Generally, trade shows, trade missions and general information seminars (common types of programming in the U.S.) are only promotional programs which do not assist small firms in overcoming transactional barriers.³⁶⁸ Hence, many American programs do not rise to the level of the best European programs because American firms do not assist small firms who have been lured into exporting through promotional programs with traditional transactional barriers such as credit and finance, insurance, shipping, standards, customs requirements, and representation.³⁶⁹

Export finance, especially, is one transactional barrier that American programs fail to adequately address.³⁷⁰ Exporters need financing to cover "production costs even before an order is shipped, to pay for export receivables (which typically have much longer payment terms

equal to 1.5 percent of [a small or medium-sized enterprise's] market exploration budget, COFACE will guarantee from 50 to 60 percent of the cost of market exploration activities, up to approximately \$160,000, if subsequent export income from the target market fails to cover R&D costs." *Id.* at 47.

³⁶³ *Id.* at 47.

³⁶⁴ *Id.* Exhibitors are not, however, directly subsidized by the French government. Exhibitors are expected to pay all costs, including their share of booth and pavilion fees, in advance. Yet, risks of participation are minimal as another COFACE insurance plan, *see supra* note 362, is available "for a premium equal to 2 percent of the approved trade fair participation budget . . . [that] guarantees 50 to 60 percent of the cost if sales have not exceeded costs after two to three years." *Id.* at 47-48.

³⁶⁵ *Id.* at 51-53.

³⁶⁶ *Id.* at 51.

³⁶⁷ *Id.*

³⁶⁸ *Id.*

³⁶⁹ *Id.* at 51-52; *but see supra* notes 112, 124-133, 161, 165, 170 and accompanying text.

³⁷⁰ NOTHDURFT, *supra* note 259, at 55.

than domestic accounts), and to serve as insurance against economic and political risks.³⁷¹ Unlike European businesses, however, small firms in the United States have a difficult time achieving the necessary financing.³⁷² This is largely due to the fact that the principal government export finance agencies, the Export-Import Bank (Eximbank) and the Small Business Administration, are "underfunded, bureaucratic, and oriented principally toward medium-sized and large transactions."³⁷³

Also, American exporters report that there are too few banks to service the available Eximbank guarantees.

U.S. banks have never developed the international trade finance orientation and expertise of their European counterparts. Small banks do not have the capacity to handle international deals, and large banks that do have the capacity refuse to handle small transactions. In some regions, the minimum transaction large banks will consider is \$1 million, far larger than all but a tiny percentage of export deals. And after sustaining heavy losses in the developing world during the 1980s, many large banks have closed down their international operations altogether.³⁷⁴

State-owned European banks, many of whom are part of a global network, finance small export transactions as a matter of policy despite small payoffs.³⁷⁵ Hence, part of the reason European businesses export more³⁷⁶ is that, unlike many American firms, they are not limited to exporting only what they are capable of financing through their own cash reserves.³⁷⁷

Yet, financing is just one of the numerous transactional barriers export-ready firms face. Consequently, many European nations have developed a comprehensive infrastructure of programs that offer a full range of export transaction services.³⁷⁸ For example, since 1978, France has operated the Agency for the International Promotion of Small and Medium-Sized Enterprises (Agency).³⁷⁹ The Agency has seventeen offices in fifteen different countries, and its sole purpose is to

³⁷¹ *Id.*

³⁷² *Id.*

³⁷³ *Id.* Nothdurft notes that recent efforts by Eximbank and the Small Business Administration to improve services have failed due to a lack of resources. *Id.* at 55-56. Likewise, the increasing number of export finance authorities being created at the state level (e.g., operational programs that provide loans, guarantees, insurance or some combination thereof) are not filling the gap as they too lack adequate resources. *Id.* at 55-57.

³⁷⁴ *Id.*

³⁷⁵ *Id.*

³⁷⁶ See *supra* Table 2 and Table 11.

³⁷⁷ NOTHDURFT, *supra* note 259, at 57.

³⁷⁸ *Id.* at 52. Note that the methods for providing transactional services vary widely among the European nations.

³⁷⁹ *Id.* at 53. The French program is an extreme example where government is directly involved "in almost every aspect of servicing export transactions." *Id.* at 52. Most other European nations have built their infrastructure by sharing responsibility with other entities such as domestic and overseas chambers of commerce, banks, shipping companies, and trading houses. *Id.*

assist small firms in testing and entering new export markets.³⁸⁰ The goal of the Agency is to take an active rather than reactive approach to market development by using its overseas offices to identify market sectors where export opportunities exist. Once identified, the Agency sets out to find French firms suitable to enter the available market.³⁸¹

Depending on the type of service provided, the Agency may charge a fee or provide its assistance free of charge.³⁸² Even where fees are charged, however, they are generally below market cost. This is because the Agency is a not-for-profit organization, its overseas offices are shared with the French Trade Commission, and the Agency is a spin-off of the General Federation of Small and Medium-Sized Enterprises which collects dues from over 1.5 million members.³⁸³ Ordinarily, the direct market entry assistance provided by the Agency to an individual company will last for two to three years.³⁸⁴

F. Lesson 6: Specific Programs Tailored To Individual Firms Are Most Effective

The export assistance needs of small and medium-sized firms are not universal, and they are not generic. Yet, in the past, both national and state assistance programs in the United States and in Europe have been general, monolithic programs that do not take into consideration factors such as the stage of export-readiness a firm has attained or the specific export barriers characteristic for specific industrial sectors in specific markets.³⁸⁵ Hence, studies conducted on both sides of the Atlantic have concluded that there often exists a "poor match" between available programs and the actual needs of potential exporters.³⁸⁶

Consequently, a new generation of customer-driven export assistance programs is emerging in Europe.³⁸⁷ These programs are organ-

³⁸⁰ *Id.* at 53.

³⁸¹ *Id.* The Agency will also provide services to firms that independently contact export promoters.

Following an initial audit of a firm to determine its export readiness, [the Agency] will test market the firm's product(s) in a particular market, exploring customer reactions, assessing competition, reviewing design compatibility, and . . . advising on packaging and pricing, among other issues. Depending on the strategy a company interested in entering the market prefers, [the Agency] will identify potential importers and distribution partners, gather intelligence on potential joint venture partners or acquisitions, or help the company sort out the geographic, legal, and regulatory issues associated with establishing a subsidiary operation in the market.

Id. at 54.

³⁸² *Id.*

³⁸³ *Id.*

³⁸⁴ *Id.*

³⁸⁵ *Id.* at 58.

³⁸⁶ *Id.* at 58-59.

³⁸⁷ *Id.* at 59. To a lesser degree, similar programs are also developing in the United States. The XPORT Trading Company, a quasi-public agency launched by the Port Authority of New York and New Jersey in 1982, is an example. It was created to address the specialized needs of small businesses that wish to compete in international markets. Services provided

ized at the regional level, delivered by private or quasi-private organizations, and funded partially by regional governments. The programs are thorough and provide customized services for individual firms. The policy behind them is to "sacrifice [] scope (reaching large numbers of firms) to achieve impact (ensuring that clients succeed in penetrating their target markets)."³⁸⁸ This approach is sometimes described as being "custom built rather than mass produced."³⁸⁹

One such program is the Regional Mission for the Coordination of International Trade with Brittany (MIRCEB), established by a group of private businesses in Brittany, France.³⁹⁰ MIRCEB does not provide a "fixed menu of services" but instead undertakes individual contracts with local firms to provide services tailored to the firm's needs.³⁹¹ Specific goals of the program are to reduce both entry risks and the time required to enable a firm to penetrate and become successfully established in a specific market.³⁹² Although program assistance is provided on a fee-for-service basis, sixty to seventy percent of MIRCEB's budget is funded by the Breton regional government.³⁹³ In addition, participating firms may receive up to thirty percent funding, not to exceed a predetermined amount, for export-related activities.³⁹⁴ Overall, MIRCEB has been successful in that it has helped to increase its clients' sales to a level well above the reported increase in sales for local companies generally.³⁹⁵

G. *Lesson 7: Reciprocal Trade Relationships Function as Learning Systems for Successful Exporters*

Some European trade promoters contend that competitiveness is a function of the free flow of products, technology and ideas among countries.³⁹⁶ Hence, exports and imports, rather than exports exclusively, should be the focus of programs designed to improve a nation's global competitiveness.

Through traditional export programs, promoters have learned that seemingly low risk strategies to help small and medium-sized firms export oftentimes become high-risk as a result of a lack of information

include helping businesses to form an export plan, market, advertise, complete necessary documentation, take care of licensing, transportation, financing, labeling changes, and packaging adaptations. In 1990, XPORT received the Innovations Award from the Ford Foundation and the Kennedy School of Government at Harvard University. The Award included a \$100,000 grant. See Herbert Ouida, *XPORT*, COMMENTARY, Fall 1992.

³⁸⁸ NOTHDURFT, *supra* note 259, at 59.

³⁸⁹ *Id.* at 58.

³⁹⁰ *Id.* at 60.

³⁹¹ *Id.* at 60-61.

³⁹² *Id.* at 61.

³⁹³ *Id.* at 60-61.

³⁹⁴ *Id.*

³⁹⁵ *Id.* For example, between 1984 and 1988, the sales for MIRCEB companies increased 400% but the sales for Breton companies overall only increased 50%. *Id.*

³⁹⁶ *Id.* at 62.

pertaining to why particular products succeed or fail in a given market.³⁹⁷ This lack of information is deemed to be the result of what some promoters term the "one way street" approach to trade.³⁹⁸ The one-way street approach can be described as small firms simply "unload[ing] an existing product line through a distributor, a trading house, or some other passive form of representation."³⁹⁹ Although easy, this route to exporting is flawed for the following reasons:

First, it often incorrectly assumes that consumers in foreign markets will accept products in unmodified form. Second, it utilizes trade channels . . . that may provide little, if any, feedback on sales, buyer responses, or market trends. Third, it misses opportunities to reduce the cost of product development and market penetration by using in-the-market partners. Fourth, it forfeits opportunities for the exchange of innovation.⁴⁰⁰

As a result, the inflexibility of the one-way approach causes the export initiatives of small and medium-sized companies to be marginally, or sometimes completely, unsuccessful.⁴⁰¹

Consequently, some European programs are "pool[ing] private and public resources to cultivate international trade-related partnerships . . . that function as learning systems for their participants."⁴⁰² One such program, entitled Objective Europe, is operated in France.⁴⁰³ The mission of Objective Europe is to explore markets, screen potential joint venture partners for local firms, and then negotiate contracts — tasks that small firms seldom have the time or resources to undertake.⁴⁰⁴

Objective Europe consists basically of a four-stage process. In the initial stage of the process, program administrators invite area firms to explore internationalization opportunities.⁴⁰⁵ During this stage, interested firms are audited to determine which firms are ready, willing and financially able to make a serious commitment. For those firms that pass the audit, individualized strategic plans are developed.⁴⁰⁶ In the second stage, profiles of qualified French firms are used by program coordinators in countries to identify potential foreign joint venture partners. Upon identification, meetings between the two potential partners are set up in a central location in the country where the foreign firm is established.⁴⁰⁷ In the third stage, foreign firms that are interested in pursuing joint ventures with the French firms are invited

³⁹⁷ *Id.* at 63.

³⁹⁸ *Id.*

³⁹⁹ *Id.*

⁴⁰⁰ *Id.*

⁴⁰¹ *Id.*

⁴⁰² *Id.* at 64.

⁴⁰³ *Id.*

⁴⁰⁴ *Id.*

⁴⁰⁵ *Id.* at 65.

⁴⁰⁶ *Id.*

⁴⁰⁷ *Id.*

to France to begin direct negotiations.⁴⁰⁸ In the final step, program administrators execute binding contracts between the French and foreign firms.⁴⁰⁹ As a result, promoters contend that more area firms will be successful exporters because they are globally competitive.⁴¹⁰

H. Lesson 8: Private or Quasi-Private Providers are the Best Deliverers of Export Assistance, but Public Sector Involvement is Crucial

Regardless of whether a particular nation has a centralized export promotion program or an informally structured program, European exporters have come to the conclusion that the most effective export assistance programs are those delivered by private or quasi-private organizations.⁴¹¹ Experts explain that private service providers are in close contact with their clients and thus better able to perceive what limiting obstacles are preventing small firms from exporting, and they are quick to sense changes in the small enterprise's needs.⁴¹² Private or quasi-private organizations are also less likely to be "subject to bureaucratic procedures that slow down decisions, tie up deals, and preclude long-term commitments."⁴¹³ Since private export assistance providers operate in a traditional business-like manner that includes charging fees for services rendered, exporters tend to place a greater value on the services dispensed through private providers (thereby causing participating firms to pay closer attention to the export guidance that they receive and to take their own export efforts more seriously).⁴¹⁴ Finally, private suppliers are perceived by small firms as having greater credibility than government providers.⁴¹⁵

Without governmental support, however, private providers do not dispense adequate export services to small firms.⁴¹⁶ This is true for two reasons. First, left to themselves, private service organizations invariably cater to large firms.⁴¹⁷ Secondly, there is a market failure that in practical terms means that "[p]rivate export service providers such as banks, insurance companies, accounting firms, trading companies, and export market consultants are generally unwilling to shoulder the high costs of developing markets for [small and medium-sized enter-

⁴⁰⁸ *Id.*

⁴⁰⁹ *Id.*

⁴¹⁰ *Id.* at 64-65.

⁴¹¹ *Id.* at 67-74.

⁴¹² *Id.* at 69.

⁴¹³ *Id.*

⁴¹⁴ *Id.*

⁴¹⁵ *Id.* This is probably due to the fact that public agencies are generally policy-oriented whereas private providers are motivated by the specific needs of the firms that they service.

Id.

⁴¹⁶ *Id.* at 70.

⁴¹⁷ *Id.*

prises] without government prodding and subsidies."⁴¹⁸ Consequently, public sector involvement, either directly or indirectly, is crucial to provide incentives that will encourage private providers to furnish necessary services to small firms.⁴¹⁹

I. Lesson 9: The Most Effective Export Assistance Programs are Regionally and Sectorally Targeted

As the delivery of export assistance in most European countries shifts from the government to the private sector, the focus of such assistance is also shifting.⁴²⁰ Export promotion officials are aiming towards providing assistance at the local or regional level and towards specific industrial sectors within regions rather than pursuing the traditional course of programming, which made export assistance available nationally.⁴²¹ The shift has been caused by "declining resources and accelerating demands to make [small and medium-sized enterprises] globally competitive"⁴²² and the ensuing need to target available resources "to those investments that will provide the biggest payoff."⁴²³

Export assistance which is defined according to a specific industrial sector or region is beneficial for a number of reasons. First, it causes the driving force behind programming to become the client rather than the institution of the program itself.⁴²⁴ This alone is beneficial,⁴²⁵ but, in addition, regionally or sectorally targeted assistance is consistent with the way business owners think of themselves — as members of a specific region or industry.⁴²⁶ Thus, since small firms generally do not think nationally, they are likely to be more receptive to regional programs. By concentrating on a specific niche, assistance providers develop expertise. Also, customer feedback is direct and programs develop a natural constituency that will help the political viability of the program. Overall, European experience indicates that the newer, more narrowly focused assistance programs are more effective.⁴²⁷

⁴¹⁸ *Id.* at 71. Even if private assistance were available, few small firms would be able to afford the services of private providers. *Id.*

⁴¹⁹ *Id.*

⁴²⁰ *Id.* For example, German export assistance programs are targeted regionally and delivered through local chambers of commerce and specific industry associations. Similar efforts to regionalize and concentrate on specific industries are prevalent in Italy, Britain, France, Denmark and Sweden. *Id.* at 75.

⁴²¹ *Id.* at 74.

⁴²² *Id.*

⁴²³ *Id.*

⁴²⁴ *Id.* at 75.

⁴²⁵ See Lesson 6 *supra* pp. 240-41.

⁴²⁶ NOTHDURFT, *supra* note 259, at 75.

⁴²⁷ *Id.* at 74.

J. Lesson 10: New Exporters Should Pay for Profitable Export Assistance

Traditionally, European countries have attempted to encourage small and medium-sized firms to export through a variety of direct-grant subsidy programs.⁴²⁸ Today most European nations have abandoned this approach, however, "in favor of fee-for-service programs, indirect subsidies, soft loans, and matching fund schemes."⁴²⁹ The policy behind the switch is to provide firms with assistance that will improve their competitiveness. Whereas direct subsidies have tended to reduce a product's price in the international market, thereby making the product more competitive, direct subsidies have done little to improve the competitiveness of the producer.⁴³⁰ Without inwardly improving a firm's competitiveness, subsidies must be continued indefinitely in order to ensure the continued exporting success of the firm.⁴³¹

Thus, in order to improve producer competitiveness, European export administrators are promoting programs which build on the inward capabilities of the firms they service.⁴³² Since direct subsidies do not enhance capabilities and do not engender commitments from firms that have not made meaningful investments and have little to lose, export promoters are utilizing fee-for-service programs.⁴³³ These programs require enterprises receiving assistance to pay fees, although often below market rates, for services that will help them to export on their own. Such assistance may entail "management development, technology deployment and product development, market analysis, . . . and the brokering of specific export deals that lead to long-term trade relationships."⁴³⁴ Billing helps to ensure a company's commitment and reduces the amount of public investment required during times of tight budgetary constraint.⁴³⁵

While the practice of requiring small and medium-sized enterprises to pay for partially subsidized services is now common in Europe, export promoters note that it can still be an uphill battle to persuade small firms to pay even a nominal fee for services that were once free.⁴³⁶ Nevertheless, "[d]espite fears to the contrary, organizations that have switched from free to fee-based services . . . have experienced little or no drop-off in demand."⁴³⁷ Overall, European

⁴²⁸ *Id.* at 80.

⁴²⁹ *Id.*

⁴³⁰ *Id.*

⁴³¹ *Id.* at 82.

⁴³² *Id.*

⁴³³ *Id.* at 81-82.

⁴³⁴ *Id.* at 82.

⁴³⁵ *Id.* at 83.

⁴³⁶ *Id.* at 84.

⁴³⁷ *Id.*

exporters and export promoters have jointly concluded that export assistance is only worthwhile if it is profitable, and where it is profitable, it is worth paying for.⁴³⁸

VI. Conclusion

Despite predictions to the contrary, the advancement of state initiatives promoting foreign export trade has not served to unravel federal foreign economic policy. In fact, the trend is for state and federal trade officials to develop successful working relationships whereby both local and national objectives are achieved simultaneously. Is this what the framers of our Constitution envisioned? Probably not, but it may be safe to say that the framers had not envisioned the current global economy, either. Also, consider that in 1789, our founding fathers were faced with very different reasons for fearing state interference in foreign economic policy. As a new republic, the broad principle of federal supremacy in foreign relations had yet to be established. The Union's international identity was fragile and uncertain. Taken in context, the threat that the states might prevent the Union from "speaking with one voice" while pursuing individual agendas to the detriment of the nation was very real. Today, however, the identity of the fifty states as comprising a union is well established. It is also well established that the President and Congress enjoy the privilege of having the last word under the Supremacy Clause of Article VI of the Constitution.

Considering that the Constitution gives Congress the power to regulate commerce with foreign nations and that Congress expressly approves state involvement, is there any reason to believe the courts will check the advancement of state initiatives? As previously stated, the Supreme Court is the final authority on constitutional issues, and the Court has previously gone so far as to imply that the states are completely excluded from activities affecting foreign relations.⁴³⁹ Yet, in *Barclays Bank*, the Court indicated that it will uphold state initiatives where there is evidence that Congress found the activity to be unobjectionable.⁴⁴⁰ Clearly, the Court has reevaluated the concept of federalism in the present context. All three branches of our federal government; the Judiciary, Executive, and Congress; either directly or indirectly support the states. Thus, it is assumed that Congress has the authority to permit state involvement. To advance the textual argument that the states are unconstitutionally trespassing into the federal realm seems pointless.

Conceding the importance of export promotion to local economies, the question becomes whether the states are doing a competent

⁴³⁸ *Id.* at 83.

⁴³⁹ See *supra* notes 32-48 and accompanying text.

⁴⁴⁰ See *supra* notes 53-61 and accompanying text.

job. States such as North Carolina contend that they are.⁴⁴¹ Between 1987 and 1993, "North Carolina's merchandise exports rose by 130 percent, . . . well above the 90 percent increase recorded by the nation as a whole."⁴⁴² Yet, critics assert that overall, state trade development policies and programs have a false image of adequacy and, when compared to other economic powers, the current U.S. trade system is dysfunctional.⁴⁴³

Some experts have concluded that the United States lacks a coherent trade strategy.⁴⁴⁴ However, of the ten lessons set out by William Nothdurft in *Going Global*,⁴⁴⁵ it appears that state trade promoters are (1) targeting and educating small firms that currently do not export; (2) counseling firms on how to make exporting a part of their overall growth plan; (3) providing firms with the skills to handle the various export intricacies; (4) helping firms to overcome transactional barriers; (5) cooperating with private or quasi-private service providers to meet the needs of potential exporters; (6) making assistance available at the local or regional level; and (7) requiring small and medium-sized firms to contribute to the costs of services they receive.⁴⁴⁶ On the other hand, there is little evidence that state trade officials are (1) making meaningful efforts to separate the export-ready from the merely export-willing; (2) tailoring specific programs to meet the needs of individual firms; and (3) instituting reciprocal trade relationships with foreign markets.⁴⁴⁷ Overall, however, it appears that the states are, in fact, on the right track. It is possible that the primary reason the United States lags in per capita merchandise exports is the lack of experience. As acknowledged by some commentators, American businesses have enjoyed a huge domestic market whereas European nations have been forced to concentrate on exporting for decades. The result is that American promoters are just now "getting up to speed."⁴⁴⁸ It will be interesting to measure the success of state trade programs over the next several years.

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⁴⁴¹ See Tables 5-7, *supra* pp. 208-10 and notes 99-146 and accompanying text.

⁴⁴² "Uruguay Round Opportunities — North Carolina," Jul. 22, 1994, available on The Trade Information Center and the GATT Uruguay Round Fax Retrieval Houlines, Doc. No. 1033.

⁴⁴³ See Table 2, *supra* p. 193; see also notes 251-264 and accompanying text.

⁴⁴⁴ See *supra* notes 257-268 and accompanying text.

⁴⁴⁵ *Id.*

⁴⁴⁶ See *supra* notes 147-230 and accompanying text.

⁴⁴⁷ *Id.*

⁴⁴⁸ See National Assoc. of State Development Agencies, *supra* note 151 at 14 (noting that "[o]f all 50 states, only ten did not conduct some kind of trade or foreign office evaluation or reorganization" within 18 months of the 1992 SEPD survey. *Id.* at 14.)

Appendix A⁴⁴⁹**EXPORT INFRASTRUCTURE IN NORTH CAROLINA****N.C. District Export Council (DEC)**

CONTACT: Lawrence J. MacBean, Chairman Tel. #: (704)
328-1851

c/o Century Furniture Company Fax #: (704) 324-4415

P.O. Box 608

Hickory, NC 28603

BRIEF DESCRIPTION OF SERVICES PROVIDED:

DEC members represent a cross-section of local public and private sector users and providers of export assistance services and are appointed by the Secretary of the North Carolina Department of Commerce. The DEC has developed a trade assistance network at the local level that provides counseling for local businesses, identifies export financing sources, promotes international education, and provides a number of other services.

N.C. WORLD TRADE ASSOCIATION (NCWTA)

CONTACT: Ingeborg Hegenbart, President Tel. #: (704)
338-5711

c/o Southern National Bank Int'l Dept. Fax #: (704) 338-
5729

P.O. Box 1031

Charlotte, NC 28201-1031

BRIEF DESCRIPTION OF SERVICES PROVIDED:

The NCWTA holds monthly chapter meetings across the state to bring together individuals from private industry, government, and academia for the purpose of promoting international trade in North Carolina. The NCWTA also circulates the *World Trader* newsletter.

INTERNATIONAL VISITORS COUNCIL (IVC)

CONTACT: Margaret M. Dockery Tel. #: (919) 549-9191

Executive Director Fax #: (919) 549-7348

P.O. Box 12843

Research Triangle Park, NC 27709

BRIEF DESCRIPTION OF SERVICES PROVIDED:

The IVC is a volunteer-based, non-partisan, non-profit corporation with offices located in Research Triangle Park, Greensboro, and Charlotte, North Carolina. It promotes global understanding and communication by providing N.C. citizens and international visitors an opportunity to exchange ideas and information. Most of the international visitors come to the United States under the auspices of the International Visitor Program of the United States Information Agency. They are personally selected by American embassies abroad

⁴⁴⁹ Information provided in part by Samuel P. Troy, Director of the Greensboro District Office of the U.S. Department of Commerce, in Greensboro (Oct. 14, 1994).

because they are deemed to be current or future leaders in a variety of fields in their countries.

CHARLOTTE CHAMBER OF COMMERCE

CONTACT: Justin Hunt Tel. #: (704) 378-1306
Director of Export Promotion Fax #: (704) 338-6988
P.O. Box 32785
Charlotte, NC 28232

BRIEF DESCRIPTION OF SERVICES PROVIDED:

The Charlotte Chamber of Commerce provides awareness programs for local companies regarding why and how to export and offers direct assistance to companies with untapped export potential. The Chamber also acts as an export resource clearinghouse.

SMALL BUSINESS & TECHNOLOGY DEVELOPMENT CENTER (IBD)

CONTACT: Annetta Brady Tel. #: 1-800-258-0862
International Business Director Fax #: (919) 571-4161
4509 Creedmoor Road
Suite 201
Raleigh, NC 27612

BRIEF DESCRIPTION OF SERVICES PROVIDED:

The IBD is a special market development program provided by the Small Business and Technology Development Center (SBTDC). The SBTDC is an inter-institutional program of the University of North Carolina. The IBD offers free one-on-one counseling to help new exporters explore and identify overseas markets.

U.S. SMALL BUSINESS ADMINISTRATION (SBA)

CONTACT: Gary Borchardt Tel. #: (704) 344-6563
Assistant Director for Business Fax #: (704) 344-6769
200 North College Street
Suite A-2015
Charlotte, NC 28020-2173

BRIEF DESCRIPTION OF SERVICES PROVIDED:

The SBA provides financial assistance to companies trying to significantly expand existing export markets, companies developing new export markets and companies adversely affected by import competition through the International Trade Loan Program. It also provides short-term financing for labor and materials needed to manufacture goods or to purchase goods or services for export through Export Revolving Line of Credit Programs. In addition, the SBA offers an Automated Trade Locator Assistance System and export legal assistance with free initial consultations.

N.C. STATE PORTS AUTHORITY

CONTACT: Karen Fox Tel. #: 1-800-334-0682
Manager of Public Affairs 1-800-336-2405
2202 Burnett Boulevard Fax #: (910) 343-6225

Wilmington, NC 28401

BRIEF DESCRIPTION OF SERVICES PROVIDED:

The North Carolina State Ports Authority owns and operates deep water seaport terminals in Wilmington and Morehead City, providing a strategic location and cost savings to North Carolina exporters. Companies who pay North Carolina income taxes and who increase the volume of the cargo they ship may be eligible for specific tax credits.

N.C. CENTER FOR WORLD LANGUAGES & CULTURES

CONTACT: Chris Wise Tel. #: 1-800-269-1135

Director of Operations (919) 828-3262

P.O. Box 1 Fax #: (919) 828-1902

Misenheimer, NC 28109

BRIEF DESCRIPTION OF SERVICES PROVIDED:

The Center, which is located near Charlotte, provides language and cultural communications skills training to business people, educators, public service and governmental workers. The Center's programs are tailored to meet the needs of the customer and can be delivered on any site in the State.

THE BEN CRAIG CENTER

CONTACT: Dr. Jonathon L. Benson, President & CEO Tel. #: (704) 548-1090

8701 Mallard Creek Road Fax #: (704) 548-9050

Charlotte, NC 28262

Brief Description of Services Provided:

The Ben Craig Center assists small and medium-sized companies to pursue overseas markets in Europe. In addition to its Charlotte office, the Center has an office in Germany which provides office space and shared secretarial services.

PUBLIC LIBRARY OF CHARLOTTE & MECKLENBURG CO.

CONTACT: Heather Nierman Tel. #: (704) 336-4115

Manager, International Business Library Fax #: (704) 336-2677

310 N. Tryon Street

Charlotte, NC 28202

BRIEF DESCRIPTION OF SERVICES PROVIDED:

The International Business Library includes an extensive collection of practical resources such as telephone directories for major cities worldwide; foreign company directories; import duty schedules of foreign countries; market and country research reports; electronic databases like the National Trade Data Bank, Investext, COIN, and Predicast's; and selective Internet service. There is no cost for use of the library and an on-site international business information specialist is available by appointment.

RESEARCH TRIANGLE WORLD TRADE CENTER (RTWTC)

CONTACT: Ruth T. Camp Tel. #: (919) 544-8969
President Fax #: (919) 544-8970
P.O. Box 13487
Research Triangle Park, NC 27709

BRIEF DESCRIPTION OF SERVICES PROVIDED:

The RTWTC provides consulting, research and referrals, and a comprehensive International Resource Center. The Center also provides educational programs on a variety of international business topics — including country specific workshops and a basic exporting course.

UNIVERSITY OF NORTH CAROLINA AT CHARLOTTE, OFFICE OF INTERNATIONAL PROGRAMS

CONTACT: Harold Josephson Tel. #: (704) 547-2442
Assoc. Vice Chancellor for International Programs Fax #:
(704) 547-3168
UNC-Charlotte
Charlotte, NC 28223

BRIEF DESCRIPTION OF SERVICES PROVIDED:

The University provides export-awareness seminars and workshops as well as general training in international business and international affairs.

N.C. DEPARTMENT OF AGRICULTURE

CONTACT: Britt Cobb Tel. #: (919) 733-7921
Assistant Director of Marketing Fax #: (919) 733-0999
P.O. Box 27647
Raleigh, NC 27611

BRIEF DESCRIPTION OF SERVICES PROVIDED:

The N.C. Department of Agriculture works towards developing new markets and expanding existing markets for North Carolina agriculture products. The Department also organizes trade show participation and trade missions and identifies foreign buyers. The Department provides counseling to N.C. companies regarding the export process and the export potential for their product.

BELK COLLEGE OF BUSINESS ADMINISTRATION

CONTACT: Dr. James Weekly Tel. #: (704) 547-2565
Coordinator for International Business Programs Fax #:
(704) 547-3123
UNC-Charlotte
Charlotte, NC 28223

BRIEF DESCRIPTION OF SERVICES PROVIDED:

Belk College provides undergraduate and graduate (MBA) instruction in international business and management including a major in international business. Students are placed as interns in international organizations and companies. The College also provides re-

search and advisory assistance to companies interested in or engaged in international operations.

PIEDMONT TRIAD INTERNATIONAL TRADE COUNCIL (PTITC)

CONTACT: Frank Land, Representative Tel. #: (910) 334-3052

P.O. Box 20944 Fax #: (910) 334-5580

Greensboro, NC 27420-0944

BRIEF DESCRIPTION OF SERVICES PROVIDED:

The PTITC coordinates regional activities promoting international trade. The core membership of the PTITC consists of the N.C. World Trade Association Triad Chapter; the World Trade Center-Piedmont Triad; the North Carolina Agriculture and Technology State University Schools of Technology and Business and Economics; and the University of North Carolina at Greensboro Bryan School of Business and Economics. In order to assist businesses in the Piedmont Triad region, the Council provides seminars and workshops, legal assistance, information on technical innovations, specialized assistance to individual businesses and a monthly newsletter.