RECENT TRENDS IN EXPORT PROMOTIONS IN THE UNITED STATES

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There is significant variation in opinion regarding benefits stemming from the use of export promotion. While promotional strategies are frequently condemned in the press as violations of global trade rules and are sharply criticized by some anti-poverty campaigners, governments across the world have utilized and benefitted from numerous and varied approaches to export promotion. This paper provides an overview of export promotion efforts, with particular emphasis on a comparison of the United States to the European Union. Issues explored include the gap between export promotion efforts and desired outcomes, WTO promotional efforts, and several recent trends in export promotion.

THE NATIONAL EXPORT INITIATIVE

The National Export Initiative (NEI), signed into existence by President Obama on March 11, 2010, by way of Executive Order 12870, can be viewed as the largest and most complex export promotion endeavor that has been pursued by the government of any country in history. The NEI established the Export Promotion Cabinet to enhance the assistance given to U.S. companies, particularly small- and medium-sized enterprises (SMEs) and has as its main objective the doubling of U. S. exports over the time period designated by the signing of the Initiative. The NEI provides tangible proof of the emerging importance of exporting to the health of the U. S. economy. This Initiative represents the very first time that a sitting President of the United States has mobilized the resources of the United States Government at the level of the NEI in support of a single business activity: exporting.

However, experience has shown that good intentions and the dedication of significant resources by the Federal Government to export promotional activities have not always brought about desired results. For example, the Government Accountability Office (GAO) identified several chronic problem areas regarding export promotion efforts of the 20 agencies that are part of the Cabinet-level Trade Promotion Coordinating Committee (TPCC) of the Federal Government (International Trade 2009). Lack of coordination among agencies and inadequate performance monitoring regarding the outcomes of export promotional activities are among the more notable identified areas of deficiency. The GAO report made repeated and in-depth references to the export promotion practices of foreign country governments as being implicitly worthy of consideration for adoption by the U. S. Government.

Hirsch (2011) provides a supporting perspective in the following:

> So the president may have to go beyond conventional thinking, beginning with the myth of a 'flat world' of equalized competition—and devise new ways to turn the globalized markets to U. S. advantage. As the Chinese, the Germans, and the Japanese, among others, have shown through largely successful programs of export promotion and subsidies, the world of truly free trade doesn't exist. Washington needs to do far more than file complaints to the World Trade Organization. (p. 1)

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We now provide a brief introduction into perspectives concerning the nature and efficacy of export promotional activities in different parts of the world.

EXPORT PROMOTION IN THE WORLD ECONOMY

There is significant variation in opinion regarding benefits stemming from the use of export promotion. While promotional strategies are frequently condemned in the press as violations of global trade rules and are sharply criticized by some anti-poverty campaigners (Cronin 2007; Scott 2001), governments have utilized and benefitted from numerous and varied approaches to export promotion. The basic idea is simple: Outside support, especially from the government of a country, can help domestic companies tap their export market potential (Dichtl, Koeglmayr and Mueller 1990) and thereby enhance economic growth. The "Asian Tigers" - Hong Kong, South Korea, Singapore, and Taiwan – are remarkable examples of economies that have achieved a high level of economic growth primarily through export promotion (Rondinelli 1987; Rondinelli and Burpitt 2000). Export promotion strategies have been employed by almost all governments in industrialized economies (Washington Advocacy 1995; de Koning and Snijders 1992; Dichtl Koeglmayr and Mueller 1990) as well as developing economies in Asia and Latin America (Rondinelli 1987; Rondinelli and Burpitt 2000).

Government export promotion strategies come in "all shapes and sizes". First, nations differ widely in terms of the resources devoted to export promotion initiatives. Compared to poorer economies, more prosperous countries tend to have more export promotion programs in place (de Koning and Snijders 1992). Some of the most popular tools include lobbying and visits to targeted countries by high level government officials, the financing of trade shows and the provision of other types of government-supplied financing packages (Washington Advocacy 1995). Export promotion tools also entail supplying actual and potential exporters with specific information (Dichtl, Koeglmayr and Mueller 1990). Some countries (e.g., Italy, Japan and Spain) have tied their economic aid to developing countries with export promotion programs (Freres 2000; Garten 1997). Likewise, Korea's export promotion measures have included the establishment of specialized banks for the development of "strategically important" sectors (Mah, 2006; Soh 1997). Some Asian economies have developed free trade zones and provided incentives to attract export producing manufacturers (Rondinelli 1987; Rondinelli and Burpitt 2000).

GLOBAL OVERVIEW

While it is clear that there is great variety in the forms and objectives of trade promotional activities, there is also empirical evidence that there are systematic operating principles at work regarding governmentally sponsored activities used by export promotional agencies (EPAs) that are found around the world (Lederman, Olarreaga and Payton 2006). Working with the support of the Office of the Regional Chief Economist, Latin America and the Caribbean Region, the World Bank, Lederman, et al. (2006) evaluated data gathered from EPAs of 104 countries and found that export promotion had a clear and significant impact on exports. These authors note that on the average, \$1 spent on export promotion increases export revenues by approximately \$300. Additionally, their empirical analyses indicated that (1) for the greatest impact large firms should be targeted with export promotion; (2) firm status with respect to prior export activities is important (promotional monies spent on non-exporters had a greater impact); (3) the principal objective followed by EPAs concerned increasing a country's overall level of exports (60 percent of EPAs followed the objective of "increase aggregate exports" (p. 12), and (4) optimal level of expenditures to achieve maximum impact on a country's exports fell in a certain range (\$0.60 to \$2.70 per capita).

It is important to note, however, that the results of Lederman, et al. (2006) did not hold for the operations of each and every individual country's EPA. As they acknowledge, there is great heterogeneity in responses across countries in the sample. A review of the relevant literature would suggest that such heterogeneity in the responses of countries' EPA activities reflects different mixes of export promotion activities used by countries in different geographic sectors. We now review works that shed light on this heterogeneity in selected geographic regions.

Southeast Asia

The character of governmentally-sponsored export promotion offered by countries in Southeast Asia reflects their shift from development using an import substitution trade regime to one of industrialization based on export promotions (Narjoko and Amri 2007). In focusing on ASEAN-6 countries (Brunei, Indonesia, Malaysia, Thailand, Singapore and the Philippines), Narjoko and Amri identify key trade promotional strategies employed by each country. For instance, Malaysia "…approached industrialization by developing export processing zones (EPZ)" (p. 48). In contrast, Thailand chose to focus on specific industries for development. Singapore "directed its export promotion industrialization by shifting manufacturing activities towards skill- and technology-intensive industries" (p. 48). The authors emphasize that the effectiveness of each approach is validated by the speed with which these countries recovered from the Asian financial crisis of 1997. In contrast, Indonesia has been slower in recovering, due to its emphasis on export promotion centered on labor and resource-intensive industries.

A recent GAO report provides specifics in terms of what activities Asian nations employed during the financial crisis (International Trade 2009). For example, regarding the Philippines the report stated:

> The Philippine Export Act … gave an apex body, the Export Development Council, overall responsibility for formulating and coordinating the national export development effort. The council was chaired by the Secretary of the Department of Trade and Industry and cabinet-level members from the eight ministries concerned with economic development. (p. 6)

Malaysia is another country whose activities are potentially worthy of consideration, particularly in the domain of enhancement of SMEs' exporting activities. "Malaysia's Small and Medium Industries Development Corporation, for instance, linked SMEs into the supply chain of larger multinational corporations that have the systems and knowledge needed for SMEs to become globally competitive." (p. 8). An elaboration on these and other Southeast Asian countries' efforts in the domain of export promotion can be found in a study commissioned under the auspices of the Asia-Pacific Economic Cooperation (APEC) organization (*Alliance in Practice*…(2007).

South America

Similar to the efforts of the identified ASEAN-6 countries, a variety of South American nations attempted to shift from an import substitution trade regime to a policy of economic growth through export promotion (Jonakin 2007). In the main, these efforts involved the engineering of "a large shift toward manufactured and processed exports that substituted for traditional, primary commodity exports" (p. 30). While the shift toward manufactured exports has been successful (manufactured exports accounted for 60 percent of total exports by 2001), deficits in the current account balances of many countries in South America persist (Jonakin 2007).

In evaluating export promotion policies in Brazil, Chile, Colombia and Mexico, Macario (2000) conducted interviews with successful exporters. Based on this she concluded that promotional activities should be directed toward firms offering new products and/or targeting new export markets. Second, the use of cost-sharing programs tends to ensure that the programs will be used by firms that are dedicated to exporting. Third, adoption of a time limit of no more than a couple of years guarantees that programs will not become open-ended subsidies. Finally, the management of EPAs should draw upon both public and private resources.

Empirical research by Alvarez (2004) used a sample of 295 small and medium sized Chilean enterprises (SMEs) that consisted of both "permanent" and "sporadic" exporters. A key assumption was that the transformation of sporadic exporters into permanent exporters was a desired outcome of promotional activities. Results showed that the use of trade shows and trade missions by sporadic exporters did *not* tend to cause them to become permanent exporters. Furthermore, the results demonstrated that permanent exporters made greater use of all trade promotional facilities made available by the Chilean National Export Promotion Agency than did sporadic exporters.

In summarizing export promotion activities in Southeast Asia and South America, we would like to point to the transition from import substitution activities in each of the two major geographic sectors toward an emphasis on export promotion. Additionally, export promotion has moved away from traditional commodity exports toward non-traditional manufactured goods. We now present an overview of export promotion programs in the European Union.

European Union

Lederman, Olarreaga and Payton (2006) examine aggregate levels of E. U. country exports. Noteworthy in the results is evidence that for E.U. countries such as Germany, Ireland, Norway, Sweden, the Czech Republic and the Netherlands, exports of goods and services per capita generated for each country were well above the world average when viewed in light of the identified country's export promotion agency budget per capita. It is therefore useful to look at export promotion activities of different countries in the E.U.

The U.K. offers excellent examples of an E.U. government's well-coordinated and well-funded campaigns in promoting exports. Observers have noted that the current U.K. government has put export promotion "at the heart of its foreign policy" ("A Better…" 2010). The country's Prime Minister, Cabinet officials and the royal family advocate in foreign countries for British firms' products (Washington Advocacy… 1995; Small Manufacturer… 2008). In the mid-1990s, one-fifth of British diplomats in foreign countries worked full-time in export promotions activities (Washington Advocacy… 1995). Of particular interest is the idea of involving the country's royal family in export promotions activities. In 1997, the British government promised to spend US$97 million to buy a new yacht for the royal family. The argument was that the queen's visit to foreign countries on the "Buy British" yacht would help attract foreign businesses to British companies (Thoroughly Modern… 1997). Finally, the U.K.'s Export Explorer and Passport to Export Success initiatives are targeted at new exporters (International Trade…2009).

Among E. U. economies, German export promotion efforts appear to be similar in some ways to those of the U. S. For instance, in 1995, Ronald H. Brown, then U.S. Secretary of Commerce, wrote to the President and Speaker of the House: "The Germans are emulating the U.S. approach to export promotion" (Brown, 1995). Among other things, German export promotion strategies entail supplying actual and potential exporters with specific information (Dichtl, Koeglmayr and Mueller 1990). Central to Germany's export promotion activities is The Federal Office of Foreign Trade Information (BfAI) (Kopka 1995). BfAI has a touted network of correspondents abroad, and works with private sector German chambers of industry and commerce located in a variety of countries. Furthermore, Germany, along with Poland, has linked Foreign Direct Investment with export promotion in a novel fashion. A passage from *Small and Medium-Sized…U. S. and EU…*(2010) illustrates their approach:

> The EU uses investment promotion to support SME exporting activities. Some EU countries actively seek and promote opportunities for inbound FDI as a part of their efforts to promote exports. For example, Germany and Poland seek foreign investors to construct export-oriented manufacturing facilities; once operational, these facilities develop supply chain linkages with domestic SMEs, thereby contributing to SME indirect exports. (p. 2-31)

France, on the other hand, extensively utilizes different lobbying strategies such as phone calls, letters and high-level visits. In addition, the French government finances trade shows and provides other types of financing packages to companies involved in exporting (Washington Advocacy…1995). Italy and Spain also use high-level visits and trade missions as export promotions tools (Washington Advocacy… 1995). Moreover, economic aid to developing countries is frequently tied with export promotion programs (Freres 2000).

Another issue that deserves mention relates to a key rationale behind E.U. governments' spending on export promotion activities. E.U. countries have argued that the U.S. government's increased export promotion activities have forced them to promote domestic firms through government intervention. The French, for instance, think that U.S. success abroad threatens their country's exports and forces them to engage in more promotional efforts (Washington Advocacy… 1995). In May 2004, the E.U.'s trade commissioner noted that E.U. countries would eliminate agricultural export subsidies if the U.S. and other countries also were to take similar measures (From Cancun… 2004). Given the visibility in the press of comparisons between E.U. and U.S. export promotions, we now provide a more direct comparison and contrast of E.U. and U.S. export promotions in key topic areas.

COMPARISON AND CONTRAST OF U.S. AND E.U. EXPORT PROMOTION

In absolute terms, the U.S. spends less than the E.U. on export promotion (Shelburne 1997). For instance, in fiscal year 1995, the U.S. spent $3.1 billion on the entire export promotion budget. This contrasts with E.U. expenditures of $12 billion on agricultural export promotion alone. Additionally, the U.S. spends less on export promotion as a percentage of Gross Domestic Product (GDP) than does the E.U. (Shelburne). To put it into perspective, the U. S. spends three cents per thousand dollars of GDP on export promotions, France spends 18 cents and the U.K. spends 25 cents per thousand dollars of GDP (Donovan 1996). Garten (1997) states that France spends 10 times as much as a percentage of GDP on export promotion as does the U.S.

The distinction between the public and private domains is also more ambiguous in the E.U. than in the U.S. (Shelburne 1997) Support for this contention is found in Brown (1995) and Washington Advocacy…(1995), articles that describe geographic sectoral trade initiatives of Germany and France. In the mid-1990s, Germany launched the "East Asia Initiative" to increase German exports to the region (Washington Advocacy...1995). This initiative involved both German diplomats and the German Economic Minister. German diplomats with industrial policy expertise were assigned to spearhead efforts to expand German business in China (Brown, 1995).

There is also the issue of the locus of support for exports of small- and medium-sized enterprises (SMEs). In larger countries in the E.U. (e.g., Germany, France, Italy and the U.K.), support for SME exports tends to come from regional, rather than national, authorities (de Koning and Snijders, 1992). This contrasts with the U.S., where major federal entities offer significant support to SMEs in this domain. For instance, the Small Business Administration offers both a working capital program and an international trade loan program to assist small firms that are commencing export operations (Kurlantzick, 2004).

In the USITC-commissioned *Small and Medium-Sized*…(2010), there is a useful summary comparison of U.S. and E.U. support for SME exporting activities. First, "the EU provides greater support for trade fair participation…" (p. 2-30) for its SMEs. Second, there are networks of assistance available in foreign markets:

> The EU offers extensive networks of assistance in foreign markets. SMEs in both the United States and the EU have access to a broad network of official government assistance in foreign markets. However, through multiple worldwide networks established at the EC [sic], national, and regional levels and the EEN, SMEs from EU countries appear to have access to more extensive networks of assistance in foreign markets than do U. S. SMEs. (p. 2-31)

IMPACT OF EXPORT PROMOTION IN THE UNITED STATES:

The literature suggests that governmentally-sponsored export promotion activities in the US provide significant benefits for exporting firms. The enhancement of exports through export promotion is associated with the creation of high paying jobs (Conlan and Sager 2001; Czinkota, 2002). In the U.S., published estimates of the number of jobs created per billion dollars in export revenues range from 11,500 jobs (Czinkota and Ronkainen 2003) to 22,800 jobs (Davis 1989). Furthermore, according to Secretary of Commerce Locke (*Report to the President…*(2010)), "… Americans working for firms that export earn more than 15 percent more than similar workers at firms that do not export" (p. 2).

Exporting activity also generates tax revenue at both the federal and state levels. For example, Coughlin and Cartwright (1987) provide the results of empirical research that indicates that each dollar of trade promotional monies spent at the state level is associated with the creation of $432 in export revenues. A study by Wilkinson (1999) found that expenditures on state export promotion were associated with increased employment in firms engaged in direct overseas exports. While estimates of the net impact of such activity on state tax revenues may vary from one state to the next, the influence of export promotions on state coffers is, indeed, significant. Czinkota (2002) may have had such financial benefits in mind when he characterized export promotional funds as the "venture capital" of international economic activity.

In addition, there are operating benefits that flow to exporting firms that stem from firms' taking advantage of governmentally sponsored export promotion (Czinkota 1994; Kotabe and Czinkota 1992; Genturck and Kotabe 2001; and Singer and Czinkota 1994). These benefits include immediate sales in overseas markets, developing long-term relationships with distributors, the ability to access trade leads, and the availability of useful market research information (Wilkinson 2006).

The "Gap" in the Perceived Operating Risk/ Profit Return Schedules

While the benefits that result from governmentally-sponsored export promotions are, indeed, significant, the environment for trade promotion activities in the U.S. has become more complex and demanding since the early part of the 1990s. Perhaps the most basic issue concerns the notion that the managers of many non-exporting U.S. manufacturing companies are increasingly viewed as unresponsive to governmentally-sponsored export promotion of any sort. Such unresponsiveness is the result of the widespread perception that exporting is not an attractive use of company resources when compared to opportunities in domestic markets (Kotabe and Czinkota 1992). Support for this contention is found in the empirical results of Kotabe and Czinkota. Their work links the lack of attractiveness of exporting to the management of many U.S. manufacturing concerns with a "gap" in the perceived operating risk and profit return schedules of domestic and export markets.

Gencturk and Kotabe (2001) indicate that export assistance programs such as counseling, trade shows and trade leads directly and positively influence the efficiency, effectiveness and competitive positioning of firms that use these programs. However, other research (Kotabe and Czinkota 1992) suggests that the level of perceived benefits is not uniform across firms. The relative dearth of perceived benefits for some firms appears to be tied to their managements' perceptions of risks:

> Many firms, particularly small- to medium-sized ones, appear to have developed a fear of international market activities. Their management tends to see only the risks—informational gaps, unfamiliar conditions in markets, complicated domestic and foreign trade regulations, the absence of trained middle managers for exporting, and a lack of financial resources…rather than the opportunities that the international market can present. (Kotabe and Czinkota, p. 640)

These authors link perceived operating risks with profitability when they present results of empirical research indicating that, in the U. S., firms' profits from exports are *lower* than those of domestic operations for firms that exhibit all but the highest levels of involvement in exporting. In the following passage, Kotabe and Czinkota (1992) appear to conclude that such negative perceptions of profit prospects from exporting may provide a very fundamental rationale for the existence of governmentally sponsored export promotion in the U.S.

> Exporting would not appear to be an attractive alternative for firms, save those with unrealistic expectations. The public sector, however, is much more interested in competitiveness issues, since those will determine the future levels of job creation and tax revenue. There appears to be a legitimate gap in the market mechanism addressed by the government through its export promotion efforts, which…lower the risk of international activities and/or increase their level of profitability. The existence of this gap may then well justify the expenditure of public funds on export promotion. (Kotabe and Czinkota, p. 655).

In response to President Obama's National Export Initiative, the House Committee on Small Business conducted a hearing on April 28, 2010. Michael Czinkota's testimony included this statement:

> Export assistance should be concentrated primarily in those areas where profit and risk inconsistencies produce market gaps, and be linked directly to identifiable organizational or managerial characteristics that need improvement. Otherwise, assistance supports only exports that would have taken place anyway. There should be a clear demonstration of export [increases] which occur… due to government support. In order to assess such effects, it is important to encourage and devise export performance measurements which don't just evaluate issues such as governmental budget compliance, but assess bottom line performance shifts, not just in terms of profitability, but also in terms of major competitive achievements (Czinkota 2010).

THE WTO AND EXPORT PROMOTION

The principle of comparative advantage has been the fundamental principle behind the trade orthodoxy of the World Trade Organization since its founding in 1994. The original Ricardian theory of comparative advantage addressed relative productivities and is not concerned with issues such as differing levels of factor endowments across countries. The Heckscher-Ohlin-Samuelson (HOS) theory integrates the works of Heckscher (1919), Ohlin (1924) and Samuelson (1948) to examine some of the limitations of Ricardian theory. HOS theory argues that countries' comparative advantages are functions of their relative factor endowments.

The HOS extension of Ricardian comparative advantage indicates that a country's governmental policy makers should foster the development of product-based industries that utilize factors of production that are in relative abundance in the country. When engaging in industrial specialization in this fashion, a country presumably can and should secure its other product needs through international trade involving exports in which it has a comparative advantage in production and exporting.

Czinkota (1994) appears to draw upon the theory of HOS-extended comparative advantage when he suggests that the focus of public policy should be on assisting already exporting firms to do better: "…Attention should…concentrate on…helping successful firms do better" (p. 99). When applied in the context of product-based export promotion, this suggests that a country's funds should be permitted to flow to any given product-based industry in which the country has an HOS-extended comparative advantage. Gomory and Baumol (2000) provide economic support for the long-term benefits of such a policy when they demonstrate that a country's (HOS-extended) comparative advantage in specific industries can be developed and maintained over time.

The HOS-extended theory of comparative advantage has already been recommended as a device that governmental entities at either the state (Breuer 1996) or country (Cuyvers 2004) levels can use to identify product-based industries for further enhancement in exporting, presumably through the employment of export promotion. In Cuyvers (p. 270), the benefit is made clear: the use of the HOS-extended theory of comparative advantage will enable policy makers to identify product-based industries in which a given country is competitive in the relevant global export product market, and, thereby "…allow further future expansion of …the country's … market share …in those product-based industries."

Williamson, Cramer and Myrden (2009) provide a methodology that employs the concept of HOS-extended comparative advantage and is useful in identifying product-based industries in any given state in the United States for the purpose of targeting those industries with export promotion while not distorting trade. In their methodology, the industries that are chosen are shown as satisfying specific needs of three key "stakeholder" groups: (1) the WTO, (2) the management of non-exporting SME manufacturing concerns in a given state and (3) the entity that funds export promotion. This approach is similar to that of Czinkota and Wongtada (1997) because export competitive product-based industries are identified. However, the methodology presented in Williamson, Cramer and Myrden also ensures that the identified product-based industries in a given state in the U.S. have a "Revealed Comparative Advantage" [RCA] (Balassa 1965) regarding the overall U.S. export market for the identified product based industries, when compared with all states in the U.S. as a whole. The application of this methodology would provide positive empirical evidence to the WTO that the product-based export promotion does not have the tendency to distort trade.

We now present several trends in the United States regarding governmentally-sponsored export promotion. On the whole, these trends reflect the emerging importance of export promotion that is conceived, funded and executed by *individual states* within the U. S., rather than by the Federal Government alone.

RECENT EXPORT TRENDS IN THE UNITED STATES

In recent years there has been a move from using more broadly defined measures to more narrowly defined measures in evaluating the success of export promotion programs. Hibbert (1998) describes three country-level "strategic export objectives" that can be used to broadly define and evaluate the success of a country's export promotion programs: (1) the overall expansion of the country's exports, presented in a single export revenue figure; (2) the extent of diversification of the country's exports across product categories, and (3) innovation in the country's introduction of new types of export products. He indicates, however, that a variety of "external factors" (p. 467) (e.g., tariff and non-tariff trade barriers, price fluctuations, and protectionist trends) can impede one's ability to determine the effectiveness of a country's export promotional programs through the use of these measures alone. Hibbert concludes that "…it is worthwhile considering a system in which the emphasis would be on relating specific promotional activities to narrowly defined objectives rather than to overall export performance" (Hibbert, p. 468).

A move toward replacing general export performance measures with specific ones has already taken place in U. S. states such as California, Minnesota and New York (Conlan and Sager, 2001). In these states, the evaluation of export performance has entailed "…the identification of key industry sectors or clusters" (Conlan and Sager, p.15) and the assessment of their respective states' exports both before and after the execution of associated export trade promotional programs. The rationale behind the use of more specific performance measures is clear: to better "focus on those activities which have proven most effective" (Conlan and Sager, p. 15).

Another recent trend is an emphasis on establishing causality when evaluating the results of governmentally-sponsored export promotion programs. For instance, when a state sponsors a promotion targeted at a specific type of product, and when one or more manufacturing firms in the state subsequently commence the export of the focal product, a key issue is establishing whether the identified exports of the product were a direct result of the focal export promotion (Friedman 2005).

The causality issue is seen as complex in light of the emerging tendency to evaluate "…trade promotion policy…from a network perspective that emphasizes the role and importance of interfirm relations and networks spanning industry and international boundaries" (Wilkinson, Mattsson and Easton 2000, p. 275). When one moves "…from targeting individual firms as a way of enhancing trade performance to a focus on the relationships and networks linking firms" (Wilkinson, Mattsson and Easton, p. 278), the issue of causality becomes crucial because "…important parts of the…network may lie outside the [focal] country and be less amenable to government intervention" (Wilkinson, Mattsson and Easton, p. 282).

A state governmental agency is unlikely to fund product-based export promotion that targets firms in business networks wherein the loci of marketing instigation for the creation of export transactions is outside the U.S. One situation where a key part of an export-related network lies outside of the focal state is one where the exporter of record is a U.S.-based production subsidiary of a multinational company that is headquartered outside of the U.S., where the production subsidiary sells product to a sales subsidiary located in another country. In such a situation, the locus of instigation for the export transaction is likely to be the foreign sales subsidiary. Such an export transaction is clearly not a "free market" transaction from the point of view of the U.S.-based production subsidiary. In such a circumstance, the subsidiary is probably better characterized as a passive vendor than an active marketer. As a consequence, an export transaction between a U.S. production subsidiary that is the exporter of record and a related foreign entity that is the sales subsidiary would not appear to qualify as a valid outcome of governmentally-sponsored export promotion, when the sponsoring governmental entity is located in the U.S.

Miles Friedman (2005), former Executive Director of the National Association of State Development Agencies, says that there is an increasingly clear realignment of roles between the federal government and individual state governments regarding the provision of export promotion services. The federal government has become more of a "wholesaler" for state governments in providing trade data, trade leads and periodic foreign trade missions under the guidance of the Foreign and Commercial Service. In contrast, state governments have adopted a "retailing" role of dealing directly with individual firms in their own respective states, and motivating them to either commence exporting activities or increase involvement in exporting.

The complementarity in roles of Federal and State governments regarding their involvement in export promotion activities is borne out in Secretary of Commerce Locke's *Report to the President*…(2010):

> State governors, the National Association of State Departments of Agriculture, State Regional Trade Groups, and the State International Development Organization [SIDO] are key players in this country's trade promotion efforts. Most States have offices devoted to export promotions for in-State companies, and many governors lead at least one trade mission a year. At the local level, the States work very closely with their Federal Government Partners. In many states, the offices of the State and Federal export promotion agencies are co-located and work together to develop annual operating plans. (p. 32)

Government sponsored export promotion activities are increasingly targeting small and medium-sized enterprises (SMEs). First, it appears that SMEs have, in important ways, performed better than their large scale counterparts in capitalizing on opportunities that have become evident in the wake of the globalization of a variety of export markets ("New Challenges for…" 1999). Empirical evidence presented by McCurdy (2003) provides support for this contention. Also, increases in rates of SME participation in exporting activities over the 1997 to 2007 time period have outstripped those of their larger counterparts. The USITC-commissioned *Small and Medium-Sized*… (2010) reflects this:

> While total SME merchandise exports increased rapidly between 1997 and 2007, this increase is attributable both to an approximately 80 percent increase in the export value per firm and to an approximately 30 percent increase in the number of exporting firms… By contrast, the number of large exporting firms remained relatively unchanged…While SMEs contributed 31.5 percent of the overall export value growth, they accounted for nearly 100 percent of the growth in the number of exporting firms. (pp. 3-4)

Additionally, larger firms appear to be less responsive to governmentally-sponsored export promotions than SMEs because they have the resources to independently capitalize on opportunities in export markets (Crick 1997). Managers of larger firms are more likely to view governmentally-sponsored export promotion as unwanted intrusions into the firms' business activities. Another reason behind the increase in focus of governmentally-sponsored export promotion programs on SMEs concerns the greater propensity of large firms to use foreign affiliates in their exporting activities. Support for the latter contention is found in McCurdy (2003), whose research determined that while only 17 percent of U. S.-based SME exports involved the use of foreign affiliates, 40 percent of exports of large U.S. firms involved the use of foreign affiliates.

A final trend in regard to export promotional programs in the U. S. concerns the emergence of Mandated Commodity Promotion" programs (Alston, Crespi, Kaiser and Sexton 2007). These programs are receiving increasing usage in promoting a variety of U.S. agricultural products (Alston, Crespi, Kaiser and Sexton). These programs involve the use of "check-off" taxes (typically less than one percent of the value of the goods) that are levied on the goods, but only if an adequate majority of producers agree to the tax. The tax is legally binding on all producers of the focal product, even producers who vote against it, and addresses a "free rider" problem that otherwise emerges when advertisements targeted at a generic product create benefits for producers of the product who do not contribute monies in support of the promotional programs.

The benefits of these programs appear to be significant. One program that was reported on in some detail by Alston, Crespi, Kaiser and Sexton (2007) concerned export promotion of

California raisins that were targeted at the Japanese and U.K. markets. The results of the econometric assessments indicated that the promotions "accounted for an increase in sales of 6,107 metric tons per year in Japan, and 18,116 metric tons per year in the United Kingdom." (p. 52) Other products that were reported as having been the subject of successful product export promotional programs are almonds, cotton, pecans, walnuts, orange juice, "red meat," and soybeans. In the conclusion of Alston, Crespi, Kaiser and Sexton (2007), the authors indicated that "all of the studies found statistically significant demand responses to price and promotion and the measures of demand response to promotion were generally large" (p. 56).

CONCLUSION

This paper addressed a variety of issues related to export promotions, ones focusing on recent trends in the U.S. and made all the more important in light of President Obama's National Export Initiative. In the introduction of the paper some of the more salient benefits of export promotion were identified and explained. Empirically-established operating principles for Export Promotion Agencies (EPAs) around the world were then clarified, and different export promotion programs of selected countries in identified geographic sectors were highlighted. Subsequently, U.S. and E.U. export promotions were contrasted in several distinct domains and the impact of export promotions in various segments of the economy of the U.S. was then described. Finally, various trends in export promotions in the U.S. that have emerged since the beginning of the 1990s were identified and explained.

A constant theme of international business instruction is the importance of building relationships with people operating in targeted markets. Trade shows, trade missions, and foreign trade offices are the primary means that government agencies have used to create and facilitate these experiences. Once a business person or organization develops an effective, long-term business relationship with an appropriate entity in an overseas market, the sky is the limit. The importance of relationship building (which takes much more time than we Americans want it to take) cannot be overstated. Export promotion programs make a substantial contribution to building such relationships when they help smaller business owners and managers get into foreign markets to see what international business is all about.

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