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INTERNATIONAL TRADE

—Georgia Department of Industry and Trade Perspective

John V. Whitworth

The purpose of this paper is to emphasize the need for a positive national policy to enhance the competitive position of Georgia and United States firms in international markets. According to an old proverb "Where there is no vision, the people perish."

Trade across international borders is a complex activity. Those seeking to enter export markets need fortitude and an even temperament. Adjusting to a new and different set of rules in marketing is difficult. Trade requires the willingness to consider the buyer's practices and perspectives. International trade is hampered by the rigidity of ideas and business practices -- that is, the lack of willingness to change.

The views presented in this paper are based on nine years experience in trade promotion. It is my contention that those dealing with trade policy and trade implementation have, for the most part, tunnel vision. The reasons are many and varied.

According to U.S. Department of Commerce publications, The Wall Street Journal and Export-Import Bank Newsletters some of the deterrents to trade include:

- 1) United States firms' failure to participate in export marketing is due to: a) high cost of overseas marketing and b) lack of information on export laws and regulations.
- 2) The lack of competing credit financing programs for U.S. exporters. For example, a United Kingdom exporter or Japanese exporter obtains export credit financing in the range of 2.75 to 6%. South Korea is siphoning off trade contracts in Saudi Arabia ... from U.S. firms ... because of low interest credit financing.
- 3) United States firms are not adequately informed on international markets, and
- 4) There is an urgent need for a strong well defined national policy on international trade. There is a need to reorganize the program including the establishment of a cabinet level agency, where policy and implementation come from one source. The United States trade representative should serve as Secretary of the new agency. All the trade functions now with the United States Department of Commerce should be placed under the new agency -- an agency of trade and industry. The Secretary of the Agency of Trade and Industry would report directly to the President and serve as Chairman of Overseas Private Investment Corporation (OPIC) and Deputy Secretary of the Exim Bank.

Protectionism and Trade

Two tenets of trade policy will influence the competitive position of the United States in world trade. One is "protectionism". One argument is that protectionism is necessary to the evolution of world economies. Continuation of free trade policies in industrialized countries could leave the United States with nothing more than a few high-tech and service jobs as heavy industrial sectors would relocate from the United States to third world countries because of labor cost differentials. Thus, the United States would be non-competitive in world markets including the U.S. domestic market. The opposing argument -- frequently espoused by Mr. Brock, United States Trade Representative -- is that of the advantages of free trade. The Brock argument is that the United States can make up the differences in labor cost disadvantages via superior management and technology which will, in turn, enhance labor productivity. It is argued that success will come to countries that invest in new technology and better education. In essence, superior management, superior technology, and a highly educated and motivated labor force will offset lower wages in competing countries.

Trade Policy

Effective trade policy must begin at the national level in Washington and should provide for substantial reorganization. The United States does not have a national policy on trade, especially a policy that is quick to respond. The United States needs to monitor activities of competing countries. Such drastic actions as embargos would not be implemented without prior assessment of economic, social and political impacts. To date we have acted largely on the basis of selfish interests from the vantage of national policy.

Evidence at the state level suggests that the 1980s federalism intends to place as much of the trade promotional responsibility as possible with the states. What we at the state level have observed surely points us in this direction. Individual states must gear up to accept this policy. The United States Departments of Commerce and Agriculture are both reducing their participation in overseas exhibits. Also, both departments are reducing funding for grants or matching-funds to assist export organizations.

Georgia Initiatives in Export Marketing

The lack of a national policy hampers state level activities throughout the 50 states. The Georgia Department of Industry and Trade is heavily involved in promotional efforts focused on forestry products, and exportation of technical expertise and marketing in Saudi Arabia. A Georgia sales mission to Cairo, Egypt is scheduled for March, 1984. Also, a show in Singapore is scheduled for April 1984. These activities are structured to meet foreign buyers on their own turf. Another initiative of the Department of Industry and Trade is that of exploring the feasibility of State export financing. Do we need a State vehicle to assist our exporters in financing transactions or should we rely on the Exim-Bank? The Department of Industry and Trade is reluctant to ask Georgia companies to join our sales mission to Saudi Arabia to discuss joint ventures and government contracts since we know that the current high cost of financing for United States firms cannot compete with South Korea, which is financing at 2.75 percent. We need a national policy that will permit United States firms to compete. The national policy in effect in 1984 does not permit effective competition now on the part of Georgia based firms. Such a policy, or lack of policy, contributes to the ever growing international trade deficit of the United States.

During a conference on "Exporting Technical Expertise" one of the speakers said, "We should not fold our ideas on international trade at the very first implication of a mild crisis within a country." There are other countries that are standing by waiting for the U.S. to get out of the market. A national policy that would assist firms to maintain contacts is critically needed. The United States urgently needs a responsive policy.

Future Trade Potential

The United States trade has not approached its international trade potential. By the year 2000 the world population is expected to exceed 6 billion. This will constitute a vast potential market for food-stuffs given accompanying buying power. The Epcot center adjacent to Disneyworld near Orlando, Florida contains a planned community of the future. It includes single family dwellings, with in-house vegetable gardens. Technology is now available to grow plants -- healthy and bearing -- without soil. These plants are fed chemically with the necessary nutrients -- truly "home grown" tomatoes?

The subject of trade has advanced to the forefront at the national level and in many states. It is now being discussed among our leadership in Washington more than ever before. A major concern focuses on the impact of the strong U.S. dollar on foreign markets, and rightly so. There is almost an

obsessive fear of foreign competition. The importance of international trade has not yet been fully recognized. In Georgia, over 100,000 jobs are directly related to exports. An article in the Wall Street Journal dated October 17, 1983 quotes Mr. Draper of Exim Bank as presenting a plan to begin January 1, 1984 that will "key the interest rates charged by government export credit agencies to the government bond rates in five countries -- the USA, West Germany, the UK, France and Japan. Hopefully this is the beginning of a national trade policy. I fully endorse the reorganization effort. My recommendation is to combine all the functions of the Foreign Agriculture Service, of the U.S. Department of Agriculture with those in the U.S. Department of Commerce. The overseas offices should be combined to promote trade from a single cabinet level post. This agency could be headed by what is now the U.S. Trade Representative.

Conclusions and Implications

Given a national policy that would make the United States competitive in world markets, advantages provided by Georgia and the South include:

- 1) Multinational firms are locating or relocating their headquarters in the southern region, especially Atlanta ... for example Georgia Pacific, etc.
- 2) Atlanta Hartsfield airport is a 500 million dollar complex ... an international airport ... and expanding.
- 3) Excellent ports are available in Savannah and Brunswick. The Savannah port has 12 cranes, 62 berths, 3 million square feet of warehouse space; 4 container berths, and grain elevators.
- 4) Forty-one offices of foreign country representatives are located in Georgia, including eight full time (Belgium, Brazil, Canada, Germany, Israel, Japan, Korea, and the United Kingdom).
- 5) The Georgia World Congress Center in Atlanta will have over 700,000 square feet of exhibit space by the end of 1984 and will provide several language capabilities. This facility is expected to host numerous international exhibits in the future.
- 6) The Georgia Department of Industry and Trade has offices in Brussels, Tokyo, and Toronto. Hopefully, the department can add to its staff in two of these locations including trade specialists to work with individual companies. The goal is to promote Georgia-based products and services, thus creating new jobs.

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