
ISSUE BRIEF:

EXPORT PROMOTION

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In 2012, New Jersey's exports totaled \$42.5 billion, which ranks 17th among all states and constitutes an 8.6-percent share of state GDP.¹ Even so, New Jersey's exports grew only by 3.4 percent on an annualized basis between 2009 and 2012, below the 11.9 percent experienced as a nation,^{2,3} which might suggest space for improvement and the consideration of more aggressive national and regional models.

The years during and following the recent recession have witnessed the promotion of a revitalized export economy in an effort to engineer a durable, job-generating recovery. The National Export Initiative (NEI), which President Obama announced in his 2010 State of the Union, most vividly and tangibly represents the approach, with its stated goal of doubling domestic exports over a five-year period, from \$1.57 trillion to \$3.14 trillion.

Data indicate this focus has yielded results. During the first quarter of 2013, exports from the United States reached \$555 billion, a record high, while

Key Points

- In 2012, New Jersey's exports totaled \$42.5 billion, which ranks 17th among all states and constitutes an 8.6-percent share of state GDP. Even so, New Jersey's exports grew only by 3.4 percent on an annualized basis between 2009 and 2012, below the 11.9 percent experienced as a nation.
- Nationally, exports generated 11.3 million jobs in 2013, a 1.6-million-job increase above 2009. By extension, investment in and expansion of exports results in the creation of additional employment opportunities, with an estimate of 5,400 positions for every \$1 billion in new exports.
- The Brookings Institution asserts, "An export strategy is an essential component of a state competitiveness agenda in the 21st century."

the nation's overall exports totaled \$2.2 billion in 2012, also a record.⁴ The elevated activity has had a disproportionately positive impact across the economy, as exports contributed 37.3 percent of GDP growth from 2009 to 2012, while exports also increased at a rate of 11.9 percent from 2009 to 2012, as measured against GDP growth of 2.2 percent during the same span.⁵

While national in scope, the progress toward achieving the topline goal occurs through coordinating and maximizing inherent assets on metropolitan, state and regional levels. With evidence recommending export prioritization by states, the outlines and examples of successful strategies likely deserve examination, particularly in light of the apparent advantages.

Foremost, heightened domestic export activity contributes one prevailing benefit: jobs. Exports generated 11.3 million jobs in 2013, a 1.6-million-job increase above 2009.⁶ By extension, investment in and expansion of exports results in the creation of additional employment opportunities, with an estimate of 5,400 positions for every \$1 billion in new exports.⁷ The quality, not just quantity, of export-originated roles also registers as a favorable factor. Manufacturing enterprises with an export concentration pay their employees 18 percent more than do other manufacturers,⁸ while those employed in export-intensive service sectors earn 15-to-20 percent more than their peers in other service sectors.⁹

The previously referenced trend of exports as a significant portion of GDP growth promises to continue, as exports project to account for nearly 40 percent of national GDP growth by 2020.¹⁰ Moreover, the benefits of export-related ventures appear to influence positively other aspects of commercial activity, such as by fostering greater efficiency, innovation and competition,¹¹ with companies engaged in exporting reporting higher degrees of productivity.¹² Even in the face of such compelling indicators, only one percent of domestic businesses export,¹³ prompting an assessment of what states can do to advance the practice.

Recognizing “An export strategy is an essential component of a state competitiveness agenda in the 21st century,”¹⁴ the Brookings Institution established the Metropolitan Export Initiative (MEI), which has evaluated existing export functions within states. The ongoing critique has uncovered several deficiencies, including a lack of clarity around export-related strengths, the absence of performance metrics, inconsistency and unpredictability in support and the tendency toward a reactive posture in terms of business attraction, among other shortcomings.¹⁵ Beyond identifying flaws, the MEI has authored a comprehensive set of guidelines for states to bolster the export sector.

The MEI advocates for the development of a market assessment to arrive at “the region's current export strengths and weaknesses,”¹⁶ drawn from empirical analysis, company surveys and one-on-one interviews with

practitioners. The market assessment ultimately informs an export plan that captures the overarching objectives, native industry resources primed for augmentation, countries targeted for further penetration or initial entrance, government services to be harnessed and quantitative indicators to track progress, along with other components. With respect to management and execution, the initiative calls for the commitment of a broad coalition of parties interested in exports, with an established, respected organization driving the planning and implementation process.¹⁷

The work underway in Portland, Oregon stands as a best-practice example of the MEI in action, with the Rockefeller Foundation and the Brookings Metropolitan Policy Program highlighting the project as one of the “Top Ten Innovations to Watch List” in 2013. Overseen by Greater Portland Inc. – a regional economic development partnership – the Greater Portland Export Initiative aims to double exports from 2012 to 2017, building on the momentum of already having doubled export value in the previous decade.¹⁸ Following a market assessment that found some companies unaware of export potential or hindered by perceived hurdles, the Greater Portland Export Initiative set the objectives of creating and retaining export-related positions, diversifying industries and fostering an export-oriented culture and reputation. In pursuit of these goals, Greater Portland Inc. has enacted four main strategies: (a) leveraging primary exporters in computer and electronics; (b) catalyzing under-exporters in manufacturing; (c) improving the export pipeline for small business; and (d) branding and marketing Greater Portland’s global edge.¹⁹

The coming years will reveal the full extent of the Greater Portland Export Initiative’s effectiveness; however, the ambition presents possibilities for New Jersey to emulate. The state already enjoys several essential elements that would support a robust export economy, notably direct access to the largest seaport on the East Coast and the third-largest seaport in the nation.

New Jersey houses a network of government agencies and independent entities dedicated, at least partially, to enhancing exports, including the New Jersey Manufacturing Extension Partnership, the New Jersey Business Action Center and the New Jersey District Export Council. The state also received \$275,000 in 2014 and \$204,000 in 2012 through the United States Small Business Administration’s State Trade and Export Promotion program to assist certain companies with initiating or extending export activity.²⁰ A collaborative, visionary plan on par with the Greater Portland Export Initiative is not in place in New Jersey. As Bruce Katz and Emilia Istrate advise, “A state without a clear export strategy cannot provide adequate leadership to the plethora of state trade organizations or prioritize budget resources for exports.”²¹

In this instance, one of the typical impediments to a number of proposals – funding – does not appear as relevant, as export promotion relies primarily on the reallocation of available resources, more fluid interaction among

institutions and amplified marketing.²² For example, the Greater Portland Export Initiative has budgeted \$200,000 per year over a three-year period.²³ With the relatively modest expenditure and potentially meaningful returns, New Jersey and other states might wish to look more closely at concentrated and purposeful export-oriented strategies.

Notes

¹ The Brookings Institution, “Export Nation 2013,” State Profiles (Washington, DC: The Brookings Institution, 2013), <http://www.brookings.edu/research/interactives/export-nation>.

² Ibid.

³ Brad McDearman, Ryan Donahue and Nick Marchio, “Export Nation 2013: U.S. Growth Post-Recession” (Washington, DC: The Brookings Institution, 2013).

⁴ International Trade Administration, *National Export Initiative Fact Sheet* (Washington, DC: International Trade Administration, 2014), <http://www.trade.gov/nei/nei-fact-sheet.asp>.

⁵ Brad McDearman, Ryan Donahue and Nick Marchio, “Export Nation 2013: U.S. Growth Post-Recession” (Washington, DC: The Brookings Institution, 2013), 3.

⁶ U.S. Department of Commerce, “The Role of Exports in the United States Economy: An economic report by the U.S. Department of Commerce” (Washington, DC: U.S. Department of Commerce, 2014), <http://trade.gov/neinext/role-of-exports-in-us-economy.pdf>.

⁷ Brad McDearman and Amy Liu, “Ten Steps to Delivering a Successful Metro Export Plan” (Washington, DC: The Brookings Institution, 2012).

⁸ David Riker, “Do Jobs in Export Industries Still Pay More? And Why?” (Washington, DC: International Trade Administration, 2010), http://www.trade.gov/mas/ian/build/groups/public/@tg_ian/documents/webcontent/tg_ian_003208.pdf.

⁹ David Riker and Brandon Thurner, “Weekly Earnings in Export-Intensive U.S. Service Industries” (Washington, DC: International Trade Administration, 2011), http://www.trade.gov/mas/ian/build/groups/public/@tg_ian/documents/webcontent/tg_ian_003217.pdf.

¹⁰ The United States Conference of Mayors, *U.S. Metro Economies: Exports in the Next Decade*, by HIS Global Insight (Lexington, MA: 2012), <http://usmayors.org/exportsandports/media/metro-exports-report.pdf>.

¹¹ Ibid., 3.

¹² U.S. Department of Commerce, 5.

¹³ Bruce Katz and Emilia Istrate, “Boosting Exports, Delivering Jobs and Economic Growth” (Washington, DC: The Brookings Institution, 2011).

¹⁴ Ibid., 2.

¹⁵ Ibid.

¹⁶ McDearman and Liu, 13.

¹⁷ Ibid.

¹⁸ Emilia Istrate, “Export Nation II” (Washington, DC: The Brookings Institution, 2012).

¹⁹ The Brookings Institution, “Greater Portland Export Plan” (Washington, DC: The Brookings Institution, 2012).

²⁰ Office of the Governor, State of New Jersey, “Acting Governor Guadagno Announces Receipt of Federal STEP Grant,” October 10, 2014, <http://www.state.nj.us/governor/news/news/552014/approved/20141010a.html>.

²¹ Katz and Istrate, 4.

²² Ibid.

²³ The Brookings Institution, “Greater Portland Export Plan.”