

The outlook for trade

In a post-Sept. 11 world, businesses are looking to increase exports to make up for slowing sales at home.

BY WENDELL HANNAFORD

The terrorist attacks of Sept. 11 produced incomprehensible human tragedy, and the consequences of that day's horrific events have affected state programs in many ways. State trade officials, like many other state officials, have begun to re-examine their programs and services to better serve their customers, namely businesses looking to expand into overseas markets.

Economic consequences

The terrorist attacks accelerated the nation into a recession that the National Bureau of Economic Research said began in March 2001. Economies around the world also are finding themselves in similar economic straits. Standard and Poor's economic outlook noted that Asian economies have slowed sharply because of the U.S. crisis, partly because they are exporting fewer high-tech items. Japan has long been in a recession. S&P foresees a mild recovery in Europe in mid-2002.

In addition, according to the S&P forecast, chances for a mild U.S. recovery in 2002 are clouded by substantial risks of a longer and deeper recession if there are further terrorist attacks, heightened conflict in the Mideast, more layoffs, or if Congress fails to pass an economic-stimulus package, among other things.

U.S. air travel also was substantially disrupted by the terrorist attacks, as airports were closed and nervous passengers stayed on the ground. In the Northeast, passenger and freight volume declined significantly. At Logan International Airport, passenger volume in September



State trade directors have recently seen more participation in seminars about exporting and growing interest in expanding business into overseas markets. "Interest in international trade is countercyclical. As the national economy slows, companies look at foreign markets to supplement shrinking domestic ones," said Wade Merritt, director of Maine's International Trade Office.

2001 was down 43 percent from the same time last year, reported Tom Butler, director of government affairs for MassPort, the port authority of Massachusetts. For October, passenger traffic was down 36 percent from last year. At Bradley International Airport in Connecticut in September 2001 passenger traffic dropped 34.4 percent and freight traffic fell 29.9 percent from September 2000.

A changed environment

It is in this dramatically changed environment that state trade officials in the Northeast are evaluating their programs and services to determine how best to assist companies looking to expand their business in international markets. Predictably, immediately following Sept. 11, several states cancelled or postponed overseas trade missions. Former Pennsylvania Gov. Tom Ridge was to lead a mission to Europe in early October, which was cancelled as

he was called upon by President Bush to head a new Office of Homeland Security. New Jersey also was forced to cancel a governor-led mission scheduled for the end of September to Italy and Ireland after the State Department issued a travel warning to Italy, and the Vermont Chamber of Commerce postponed a trip to Asia.

However, fear of flying has not been the major factor affecting overseas travel or participation in state trade events. State trade officials believe the economy is playing a much larger role in business decisions relative to international trade. Vermont Director of International Trade and Investment Denise Beliveau said there is some fear of travel, but that companies have cut travel budgets mainly because of the poor economy.

An informal poll of about 70 business people taken at a meeting of the Stamford Chamber of Commerce indicated none were reluctant to travel overseas on Department-sponsored trade events, said



Costas Lake, international director of Connecticut's Industry Cluster and International Division. Rhode Island Trade Director Maureen Mezei similarly noticed a decline in international travel before Sept. 11, and observed the events of that day compounded the trend.

Businesses look to exports

At the same time across the region, state trade directors have indicated increasing participation in trade seminars about exporting and a growing interest by companies in expanding their business into overseas markets. "Interest in international trade is countercyclical. As the national economy slows, companies look at foreign markets to supplement shrinking domestic ones," said Wade Merritt, director of Maine's International Trade Office in Bangor.

Merritt said the number of calls from companies for technical assistance has been steadily increasing. Further, in early

November, Maine sponsored a trade mission to Mexico that included 25 companies. A total of 37 people participated in the mission, and companies were still signing up after Sept. 11.

Mike Wolf, deputy secretary of the Pennsylvania Office of International Business Development, said there was an increased participation in his state's domestic trade programs. Pennsylvania brought its overseas office representatives to the state at the end of September to meet with companies and discuss business opportunities in their respective markets. Company participation was at an all-time high this year.

In New Hampshire, Dawn Wivell, trade director at the Office of International Commerce, said company supply chains and distribution channels were disrupted following the attacks. Addressing these disruptions and issues such as assessing risk in new markets will become critical for companies engaging in international trade in the future.

However, while demand for technical assistance and other services from state trade offices may be growing, state resources to meet that demand are not. The sagging economy also is taking a toll on state budgets, as sales tax and other major revenue sources drop. States also are spending more to increase domestic security. Combined with federal mandates for increased spending in areas such as Medicaid, many state trade offices are likely to have fewer rather than more resources.

Veronique Cavaillier, director of the New Jersey Office of International Trade and Protocol, said that as states need to do more with less, partnerships with federal sister agencies such as the U.S. Export-Import Bank and the U.S. Department of Commerce will become even more important, as trade officials attempt to identify new business opportunities.

One example of an opportunity created by the war on terrorism is the increased demand for the technologies and services of the U.S. security industry. Dennis Heffley, professor of economics at the University of Connecticut, wrote in the fall issue of *Connecticut Economy* that while 80 Connecticut residents perished in the World Trade Center attack, Britain lost some 250 citizens, indicating the global nature of our society.

The terrorist attacks are another reminder, albeit a tragic one, that states are inextricably linked to a global economy that has become increasingly complex. While the full economic and social consequences of the attacks are still unfolding, it is clear the role of state trade offices will be increasingly important in helping companies successfully navigate in a post-Sept. 11 world. ★

Wendell Hannaford is deputy director of CSG's Eastern office and staff director of the Eastern Trade Council, which is affiliated with the Eastern Regional Conference.

Eastern Trade Council

By sharing information, promoting regional products and advocating for federal trade programs and policies that benefit the region, states in the Eastern Trade Council work together to enhance services to exporters, create regional jobs in exporting, and strengthen the region's economic competitiveness in the global marketplace.

While most states send delegations to export-promotion events in the United States and abroad, it can be difficult to recruit companies, especially for events targeted to specific industries. Because the multistate effort of the ETC attracts more companies, the attention among international buyers is magnified, leading to more visibility and greater opportunity for participants.

ETC members are Connecticut, Delaware, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Puerto Rico, Rhode Island and Vermont.

Founded in 1999, the ETC is affiliated with The Council of State Governments' Eastern Regional Conference. For more information, contact Wendell Hannaford, deputy director of CSG's Eastern Regional Conference, at (212) 912-0128 or whannaford@csq.org.