



World trade is big business in the Midwest

by Cindy Lackey

International trade has become an increasingly important component of the Midwest's economy. Recognizing the economic potential of the export business, states are becoming more involved — both individually and cooperatively — with helping their farmers and businesses better reach lucrative, sometimes untapped international markets.

In the past, states have left the work of promoting international trade in the hands of the federal government, says Minnesota Sen. LeRoy Stumpf.

"That's going to change," the Democrat from Thief River Falls believes.

"States have the opportunity they didn't have years ago. They can establish markets for their products."

Through trade promotion policies, for example, state officials can open profitable, unexplored markets. By recruiting foreign direct investment, they can use new capital sources. By providing technical assistance resources to local companies, states can ensure that the business community takes advantage of growth opportunities in the world market.

Numbers from the U.S. Census Bureau demonstrate just how much the Midwest is involved in international trade. As of the third quarter of 1999, exports by Midwest companies valued more than \$100 billion. Illinois, Michigan and Ohio all ranked near the top in the nation in terms of the value of their exports. Between 1993 and 1998, the value of Illinois and Michigan exports grew by more than \$13 billion.

Midwestern states also benefit from investments by U.S. affiliates of foreign companies. In 1997, foreign direct investment valued \$143 billion for the region and accounted for more than one million jobs. These companies accounted for more than 3 percent of total jobs in most Midwestern states, with a high of 5.1 percent of total jobs in Indiana.

The Midwest particularly relies on international agricultural trade. For example, according to the U.S. Department of Agriculture, more than half of the wheat produced in the United States usually goes into the export market.

Even in fiscal year 1998 — when exports fell to the lowest level in four years, largely due to the Asian economic downturn — one-quarter of U.S. agriculture production was shipped

overseas, and the export value still was nearly \$10 billion above any year prior to 1995. Agricultural exports currently support 750,000 American jobs on and off the farm, the USDA reports.

Working together

The Council of State Governments recently hosted a series of conference calls among state trade directors to talk about some of their innovative international trade practices.

During those calls, Kansas and South Dakota officials offered two examples of how states can facilitate trade and investment. The Kansas Department of Commerce and Hous-

ing uses and editorial marketing campaign to promote state exports and to attract foreign investors to the state. The department recently hosted a delegation of 23 German aviation journalists, who were recruited through contacts that the department's staff, made at a Kansas pavilion in Europe last year.

The department's spent about \$2,000 for the day's events. Already, a half-page editorial article on Kansas aviation appeared in the Frankfurt. "That's an excel-

lent return on investment," says Michael Farmer, Kansas director of trade development. "A half-page in the same paper would have been \$18,000."

Realizing that the Internet provides companies with an effective way to promote their products to the world, the South Dakota International Business Institute launched the Web Page Development Project. The initiative intends to make sure that every South Dakota company in the exporting business is properly promoted in cyberspace. As of October 1999, about 75 percent of the state's exporting companies had a Web page.

Regional cooperation

Midwestern states have many similar products, and cooperating to promote and sell those goods abroad is more efficient and cost-effective than if each state works alone, says Stumpf. The Minnesota senator co-chairs the Midwestern Legislative Conference's Midwest-Canada Relations Committee, which was created in 1991 and is composed of legislators from the 11 Midwestern states. Provincial leaders from Manitoba, Ontario and Saskatchewan participate in the committee's meetings.

Together, they study issues such as the impli-

cations of the North American Free Trade Agreement for states and provinces, methods to simplify border crossings for tourism and commercial activities, and the authority of states and provinces to enter into international agreements.

North Dakota, South Dakota and Minnesota recently worked with the neighboring Canadian provinces of Saskatchewan and Manitoba to host the Northern Plains Producer Conference, which was titled "On the Common Ground." The conference included 40 to 50 agriculture producers from each jurisdiction. The producers made recommendations on how government officials can address agricultural problems and facilitate opportunities for more cooperation and trade.

In another joint effort, six Midwestern states (Illinois, Indiana, Michigan, Minnesota, Ohio and Minnesota) share foreign offices through the Council of Lakes Governors. The states opened their first joint efforts in Toronto in 1990 and now have bureaus in Sao Paulo, Brazil; Santiago, Chile; Johannesburg, South Africa; and Buenos Aires, Argentina.

Trade representatives from three to six states work in each office. The cost of each joint office is shared equally by the participating states, which together take part in trade shows and missions around the world.

One key to promoting international trade is the effectiveness of the partnership between states and their businesses. The Indiana Department of Commerce's International Trade Division tracks that relationship with a software program designed to organize the state's clients and measure progress of the partnership.

The trade division's goals include the following: the number of small- and medium-sized Indiana manufacturers it assists, increasing the business community's use of the state's foreign trade offices, and maintaining a monthly average number of clients who have been helped by the services.

"We're enablers; we can count a success if we help a business come to the realization that it shouldn't be looking at the market just as much as when we help a business actually export something," says Carlos Barbera, director of the state's International Trade Division. As of August 1999, the division had enrolled 261 new businesses as clients for the year and was on track to have 2,000 by the beginning of 2000.

CSG released a report last month regarding individual states' best international trade practices and regional cooperative efforts. For information on the report, *An Assessment of States' International Capacity*, call 606/244-8163. 

Illinois	\$31,543,604,212
Michigan	\$31,437,658,383
Ohio	\$27,057,321,210
Indiana	\$13,402,990,985
Wisconsin	\$10,664,451,494
Minnesota	\$9,913,447,387
Iowa	\$5,355,344,568
Kansas	\$4,446,022,660
Nebraska	\$2,219,322,281
North Dakota	\$799,662,841
South Dakota	\$477,761,612

Source: Massachusetts Institute for Social and Economic Research