METHODS AND MEANS OF EXPORT PROMOTION:
WHY THE UNITED STATES MUST FOLLOW EUROPE’S EXAMPLE

by

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B.A. (High Honors), Montana State University, 2005

A THESIS SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF

MASTER OF ARTS

in

THE FACULTY OF GRADUATE STUDIES

(European Studies)

THE UNIVERSITY OF BRITISH COLUMBIA

April 2007

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Abstract

In the age of globalization, export competitiveness is a priority for policymakers in countries around the world. Key issues such as employment and economic growth are tied to a country's exports, and persistent trade deficits can have negative long-term repercussions. Despite its current status as the world's largest exporter of goods and services, the United States has run a considerable trade deficit for the past three decades—a deficit that soared to record heights in 2006. Meanwhile Germany, Europe's largest economy, remains the world's largest exporter of goods, and maintains a large trade surplus. As a whole, the EU has a small, but manageable, external trade deficit, and remains extremely competitive. While U.S. and European exporters are subject to different economic conditions, both must actively compete for sales in the global marketplace. The U.S., EU, and EU member states all have export promotion programs to assist their firms in this competition. While the United States makes a considerable effort to promote export activity, it falls short in comparison to Europe. Although a trade deficit does not stem solely from lackluster export promotion efforts, the United States must improve its export promotion programs as a means to address the deficit, at least in part. To this end, much can be learned from Europe.
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Acknowledgements

I offer my gratitude to Dr. Kurt Hübner, Dr. Angela O’Mahony, and Dr. Yves Tiberghien for their assistance and for agreeing to serve on my committee. I would also like to thank my parents, Dr. David R. Lageson and Ms. Diane Donnelly, as well as my sister Jennifer Lageson, for encouraging me academically throughout the years. Special thanks also go to Diane Donnelly for editing countless papers, including this thesis, and for her excellent academic advising. Finally, thank you to Angela Pauly for her encouragement, support, and helpful comments.
In memory of my Grandmother
Chapter One: Introduction

In the hills and mountains of Ardèche, a département south of Lyon in France, sits the village of Davezieux. This town of 3,000 inhabitants is home to Ardèche Marrons, a small company that, through the assistance of the European Union Commission, exports its gourmet chestnut-based products to shops around the world. Across the Atlantic, on the northeast coast of Florida in the United States, sits the city of Jacksonville. From its headquarters in northern Florida, Nationwide Equipment buys and refurbishes used bulldozers, caterpillars, and steamrollers, before exporting them to customers in over sixty countries.

Despite offering very different products, both Ardèche Marrons and Nationwide Equipment benefit from selling in foreign markets, and exports account for an important part of both companies' sales. Nationwide Equipment, however, faces a unique dilemma. Recently, the company secured the sale of heavy equipment to a foreign buyer in a transaction approved and covered by the United States Export-Import Bank (Ex-Im)\(^1\). A short time later, however, Ex-Im cancelled coverage and the transaction fell through. This example and others like it have caused Ex-Im, as well as other US agencies offering export assistance, to come under scrutiny in recent years. As globalization demands that firms compete for sales in the international marketplace, there is concern among policymakers, producers, and even the general public, that the United States is not doing enough to promote exports. Although the United States remains the largest exporter in the world\(^2\), it has also run a considerable trade deficit each year for the last three decades. This dilemma leads to two

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\(^1\) The United-States Export-Import Bank will be discussed in detail in Chapter Six.

\(^2\) In 2006 the United States exported more goods and services, totaling over $1 trillion, than any other country ("The World Factbook").
questions: Should the United States address the trade deficit, at least in part, through improvements to its export promotion efforts? Second, in evaluating its own export promotion programs, can the United States look to Europe\(^3\) for examples of more successful models of export promotion? Given its modest trade deficit and a sharper focus on competitiveness, the European Union may provide answers for the United States. Furthermore, export powerhouse Germany serves as a prime example of a highly effective, coordinated system with regard to assisting and encouraging firms in their export activities.

Export promotion, which can be broadly described as efforts and activities conducted by a government or other entity within a country intended to advance the sale of that country’s goods and services abroad, is part of the overall trade strategies of EU member states, the EU, and the United States. While there is no single model for promoting exports, governments and economists alike attest to the importance of encouraging export activity. In an ever-liberalizing global trade environment, countries must continually strive to remain competitive. Key issues such as employment, economic growth, exchange rates, outsourcing, and the trade deficit are addressed in the promises of policy makers and often discussed in the evening news. All of these important subjects relate to export performance, and by extension, export promotion. Despite the importance of exports, however, there have been no significant attempts to examine successful European export promotion activities and apply the findings in the United States. This paper aims to do just that, by addressing the two fundamental questions posed above: Should the United States improve its export promotion efforts, and if so, should it look to Europe as an example? I contend the answer to both

\(^3\)In this paper the term "Europe" generally refers to the geographical area of the EU and its member states, although not all export promotion activities at the European level are carried out by EU institutions.
questions is “yes.” The United States should improve its export promotion programs, and in
doing so, heed the advice that can be obtained through an evaluation of European efforts.

In the pages that follow, I will first discuss the methods, means, and restrictions of
export promotion: What tools are used in promoting exports, how do these tools deliver, and
what is the nature (and future) of export promotion in the increasingly restrictive
international trade environment resulting from the WTO and other agreements? Next, I will
review relevant literature on export promotion and discuss the theoretical rationale behind it,
including why it is important at both the macro and microeconomic levels, as well as
politically. The discussion will then turn to export promotion efforts carried out at the EU
level. I will examine specific activities carried out within the Commission, as well as the
Europe-wide efforts of Eurochambres. The focus will then shift to Germany, with export
promotion examined at the federal level, as well as in coordination with the Chambers of
Commerce. Following the discussion of Germany, I will turn to export promotion efforts in
the United States. While it is beyond the scope of this paper to address every effort,
program, or form of assistance offered in both Europe and the United States, I will attempt to
provide a basic survey of the main agencies and tools employed in both regions, along with
specific examples of these tools. In the final chapter I will discuss the primary problems
associated with U.S. export promotion and argue that valuable lessons can be gleaned from
European models. Competitiveness and the trade deficit—two related topics of the utmost
importance to policy makers in the United States—can and should be addressed, at least in
part, through improvements to U.S. export promotion efforts. While neither the trade deficit
nor declining competitiveness stem solely from the absence of effective export promotion
programs, encouraging and assisting firms in the export process can lead to improvement in both areas. To this end, much can be learned from Europe.
Chapter Two: Methods, Means, and Restrictions

Export promotion, as described in the introduction, broadly encompasses efforts and activities conducted by a government or other entity within a country intended to advance the sale of that country's goods and services abroad. Clearly, the needs of firms and the abilities of governments and other organizations to meet these needs vary from industry to industry and from country to country. Nonetheless, there are certain fundamental approaches to export promotion, and these will be discussed, both in terms of the services that are provided (methods), as well as the types of institutions and agencies that deliver them (means).

I will further distinguish between legitimate, legal export promotion methods and other methods that violate the letter and intent of multilateral trade agreements, including the WTO. As a more level playing field is sought in the international trading system, governments are increasingly restricted in the types of assistance they may provide to firms, and as such, export promotion has been redefined in recent years. However, because trade-distorting assistance has been reduced, firms must strive even more to compete in the global marketplace. Consequently, legal means of export assistance, namely informational assistance, have increased in importance. The adage "information is power" is certainly applicable to an exporting firm, and by providing the powerful resource of information, governments can both abide by the rules of international trade agreements and encourage export activity.
2.1 Methods

Governments and other entities promote export activity through numerous approaches. Czinkota (2002) roughly breaks these down as follows: (1) assistance to firms in the form of information, education, or advice on foreign markets; (2) outreach activities in foreign countries by offering information or incentives to potential buyers; (3) governmental efforts aimed at reducing bureaucratic obstacles both at home and abroad, clarifying the export process, and creating a more favorable trade environment through bilateral and multilateral agreements; (4) governmental subsidization of export activities, whether directly or indirectly, through grants, payments, and tax incentives for exporters (p. 317). The basis for comparison between European and U.S. efforts will primarily focus on the first three categories—that is, export promotion efforts which, centered on information instead of payments, are generally considered legal according to multilateral trade agreements, including the WTO. The fourth category, subsidization, an extensive topic unto itself, will be discussed later in this chapter.

The first category—assistance to firms in the form of information on foreign markets—is particularly important in helping companies succeed abroad. Before beginning the export process, a company must be aware of the prevailing conditions in a foreign market. In addition, firms must often adapt to different cultural, lingual, and demographic environments, and this involves adjusting business strategies accordingly. Contact and networking information is also extremely useful to firms. Just as connections are often an important aspect in landing a job at the personal level, the contacts a firm has are often vital in winning a contract overseas.
The second category—approaching potential buyers in foreign markets with information—is another method of export promotion. As Czinkota (2002) writes, “Any promotion of exports will fall short if no one in the market is buying” (p. 320). Customers have to be aware of available products, and this can often be achieved through image building and outreach activities conducted at trade events and seminars abroad. Foreign advertising campaigns highlighting a country’s goods and services are also valuable tools for informing prospective buyers about a country’s products.

The third category—government efforts to reduce red tape for exporters, as well as negotiating more favorable trade deals—constitutes a focus area for many countries in their export promotion efforts. Quite often, governments offer counseling or training courses, primarily directed at first-time exporters and small and medium sized enterprises (SMEs)\(^4\), to explain the bureaucratic aspects of the export process. On a broader level, governments also seek to facilitate export activity by creating more favorable terms of trade through bilateral and multilateral agreements, which open new markets and new possibilities to firms. Clearly, efforts to explain or reduce governmental red tape must go hand-in-hand with the opening of new markets overseas. If there are no open markets (or no existing markets that are viable export destinations), exporters will not be able to sell overseas. Similarly, open markets cannot be accessed if export licensing, fees, and other bureaucratic obstacles deter a firm from exporting. Governments must ease and enable the process for firms directly, as well by creating a more favorable international trade environment.

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\(^4\) Unless otherwise noted, SMEs in this paper are defined as firms with fewer than 500 employees.
2.2 Means

Having discussed the various methods of export promotion, it is now necessary to address the primary means by which these efforts are carried out. Most countries devote some level of attention to export promotion as a part of a national trade strategy. Some countries have departments or agencies within the government dedicated solely to promoting exports, while others include this task within the mandates of other departments. Some governments may devote a great deal of money and energy to export promotion, while others may not. Still other approaches may favor private sector involvement. Furthermore, the basic organization of government varies among countries, and there are similar variances in the means with which export promotion activities are conducted.

A recent study conducted by the World Bank put these differing approaches into numbers. The authors evaluated the export promotion efforts of 147 countries and found that only 31 had no national programs (Lederman, Olarreaga, Payton 2006, p. 3). This indicates that a majority of countries do in fact view export promotion as a valuable endeavor, and have thus established agencies and programs to carry out this mission. The authors found that roughly 80 percent of the 116 countries involved in export promotion have just one agency or one dominant agency involved in these efforts. Next, the authors surveyed the agencies themselves and found that roughly 80 percent are government operated, with the remainder either private or joint public-private (Lederman et al. 2006, p. 3). Most notable among the wholly private and joint public-private agencies are the various national and international Chambers of Commerce around the world. Overall, the above numbers show
two trends: Export promotion is viewed as necessary by most governments, and
governments are most often the primary actors.

Because of the differing approaches to export promotion, several questions arise:
Should export promotion activities within a country be consolidated into one, central
framework, or do regional and industry-specific efforts reap greater rewards? Should export
promotion be delegated, at least in part, to private sector organizations? Lederman,
Olarreaga, and Payton (2006) argue that diminishing returns indicate that “as far as [export
promotion agencies] are concerned small is beautiful” (p. 1). A recent report by the United
States Government Accountability Office (GAO), however, recommends that in the case of
the United States, greater continuity and collaboration among government agencies are
needed in order to reduce overlapping and redundant efforts (Yager, 2006). Federal states
such as Germany and the United States, as well as the member state-EU model, have
multiple levels of government, and the efforts of agencies at different levels must be
reconciled. As we shall later see, the EU and member state governments are generally
successful in coordinating their various export promotion efforts.

Regardless of the structure of a country’s governing system, whether centralized or
federal, all countries seek to assert and maintain official representation abroad. A country’s
foreign embassies, consulates, and missions—hereafter referred to generally as the “foreign
service”—are used in pursuing not only political aims, but economic goals as well, including
export promotion. Rose (2006) argues that through the advent of technology and the ease of
communication, the foreign service has changed in recent years from a mostly political
instrument to an economic instrument as well. The author asks “[in] the age of the internet,
is there a raison d’être for the Foreign Service?” (p. 1). Arguing the reason may increasingly
be export promotion, this study goes on to show that a country’s diplomatic presence abroad directly correlates to the amount of exports destined for that country. Withstanding the reverse-causality argument that countries may have a greater diplomatic presence because of an already higher incidence of trade, Rose’s data shows the mere presence of an embassy abroad accounts for an estimated increase in exports to that country of 120 percent (p. 14). Exports further increase between six and ten percent for each consulate or mission created in addition to the embassy (p. 11). The positive correlation between diplomatic representation abroad and export activity shows the foreign service, simply through its presence in a host country (not including any specific export promotion activities it conducts) constitutes an important purveyor of export promotion.

Whatever the methods and means a country uses to boost exports, several trends are clear. Export promotion, based on the number of countries that have programs, is an important component of a country’s national trade strategy. It is also clear that most countries view export promotion as a matter for the government (although this is not to say that private and joint public-private efforts do not matter). Finally, one other trend is striking: Export promotion efforts generally achieve their intended results. Lederman, Olarreaga, and Payton (2006) find that “[f]or each $1 of export promotion, we estimate a $300 increase in exports” (p. 1). Of course, there are diminishing returns, as Rose’s (2006) data suggests. Initial expenditures are likely to be the most effective. As a very general conclusion, however, the more money a country spends on export promotion, the more it will export.
2.3 Restrictions: Playing by the Rules

The global trade environment has undergone tremendous change in the past half-century. Through bilateral and multilateral trade agreements, governments have negotiated ever liberalizing terms of trade in an effort to level the playing field and allow market forces to play a larger role in determining the flow of goods and services. Most notably, the WTO and its predecessor the General Agreement on Tariffs and Trade (GATT), but also regional frameworks such as the European Union and to a lesser extent the North American Free Trade Agreement (NAFTA), have spurred a sharp increase in trade in the last decades. While creating more opportunities for trade, however, these agreements have dictated that countries reduce and remove many of the trade-distorting practices that have been of great benefit to domestic producers. Tariffs have fallen, and with them, protection for domestic firms against outside competition. In addition, assistance to domestic exporting firms, including many of the most popular tools of export promotion, has become incompatible with both the letter and intent of international trade agreements. Today there is a fine line between legitimate export promotion activities and illegal, trade distorting activities under the rules of the current agreements. Having discussed the common tools that can legally be implemented in promoting exports, it is both useful and necessary to discuss the restrictions imposed by the modern trade environment—in other words, what viable export promotion is not.

The fourth category of export promotion methods listed at the beginning of this chapter—direct and indirect subsidization of export activity—is, for obvious reasons, a favorite of firms and producers. The WTO defines a subsidy as “a benefit conferred on a
firm by the government that is contingent on exports” (“World Trade Organization Glossary”). For all practical purposes, the term subsidy in this context refers to price support benefits to firms such as direct payments, tax incentives, and generous insurance rates based on export performance. Subsidization activities also include export financing which, unlike the forms of direct price support listed above, continue to play a significant, and in many cases legal, role in the export promotion activities of many countries.

2.3.1 SCM Agreement

Specific codification on the legality of export subsidies can be found in the WTO’s Agreement on Subsidies and Countervailing Measures (SCM Agreement), negotiated during the Uruguay Round of the GATT. The SCM Agreement provides a two-pronged response to trade distorting export subsidization. First, the Agreement provides claimant countries with the option of utilizing the WTO’s dispute settlement procedures to seek the cessation of other countries’ unfair subsidization activities. Second, the SCM allows the claimant country to conduct its own investigation of these questionable activities and potentially impose an extra tariff, known as a countervailing duty, on the imports in question (“Anti-dumping, subsidies, safeguards: contingencies, etc.,” p. 3). The Agreement also defines the term “subsidy” (see definition above) and further breaks it into two classifications: Prohibited subsidies (subsidies requiring producers to meet specific export goals, or subsidies to reward the use of domestic goods in the production of the export product) and actionable subsidies (subsidies which are not necessarily prohibited, but which may be damaging to the claimant

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5 The Uruguay Round of the General Agreement on Tariffs and Trade (GATT), the predecessor of the WTO, was negotiated between 1986 and 1994.
country). In the case of the former, the claimant country may opt to either subject the claim to the dispute settlement process, or to impose countervailing duties; in the case of the latter, the same two options exist, however the burden of proving the questionable subsidy is indeed harmful rests wholly with the claimant country ("Anti-dumping, subsidies, safeguards: contingencies, etc.", p. 3-4).

Beyond the sub-classifications of “prohibited” and “actionable,” the SCM Agreement stipulates that in order for a subsidy to be illegal, it must advantage or disadvantage one particular group within the domestic economy itself, a distortion known as “specificity.” The SCM lists four types of subsidization specificity: Enterprise specificity (subsidization of a certain company or companies), industry specificity (subsidization of a certain industry or industries), regional specificity (subsidization of producers in certain geographical regions), and prohibited subsidies (subsidization of exports dependant upon performance, as described above) ("Subsidies and Countervailing Measures: Overview").

It is necessary to clarify that the SCM Agreement does not pertain to all exports. The Agreement and other WTO rules do not apply to many agricultural products. Trade in agriculture—an entirely special field with regard to what is or is not allowed—remains a sticking point in the current Doha Round of WTO negotiations\(^6\). The Agreement on Agriculture (AoA), negotiated during the Uruguay Round, exempts many agricultural products from the stipulations of the SCM Agreement. In other words, subsidies that would be considered illegal in other industries are employed legally in the cases of certain agricultural products (although countervailing duties can be used in response to these subsidies.) It is important to note, however, that despite the gridlock over agriculture in the current Doha Round, GATT/WTO negotiations have advanced over the past half century.

\(^{6}\) The Doha Round of the WTO has been negotiated from 2001 to the present.
While the current stalemate has been persistent, history shows that with time and patience, concessions are invariably made. Agriculture will be no exception, and the rules pertaining to export subsidies in this area are indeed solidifying—even if this is over the very long term.

### 2.3.2 WTO-Consistent Export Promotion

In discussing the changing nature of export promotion given the international framework of the WTO, one might conclude that the removal of barriers to trade is inherently contradictory to governments assisting exporters. However, export promotion as a proactive approach on the part of one government does not necessarily equal a damaging trade distortion for another government. While export subsidization is generally considered trade distorting, export promotion in general must be viewed as the promotion of trade and a legitimate attempt to remain competitive in a world that, through the removal of trade barriers, necessitates an increased emphasis on competitiveness. The WTO recognizes this distinction, and in fact plays an important role itself in providing certain export promotion services.

In 1964, the International Trade Centre (ITC) was formed as a joint effort between the WTO and the UN Conference on Trade and Development (UNCTAD). The ITC continues to operate today through joint funding by the WTO and UNCTAD, with the aim of helping firms in developing economies, particularly SMEs, improve their export performance ("ITC at a Glance"). Whereas UNCTAD and the WTO interact primarily with governments, the ITC assists businesses directly by providing them with market research data, as well as export counseling and advisory services—essentially the same type of export promotion
services provided by many national governments, but which may not be available or accessible for firms in some developing countries. In this way, the WTO itself is an active provider of export promotion services as a means to further level the playing field and encourage the participation of developing economies in the global trading system. For all the restrictions it imposes, the WTO must be seen as attempting to equalize opportunity, and in the case of the ITC, the WTO utilizes export promotion as one means to this end.

Because of the WTO and other agreements that increasingly bind governments in their export subsidization activities, export promotion is very much at a crossroads. Czinkota (2002) writes: “Decades ago governments were virtually unrestrained in their export promotion activities. Today, international accords are very restrictive...New thinking needs to clarify the purpose of export promotion...[it] must be seen as offering the latest approaches and the most recent tools to bring efficiency and effectiveness to an important component of governmental policy aimed at international business” (p. 318). These approaches, more and more, cannot involve subsidies. They must involve export encouragement through information and know-how, not checks and tax breaks. The “new thinking” described by Czinkota will characterize export promotion in the future, and will characterize the focus of this paper from this point forward.
Chapter Three: Export Promotion Theory

Having established that governments do generally favor the existence of export promotion programs, the next logical question is: Why do governments view export promotion as important, and why are they willing to divert funds and resources to these activities? The answers to these questions can be found in the many macro and microeconomic benefits of export activity, as well as the promotion of export activity. Furthermore, export promotion is valuable not only for economic reasons, but for political reasons as well. Interest groups, producers, and firms, all of which are constituents of policymakers in democratic systems, necessitate that trade policy, including export promotion, is formulated with both economics and politics in mind.

3.1 Macroeconomic Benefits of Export Activity

No single economy can efficiently produce all the goods and services demanded by its consumers. Trade is therefore a significant component of any country’s economic and social vitality, and economic theory contends that trade can be beneficial for all parties involved. When barriers to trade are reduced or removed and the market is allowed to function more freely, the purveyance of goods and services should become more efficient. According to the theory of comparative advantage, each country should specialize in those goods and services it can produce at a lower opportunity cost relative to that of another country and the goods and services it produces (Brux and Cowen, p. 97.) Each country can then trade the goods and services in which it has a comparative advantage for goods and

7 Opportunity cost can be described as what must be given up in order to produce something else.
services in which it does not. As a result, consumers in both trading countries enjoy cheaper prices and greater selection. Through this process all trading partners stand to benefit, which is the basic reasoning behind trade and the move toward freer markets.

In general, trade is beneficial to countries at the macroeconomic level, but exports in particular are of great importance. Czinkota (2002) describes this as follows: “Exports are seen as special because they can affect currency values and fiscal and monetary policies” (p. 315). More specifically, a country’s export performance relative to its imports determines that country’s balance of trade. When an economy exports more than it imports, such as China and Germany, it is said to have a trade surplus. When the value of a country’s imports exceeds the value of its exports, as is the case in the United States, that country is said to have a trade deficit. Described in other terms, a deficit occurs when an economy spends more than it produces, resulting in the influx of goods and services from abroad in order to meet the additional demand (Elwell 2004, p. 4). The advantage of a trade deficit, analogous to a credit card, is that it allows a country, as a whole, to spend beyond its means. Like a credit card, however, a trade deficit left unchecked is problematic, and an economy with a persistent deficit faces several long-term repercussions (Elwell 2004, p. 10-11). This is why exports are important, and the reason Czinkota (2002) describes them as being especially significant for many countries.

First and foremost in the minds of policymakers and the public, fears abound that trade deficits affect employment rates, as the demand for foreign products correlates with a reduced demand for domestic products, and by extension, domestic labor (Bivens 2006, p. 1). A trade deficit also involves currency value, as foreign governments can purchase assets in

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8 Imports are considered equally important, as they are the other determinant to a balance of trade. However, Czinkota is referring to the emphasis many governments place on exports.
the currency of the debtor country. This maintains a higher demand, and therefore higher value, for that currency, which helps to ensure a higher demand for cheaper foreign products within the debtor economy—a trade deficit. Similarly, some countries may intentionally undervalue their own currencies in an effort to pursue export-led growth at the expense of exporters in other countries. Furthermore, in the case of the United States, for example, there is fear the net outflow of currency is resulting in foreign entities controlling too large a share of U.S. denominated assets (Jackson 2006, p. 10). In addition, a persistent, long-term trade deficit sparks concerns that Gross Domestic Product (GDP) growth will suffer. While a trade deficit in general cannot be considered either good or bad—indeed there are both benefits and drawbacks—economists and policymakers agree that deficits must be kept in check. Of course not all countries can have a surplus, as one economy’s surplus reflects another’s deficit. The United States, by virtue of its dollar as a key international currency, enjoys more leeway than other countries in terms of the dollar’s value being affected by the trade deficit. However, in the case of the United States, the exceedingly large and persistent deficit must be addressed, as it is indicative of a long-term trend of job-loss, outsourcing, and declining competitiveness.

3.2 Macroeconomic Benefits of Export Promotion

Having discussed the macroeconomic benefits of exporting in general, I will turn to the effectiveness of export promotion at that level. First, many economists argue that market failures can be successfully alleviated through export promotion efforts. Ledermann, Olarreaga, and Payton (2006) argue that these efforts “…on average have a strong and
statistically significant impact on exports" (p. 1). Coughlin and Cartwright (1987), in their study of U.S. state export promotion expenditures, find that government expenditures are "having their desired effect" by improving overall export performance (p. 448). Etro (2006) states that for developed economies in the Western world “the gains from promoting exports...will be quite large” (p. 20). The effects of export promotion on spurring export activity, and thus contributing to the overall vitality of an economy, are well founded in academic literature.

Despite the general consensus that export promotion boosts exports, it must be noted that arguments against this consensus also exist. Some scholars and policymakers view export promotion as wasteful and excessive government spending. Posen (2006) states that “[f]addish export promotion is a heavy burden for any economy” (p. 1). Some argue that by focusing excessively on export competitiveness, policymakers do not address the more important issue of productivity. Posen (2006) also contends that excessive promotion of exports might be achieved through currency depreciation, which lowers the purchasing power and the accumulated wealth of the populace, lowers workers’ wages in industries that export heavily, and generally distorts trade (p. 1). These arguments against export promotion, however, are extreme. Subtler, WTO-consistent means of export promotion, as discussed previously, do not necessarily bankroll governments, divert attention away from productivity, or depreciate currency. On the contrary, as I will soon discuss, export activity can lead to increased productivity within a firm. Export promotion, especially when it is WTO-consistent, is a key means of addressing market failures and does not dramatically or detrimentally distort trade.
3.3 Microeconomic Benefits of Export Activity

While export activity is beneficial at the macroeconomic level, the potential benefits at the microeconomic level (the firm level) are also significant. Indeed, overall economic vitality depends upon the aggregate success of firms. First and foremost, companies stand to increase revenue by selling in foreign markets. In 2006, firms in the European Union sold over $1.3 trillion in exports, while U.S. firms sold slightly more $1 trillion worth of exports ("The World Factbook"). Clearly, export activity can increase revenue for firms of all sizes, but the recent trend of increased export activity by SMEs suggests that these firms are now realizing the advantages of exporting as well. Between 1992 and 2004, the number of exporting SMEs in the United States doubled to more than 225,000. For each of these firms, on average, exports generated an additional $875,000 in revenue in 2004 ("Small and Medium-Sized Exporting Companies: Statistical Overview, 2004").

In addition to direct financial gains, export activity is linked to improvements in firms’ overall operational performance. By exporting, companies benefit from technology transfer (interacting with other competitors provides unique insight), economies of scale (increases in the scale and thus efficiency of production), and competition (firms have no choice but to become more efficient in order to compete). Leonidou (2004) finds that export activity “improves technological, quality, and service standards in the organizations; generates more revenues and funds for reinvestment and further growth; exploits idle operating capacity and improves production efficiency; and attracts and rewards shareholders and employees through the creation of a better profit base” (p. 280). Nonetheless, arguments exist that exporting firms self-select—that is, firms that are more productive to begin with are
also more likely to export. Girma, Greenaway, and Kneller (2004) cite previous studies suggesting that this is true, and that less productive firms are more likely to produce solely for the domestic market (p. 857). However, the authors go on to argue that while exporting firms do self-select, their exporting experiences also lead to greater productivity (p. 857-59). This contradicts claims by Posen (2006) that exporting and the promotion of exports leads to decreased productivity.

Finally, it must be noted that in some cases exporting is not only beneficial for firms, but is also necessary. Competition from foreign firms in the domestic market can dictate that a firm augment its sales through exporting. Sengupta, Silverman, and Castaldi (2001), in their study of exports by wineries in the United States, write that “continued focus on the domestic market may place the U.S. wine industry at a long-term disadvantage in developing the requisite skills for competing in the increasingly competitive global market place” (p. 2). Quite simply, firms must often look abroad in order to survive. Exporting is beneficial, and in many cases, it is an option that must be seized.

3.4 Microeconomic Benefits of Export Promotion

Despite the potential gains, the decision whether or not to export can be difficult. For all companies, and for SMEs especially, expanding into foreign markets is a daunting process with numerous obstacles to overcome. These obstacles are identified by Leonidou (2004) as either internal or external, with the former characterized by organizational deficiencies within a firm that may impede its ability to export successfully, and the latter describing obstacles resulting from both the home and foreign business environments (p. 281). Internal barriers
include incompetent management and a lack of knowledge within a firm regarding the export process, while examples of external barriers might be political, cultural, or language-related. Patterson (2004) finds that “[k]now-how limitations… encompassing barriers such as ‘lack of contacts in foreign markets’,…lack of knowledge to assess export market opportunities’, language and cultural differences’” are often factors determining whether or not a firm exports (p. 19). Furthermore, exporting is not merely an action, but rather a process. Leonidou (2004) argues that not only do barriers impede firms’ decisions to export in the first place, but they also hinder firms’ abilities to move from one step to the next in the export process (p. 284). In order for companies to overcome obstacles to exporting, develop a successful, enduring presence on the international market, and benefit from the freer markets negotiated by governments, they sometimes need those governments to provide a friendly push.

Export promotion is often the decisive push that encourages companies to expand into foreign markets. Programs designed to ease the process, whether financially or logistically, have been shown to increase the likelihood of a firm’s success in foreign markets. Francis and Collins-Dodd (2004) found that export promotion programs were especially beneficial to firms that had either never exported, or that could be characterized as having sporadic export behavior (p. 487-488). Wilkinson (2006) states that “expenditures for [foreign trade offices] are positively related to exports…small firms may be able to effectively utilize [foreign trade offices] in order to increase their international sales” (p. 108). Leonidou (2004) writes that “[p]ublic policymakers should assist companies…by preparing special programs for exporters” (p. 296).
It is also important to note that while numerous studies have shown the effectiveness of export promotion efforts, especially for the success of SMEs, other studies have shown that in some circumstances export promotion is not useful. Although Francis and Collins-Dodd (2003) discuss the benefits of export promotion for first-time and sporadic exporters, they also find that majority exporters (firms who earn most of their revenue from exports and are well established internationally) stand to gain little from export promotion efforts (p. 489). Certainly, export promotion is not useful in all situations and for all firms. Nonetheless, it has significant value in many cases. According to Lederman, Olarreaga, and Payton (2006), one must not forget that “[d]espite…criticism of existing programs, [export promotion efforts] are a response to a genuine need of small and medium-sized firms and that they can be crucial for export success” (p. 2). The anecdotal evidence discussed in later chapters will attest to the value of export promotion efforts, especially to SMEs. Simply because some firms may not benefit from export promotion efforts does not mean they are not useful for other companies. In general, export assistance must be considered a useful resource for firms.

3.5 Political Aspects of Export Promotion

As discussed previously, the legality of some aspects of export promotion, such as subsidies, has changed through successive negotiations of the WTO and other agreements. These negotiations have been in the past, and are currently, characterized by intense pressure from producers who have depended upon direct financial assistance for profitability. Politicians who are perceived to be safeguarding these forms of assistance, or at least who are
offering compensation or alternatives, are popular among producers who are weary of being left to fend for themselves in the global marketplace. This is true in both Europe and the United States, as the following examples will demonstrate.

In relating the political aspects of the debate between WTO compliance and export assistance in Europe, I will discuss the European sugar industry. Sugar beet production has played an important role in European agriculture over the past one hundred years, with production currently taking place in all EU member states ("EU sugar sector: Facts and Figures", p. 3). Following an April 2005 ruling of the WTO, however, the EU was forced to reform its long history of export subsidization in the sugar industry. The leading interest group representing EU sugar production, the European Sugar Manufacturers Association (CEFS)\(^9\), which includes all of Europe’s major processors of sugar, condemned the WTO ruling as “extremely astonishing” (Press Release: Sugar Panel, 28 April 2005”). One Irish sugar beat farmer, as a vote-wielding constituent, stated the following: “It is a national disgrace, a regional disaster and a local and community catastrophe for the workers who will be placed on the scrap heap as a result of the death of the sugar industry…” ("Unions bemoan demise of sugar industry"). Not surprisingly, politicians bear the brunt of this criticism. After the WTO ruling, Irish Agriculture Minister Mary Coughlan was condemned by opposition parties for “turning her back on Ireland’s sugar-growing industry” by negotiating compliance measures with her fellow EU ministers ("Unions bemoan demise of sugar industry"). While this example describes the political fallout from trade liberalization in Europe, it could also describe the sentiments of producers in the United States and elsewhere. Whether the reduction of trade distorting practices occurs in Europe or North America, there is always a political dilemma.

\(^9\) Comité Européen des Fabricants de Sucre
The example of the European sugar industry demonstrates the criticism policymakers face when pursuing free(er) market reform. The next example, in this case in the United States, shows the popularity politicians can garner when demonstrating themselves to be champions of domestic producers. First and foremost, all six candidates who defeated incumbent Republican Senators in the 2006 midterm elections ran on anti-leanling free trade positions. While other political factors were clearly at play (discontent over the war in Iraq), the idea prevails among many in the United States that politicians who stand up for assistance to domestic producers are fighting for jobs instead of outsourcing, and for export competitiveness instead of import dependence. This is further evidenced by the actions of certain U.S. Senators with regard to China’s monetary policy. In the autumn of 2006, Senators Lindsey Graham (R-SC) and Charles Schumer (D-NY), citing perceptions that the undervalued Chinese RMB\(^{10}\) is harmful to U.S. producers and exporters, proposed a punitive bill in response to China’s reluctance to continue down a path of RMB revaluation. The proposed legislation included an across-the-board tariff of 27.5 percent on all Chinese products entering the United States ("Senator Graham Press Release"). Although Graham and Schumer ultimately withdrew the punitive legislation, Graham continues to promise harsh measures if the Chinese do not relent. This style of politics, aimed at demonstrating an aggressive response to the grievances of domestic producers, resulted in Graham and Schumer being dubbed, perhaps quite correctly, as "economic populists" (Drajem and Faler 2007). Snubbing the WTO can indeed be quite popular among certain constituents.

For policymakers faced with international pressure to conclude increasingly market-oriented terms of trade, responding favorably to counter-pressure from constituent interest groups and producers involves walking a fine line. For a politician faced with this dilemma,

\(^{10}\) The Renminbi (RMB) is China’s official currency, of which the main unit is the Yuan.
WTO-consistent alternatives to subsidies and price supports are sorely needed. Although the trade distorting tools of the past cannot be fully replaced by legal export promotion activities, today's accepted methods can help to ease the transition, and in addition, are important in encouraging competitiveness. To restate the argument cited earlier by Czinkota (2002), "[n]ew thinking needs to clarify the purpose of export promotion...[it] must be seen as offering the latest approaches and the most recent tools to bring efficiency and effectiveness to an important component of governmental policy aimed at international business" (p. 318). While it is impossible to please everyone, this "new thinking" is a means for policymakers to walk the fine line, at least in part, between WTO compliance and the resulting political pressure from interest groups and producers. Therefore, export promotion is important not just for economic reasons, but for political reasons as well.
Chapter Four: Export Promotion at the European Level

Europe’s leading voice in trade, EU Commissioner Peter Mandelson, is well aware of today’s trade environment and the new thinking this environment demands. Mandelson stated the following: “While tariff barriers have declined, non-tariff barriers such as technical barriers to trade have tended to increase in importance” (“Breaking through in world markets: The EU Market Access Database” p. 1). The increased importance of these non-tariff obstacles necessitates an active approach to promoting exports through the legal means discussed in the last chapter, which is consistent with the new generation of information-based export promotion activities. There is still, of course, room for improvement in Europe’s export competitiveness performance, including in the realm of export promotion. Nonetheless, Mandelson argues that exports are a vehicle to address many of Europe’s economic problems. He states: “The top priority for trade today is to restore sustainable growth and jobs in Europe with a view to putting Europe back on track to long term prosperity...Better access to third country markets for trade and investment represents a major engine of growth and productivity gains.” This chapter will discuss how Europe is successfully working toward that aim.

4.1 Economy Overview

Before launching into a discussion of export promotion at the European level, it is necessary to provide a brief overview of the economic conditions that currently characterize the region. The EU, now home to nearly 500 million people, is a world economic and
political powerhouse. The collective GDP\textsuperscript{11} of the 25 EU member states in 2006 reached nearly USD $13 trillion (not including Bulgaria and Romania, which joined in 2007). As a whole, the EU economy is highly developed, with services accounting for over 70 percent of GDP, industry comprising 27 percent, and agriculture a mere two percent ("The World Factbook"). The value of the EU’s external exports reached $1.33 trillion in 2005, while imports from outside the Union valued nearly $1.47 trillion, resulting in a modest trade deficit of $140 billion. Added together, the value of the EU’s exports and imports constitute roughly 20 percent of global trade ("Overviews of the European Union Activities: External Trade"). However, while the EU is unquestionably a dominant economic force, it must continually strive, like other developed economies, to remain competitive in a world of shifting comparative advantage. Although intra-EU trade has naturally skyrocketed with the removal of trade barriers and increasing political and economic integration, external trade, including exports, must continue to be encouraged and promoted. Real GDP growth has been relatively weak in most EU 15 countries in recent years,\textsuperscript{12} and unemployment averaged 8.8 percent across the Union in 2006 ("The World Factbook"). As such, external exports, and their potential to spur growth and creates jobs, remain at the forefront of EU trade policy.

4.2 The Lisbon Strategy

Export promotion in the EU is compatible with the overall aims of the Lisbon Strategy. This strategy for EU competitiveness, with the stated aim of making the European economy the most competitive in the world, was established in Lisbon during a March 2000

\textsuperscript{11} All specific GDP figures cited in this paper are in terms of purchasing power parity (PPP).
\textsuperscript{12} EU 15 refers to the 15 member states prior to the EU’s expansion in 2004.
meeting of the European Council. Of the three pillars originally comprising the Lisbon Strategy (economic, social, and environmental), the economic pillar is the current focus following reforms in 2005 ("Shaping Globalization: Strengthening the EU’s External Competitiveness-Safeguarding Growth and Jobs"). Through a series of initiatives adopted by the member states, the strategy seeks to improve weak economic growth and reduce unemployment, while moving toward a more flexible, knowledge-based economy through an increased emphasis on research and development ("Glossary: Lisbon Strategy"). These aims are certainly consistent with the new, knowledge-based era of export promotion. In terms of shaping the larger trade environment, a successful completion of the Doha negotiations is seen as a vital component to the success of the Lisbon Strategy ("A new start for the Lisbon Strategy"). However, while the prospects for Doha remain unclear, so too does the success of the Lisbon Strategy. The Commission has cited limited coordination and irreconcilable priorities among member states as obstacles to fulfilling the original aims stated in Lisbon. Still, one must not forget that export promotion can be a vital component of a successful competitiveness agenda, and in many cases, export promotion efforts in the EU are highly successful. In this regard, export promotion can be seen as a means to work toward the goals established in Lisbon.

4.3 **Directorate General for Trade**

The European Commission’s Directorate General for Trade (DG Trade) is responsible for setting the EU’s trade agenda. The tasks of DG Trade include negotiating bilateral, multilateral, and regional trade agreements, working toward agreements in the WTO,
monitoring compliance both outside and within the EU, and facilitating the flow of goods and services into and out of the Union ("DG Trade Mission Statement"). In terms of promoting European export activity, DG Trade defines its role as "provid[ing] the public, both sides of industry, civil society and professional circles with clear, comprehensive and up-to-date information while seeking their opinions…" ("DG Trade Mission Statement"). This is accomplished with several key tools under the framework of the Market Access Strategy.

In 1996 DG Trade established the Market Access Strategy, a plan for encouraging and facilitating the export of European products to third country markets. According to DG Trade, this program "address[es] obstacles to trade which either impede market access or make exporting harder, more expensive, or more cumbersome" ("Market Access Strategy"). Perhaps the most visible export promotion tool of DG Trade, and a key element of the Market Access Strategy, is the Market Access Database (MADB), a free service for European exporting firms. The MADB is an extensive online log characterized by a three-way dialogue among the EU institutions, the member states, and firms, detailing a wide variety of information necessary in the export process. Obstacles that firms have encountered in exporting to non-EU countries are systematically listed and categorized in order to assist business leaders in easily identifying potential pitfalls ("Breaking through in world markets: The EU Market Access Database"). One report describes the central function of the MADB as "plac[ing] EU exporters in a position of making an informed decision as to whether a third country market presents a real opportunity for growth and/or expansion" ("Project on the Evaluation of the European Union Market Access Database (MADB)," p. 7).
A primary category within the MADB is the Sectoral and Trade Barriers Database, which details all known trade barriers by country and sector. Companies, law firms, Chambers of Commerce, and interest groups are all able to submit accounts of their experiences, their concerns, and request further information on a particular problem they have encountered. The merits of the Sectoral and Trade Barriers Database can perhaps be demonstrated most effectively with an example. Suppose a European producer of ice hockey equipment wishes to export to Canada (obviously a huge market for this product). A person from the European firm would simply enter the Sectoral and Trade Barriers Database online, select Canada as the destination country, select the applicable industry, and instantly have access to “Trade Barrier Fiche 000025-[1430] Ice Hockey Equipment,” a report detailing tariffs and other obstacles with regard to this export scenario. Alternatively, one could search first by industry, then by country, or first by obstacle (intellectual property rights issues, for example), then by industry and country (“Market Access Database”).

Other categories within the MADB include the Exporter’s Guide to Import Formalities, the Applied Tariffs Database, the Statistical Database, the Sanitary and Phytosanitary (SPS) Exports Database, and finally, a section containing numerous reports and publications relevant to the exporting process. The Exporter’s Guide to Import Formalities section is designed to assist firms with the detail-oriented, bureaucratic challenges associated with exporting. Examples of the documents and paperwork necessary for exporting to certain countries are provided in this section (“Breaking through in world markets: The EU Market Access Database”). While such bureaucratic hassles alone are generally not deterrents in the decision whether or not to export, negotiating government red tape does cost a firm in terms of human resource hours. Reports show when bureaucratic...
obstacles are explained, firms can focus instead on more pressing business matters ("Project on the Evaluation of the European Union Market Access Database (MADB)," p. 1). Bureaucratic obstacles are categorized first by country, then by product. Next, in the Applied Tariffs Database, information is given on tariffs for a wide variety of goods in nearly one hundred countries outside the EU. The Statistical Database provides a wealth of information, including the total numbers and total value of a wide variety of products both leaving and entering the EU. The Sanitary and Phytosanitary section specifically addresses many of the concerns associated with exporting animals, plants, and derivative products, and contains information from EC Delegations outside the EU, as well as from member states and the agro-food industry. Finally, the Studies section of the MADB lists reports and studies compiled from a wide variety of sources, including EU institutions, think tanks, and academic circles ("Market Access Database").

In the eleven years since its inception, the MADB has grown increasingly popular among business leaders. The number of unique visitors\(^\text{13}\) accessing the database has increased steadily every year, and figures in 2006 were considerably higher than the previous year. Overwhelmingly (92 percent), users of the MADB were located in the EU 15 member states, with five countries—Germany, Spain, the United Kingdom, the Netherlands, and France (in order of users)—comprising nearly 70 percent of all users in 2005 ("Project on the Evaluation of the European Union Market Access Database (MADB)," p. 19). One reason for this may be that the MADB uses the English language exclusively, which is not as widespread in the business environments of the newer member states. The possible expansion of the MADB into other languages is a key recommendation of studies on the 

\(^{13}\)A single visitor who accesses the database multiple times in one day, or who accesses different sections of the database, is counted as a “unique visitor” in order to differentiate from one user making numerous hits.
database ("Project on the Evaluation of the European Union Market Access Database (MADB)," p. 11). However, despite this shortcoming, the MADB does assist European firms every day by providing information that eases the export process. As a wider variety of companies gain experience in different markets, the database is certain to become even more effective.

4.4 Directorate General for External Relations and "Gateway to Japan"

As discussed previously, a country’s foreign service is often one conduit for export promotion efforts. The EU’s equivalent of a foreign service, the Directorate General for External Relations (DG Relex), is no exception. Founded in 1994, DG Relex manages the EU Gateway to Japan program, and pools the resources of the member states, their national chambers of commerce, and JETRO, Japan’s external trade organization ("EU Gateway to Japan: 10 Years of Success," p. 2). The program seeks to assist the leaders of Europe’s SMEs, who have often perceived Asian markets as too exotic and too complicated to navigate. Despite a strong demand in Japan for the innovative, high-end products made by many European SMEs, this perception has all too frequently prevented business leaders from taking advantage of this market. Thanks to the Gateway to Japan program, however, firms are increasingly seizing upon the opportunities Japan has to offer.

Each year Eurochambres\textsuperscript{14} and its member-state affiliates invite all types of European SMEs to apply to the EU Gateway to Japan program. Although not all applicant firms are viable candidates, the acceptance rate is high, with roughly 65 percent of firms admitted to

\textsuperscript{14}Eurochambres, the Europe-wide Chamber of Commerce Organization, will be discussed at length later in this chapter.
the program. Selected companies are then provided with information, training, and support, all tailored to their varying needs, in preparation for a weeklong series of events abroad ("EU Gateway to Japan 3: Campaign Results 2002-2006," p. 3). Over the past four years, leaders from nearly 900 European firms have traveled to Japan to participate in workshops and networking events, all carefully coordinated and executed by Eurochambres on behalf of DG Relex and the Commission ("EU Gateway to Japan 3: Campaign Results 2002-2006," p. 5). Once in Japan, the particular needs of firms are further accommodated by industry-specific events, examples of which include trade missions for environmental technologies, healthcare products, construction materials, and European fashion design. These events focus on informing firms about the standards and technical requirements specific to their industry, as well as pricing, marketing, and bureaucratic and customs procedures ("EU Gateway to Japan 3: Campaign Results 2002-2006," p. 15).

The results of the Gateway to Japan program are extremely positive. Firms are required to participate in follow-up surveys upon completion of the program, as well as nine and 18 months thereafter. According to the surveys, 91 percent of participants are satisfied with the program, and 81 percent feel satisfied with the impact the program has had on their business after 18 months ("EU Gateway to Japan 3: Campaign Results 2002-2006," p. 5). The results also show that nine months after completion of the program, nearly 80 percent of participant firms conduct business regularly with Japanese clients. Although this number decreases with time, over half of all firms are still conducting business on a regular basis 18 months after completion of the program. The EU Gateway to Japan program also results in job creation among these firms, with 13 percent reporting 18 months after participation that
because of the program and the resulting increase in sales to Japan, they have hired additional employees ("EU Gateway to Japan 3: Campaign Results 2002-2006," p. 8).

The benefits of the EU Gateway to Japan program are exemplified in the case of Ardèche Marrons, the small French firm cited at the beginning of this paper. Ardèche Marrons specializes in chestnut-based products, including chestnut spreads of various flavors, chestnut flour and puree, and roasted, glazed, and salted chestnuts. The company hand selects the best quality nuts, and most products are certified as organic. For the high-end food retail market, Ardèche Marrons clearly has an outstanding product. Prior to participating in the EU Gateway to Japan program in 2000, however, the company only exported within Europe and to the United States ("Ardèche Marrons: The Chestnut Specialist"). Michel Clair, who attended the program in Japan on behalf of Ardèche Marrons, stated the following: "[We] had no idea about the Japanese market. But during that Food and Drinks trade mission, we managed to test our products on Japanese customers" ("EU Gateway to Japan: 10 Years of Success," p. 14). The ability to test a product firsthand on customers in the foreign market is a tremendous asset to a firm that is considering exporting. Especially in the food industry, where tastes vary greatly across countries and cultural lines, such a test is important before making the decision to export. Clair states further: "The initial results were encouraging, so we participated again in December 2003. Our orders have now reached a turnover of 5% in Japan..." For SMEs like Ardèche Marrons, which face significant risks when making the export decision, firsthand, in-country knowledge is invaluable. The EU Gateway to Japan program is an example of how coordinated, Europe-wide efforts provide many of Europe’s SMEs with this knowledge.
4.5  Directorate General for Enterprise and Industry

In addition to the informational services provided by DG Trade and programs such as EU Gateway to Japan, the Commission's Directorate General for Enterprise and Industry focuses in particular on the needs of SMEs. For small firms wishing to export, both within the EU and to third countries, the Directorate General for Enterprise and Industry is a primary source of information. The DG operates a vast network of over 300 "Euro Info Centres" (EICs) in 48 countries around the world ("Helping SMEs go international"). A primary goal of the EICs is to provide basic information on the EU for the general awareness of the populous. However, they also represent an import point of assistance for EU firms abroad. This assistance includes everything from market research to help with foreign certification processes. The EICs also maintain a database of over 3,000 SMEs, designed to facilitate networking among firms in Europe and in third countries. With these tools, the DG for Enterprise and Industry encourages SMEs to find new markets within the EU, in candidate countries, and elsewhere in the world ("Helping SMEs go international").

4.6  Eurochambres

The European Union, and in particular the Commission, are often considered the primary actors in promoting exports at the European level. However, other non-EU organizations contribute greatly to these efforts as well, most notably the Chambers of
Commerce. Europe’s premier Chamber organization, Eurochambres\textsuperscript{15}, was founded by the Chambers of the six founding member states of the EEC\textsuperscript{16} in 1958 ("The Chambers of Commerce and Industry: Summary June 2006," p. 4-5). Over the past half century, Eurochambres has grown to include 44 member states and has maintained its primary aim of coordinating and harmonizing the interests of the individual Chambers of Commerce, as well as the businesses they represent, at the European level. Today Eurochambres includes a network of nearly 1,800 local, regional, and national Chambers of Commerce and over 19 million firms. Of these companies, 99.5 percent are SMEs,\textsuperscript{17} and 91 percent of the total are based in the EU.

The 2006 Manifesto of Eurochambres states the following: “The challenge for European business is to grasp the opportunities offered by the globalisation process and to minimize the risks...Chambers have a responsibility to make that happen” ("The Chambers’ Manifesto," p. 9). To that end, Eurochambres assists over 800,000 European firms annually with issues pertaining to international business. Each year over 200,000 companies participate in 4,500 trade-related missions, fairs, workshops, and seminars conducted by Eurochambres. Many of these events are country, industry, and even firm-specific, which is useful in addressing the most pressing needs of companies with regard to the export process ("The Chambers’ Manifesto," p. 9).

Many of the services Eurochambres provides are prime examples of the new, knowledge-based generation of export promotion efforts. Eurochambres dubs these "information services" and breaks them down as follows, in order of importance: Providing

\textsuperscript{15} Eurochambres is officially known as the Association of European Chambers of Commerce and Industry.

\textsuperscript{16} Belgium, France, Germany, Italy, Luxembourg, and the Netherlands founded the European Economic Community (EEC) with the Treaty of Rome in 1957.

\textsuperscript{17} Eurochambres defines an SME as having between 1 and 250 employees.
trade and business opportunities, finding agents and distributors abroad, supplying assistance
guides, providing information on funding and grants, locating counterparts, informing firms
about the Euro, giving reports on countries, markets, and sectors, providing trade statistics,
and supplying information on intellectual property rights ("The Chambers’ Manifesto," p. 9). The relatively low cost of information assistance allows Eurochambres to operate as a non-
profit organization while providing many of the services listed above free of charge.

Aside from collaborative efforts within the Chambers of Commerce network, Eurochambres connects with governments in the member states and at the EU level. As discussed, the Gateway to Japan program, executed by Eurochambres on behalf of the Commission’s DG Relex, is a prime example of the cooperative efforts among Eurochambres and other entities, in this case the EU. Other notable examples include “Go International,” a joint program of Eurochambres, the Austrian Chamber, and the Austrian Ministry of Economic Affairs. Go International is comprised of 31 export assistance programs in Austria, all offering different types of information services, including individual consulting and training for firms. This umbrella program is credited with helping 1,300 Austrian firms export for the first time in 2005 ("The Chambers’ Manifesto," p. 11).

Another notable example of cooperation between the Chambers of Commerce and government is the Start-up Plan for the Promotion of Exports, or PIPE. In this program, the network of Eurochambres in Spain works to encourage SMEs that have never before exported, or that display irregular export activity ("The Chambers’ Manifesto," p. 11). A team of over 400 PIPE tutors provides firms with individual attention with regard to every aspect of the export process. 50 percent of the funding for PIPE comes from the EU’s European Regional Development Fund, with regional governments and the Spanish Institute

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18 Plan de Iniciación a la Promoción Exterior
of Foreign Trade contributing 30 percent; the remaining 20 percent is paid by the recipient firms ("Internationalisation programmes for SMEs"). For providing just 20 percent of the program’s funding, companies participating in PIPE can expect, on average, to increase exports by 71 percent and increase employee numbers by 14 percent. By offering customized export promotion services to SMEs at an affordable rate, programs like PIPE increase firms’ revenue and create jobs. This is effective only because of the collaborative efforts of Eurochambres, the national and regional Chambers, and governments from the regional level up to the EU institutions.

Like firms elsewhere, European companies differ vastly among industries, regions, and countries. In addition, export promotion efforts are conducted by governments at all levels, as well as by other organizations. As such, there can be no single strategy for European export promotion. Like many aspects of the political and economic landscape in Europe, export promotion efforts must be coordinated and harmonized, while still respecting the national and regional nuances characteristic of a great diversity of peoples. There is clearly room for improvement, as evidenced by the MADB’s exclusive use of English. Furthermore, the EU Gateway to Japan program, although extremely successful, is unique. Similar programs have yet to be implemented in other foreign countries. Nonetheless, Europe provides the proof that collaboration between government and the private sector and among differing regions and countries can in fact result in the successful promotion of export activity through legal, WTO-consistent means.
Chapter Five: Export Promotion in Germany

In a speech last year, Michael Glos, head of the German Federal Ministry of Economics and Technology (BMWi\textsuperscript{19}), summarized nicely the state of German export activity: “German [firms] are ahead in foreign trade and are gaining ground against European competition in many places.” Nonetheless, Glos and other policymakers in the German government are determined not to take this success for granted, and are aware that efforts must be made to sustain German exports. Glos continued: “…this success does not spring from nothing. The battle for the competitive edge…never stops. Therefore, it is all the more important that policies establish the right framework conditions (“An active foreign trade and payment policy - political support for German SMEs”). This “battle for the competitive edge” is waged, and for the most part won, with the aid of successful export promotion policies. These policies are carried out by federal agencies and groups at both the Länder and local levels. The focus of this chapter on Germany will be federal export promotion efforts.

5.1 Economy Overview

As was the case with the European Union, it is necessary to begin the examination of export promotion in Germany by providing a brief overview of current economic conditions in the country. Germany boasts the largest economy in Europe, as well as the fifth largest in the world, with a 2006 GDP of $2.585 trillion, or $31,000 per person. GDP composition is characterized by services accounting for 70 percent, industry 29.1 percent, and agriculture a

\textsuperscript{19} Bundesministerium für Wirtschaft und Technologie
mere 0.9 percent. 2006 constituted a very positive year for the German economy, in that GDP growth measured 2.7 percent (a considerable increase over average growth of 0.7 percent between 2001 and 2005), and unemployment fell to around 8 percent. In terms of trade, Germany’s role as an export powerhouse cannot be overstated. In 2006 Germany maintained, for the fourth consecutive year, the self-described status of *Exportweltmeister*, with an outward flow of over $1.1 trillion in goods and services. With a total of $916 billion in imports in 2006, Germany experienced a trade surplus of nearly $135 billion (The World Factbook). With regard to German trade, one fact is clear: Many German firms succeed at selling their products abroad.

5.2 The Federal Ministry of Economics and Technology (BMWi)

With the central aims of promoting economic growth, protecting employment, assisting SMEs, reconciling economic and ecological concerns, and promoting world trade, the BMWi is the primary agency through which German export promotion efforts are conducted. The basic approach of the BMWi with regard to export promotion is as follows: “First and foremost, companies are called on to show initiative of their own. The Federal Government, however, supports the activities of German companies in opening up and securing foreign markets. A wide range of foreign trade promotion tools are available, to reduce risks and to extend the basis on which companies make decisions…” (“Foreign Trade Policy,” p. 2). These tools include the iXPOS internet portal, the foreign trade offensive “Active Worldwide,” export financing, and a wide variety of other services offered by

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20 “World Champion of Exporting”
agencies within the BMWi and in cooperation with other organizations, such as the
Chambers of Foreign Trade (AHK\textsuperscript{21}). These tools will now be discussed in greater detail.

The foreign trade offensive \textit{Weltweit Aktiv}\textsuperscript{22} provides the framework for most export
promotion activities within the federal government. Active Worldwide was launched in 2003
as a key component of Agenda 2010\textsuperscript{23} and is broadly similar, and in fact complimentary, to
the Lisbon Strategy. With the aim of opening foreign markets and aiding German firms in
accessing these markets, Active Worldwide focuses on the following goals and activities,
some of which will be further discussed in the pages that follow:

- Expanding and improving the information provided to exporting firms by the
  German Office for Foreign Trade (bfai);
- Further developing the iXPOS internet portal;
- Increasing the number of trade fairs both in Germany and abroad;
- Increasing the use of Hermes export credit guarantees by exporting firms;
- Clarifying and easing customs and logistical procedures in important markets;
- Expanding the German Chambers of Foreign Trade (AHK) and improving
  the services they offer to German exporting firms;
- Working to successfully conclude the Doha Round of WTO negotiations
  ("Foreign Trade Offensive").

A primary platform for these efforts is iXPOS, an online portal managed by the
German Office for Foreign Trade (bfai), a branch of the BMWi. Created in 2001, iXPOS
combines the export promotion efforts at all levels of government in Germany with those of a
host of other organizations and places this information into a single, user-friendly format.

\footnote{The Chambers of Foreign Trade (AHK) will be discussed later in this chapter.}
\footnote{"Active Worldwide"}
\footnote{A series of social system and labor market reforms initiated by the previous Schröder government.}
The major contributors to iXPOS are the federal ministries (the BMWi, AA\textsuperscript{24}, BMZ\textsuperscript{25}, BMBF\textsuperscript{26}, BMU\textsuperscript{27}), the various Chambers of Commerce, industry groups, regional and country-specific trade associations, financial institutions, and the economy ministries of the individual German states ("Aufgaben und Ziele"). In addition to providing links to all the agencies involved in iXPOS, the portal contains a wealth of free, easily accessible information aimed at assisting firms at every step of the export process. iXPOS provides news, articles, and editorials, along with a free newsletter, detailing current business trends and opportunities abroad. In addition, the portal contains information relevant to exporting firms, divided by both country and industry. The iXPOS platform also houses "the e-trade-center," an extensive databank linking potential business partners and contacts according to both country and industry. In addition, a comprehensive library of export-related publications is contained in the iXPOS database. In this section, potential exporters can locate everything from guidebooks on export basics, to foreign market reports, to advice on the legal aspects of exporting. Finally, iXPOS contains a section featuring upcoming trade fairs, conventions, workshops and seminars, and a host of other relevant events ("Aufgaben und Ziele").

In addition to coordinating the iXPOS portal, the German Office for Foreign Trade offers other forms of export assistance to German firms. From its headquarters in Cologne, the bfai operates a network of correspondents in 60 offices in over 40 countries around the world (Behrend and König 2005, p. 7). These correspondents monitor economic and market

\textsuperscript{24} Auswärtiges Amt (Federal Foreign Office)  
\textsuperscript{25} Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (Federal Ministry for Economic Cooperation and Development)  
\textsuperscript{26} Bundesministerium für Bildung und Forschung, (Federal Ministry of Education and Research)  
\textsuperscript{27} Bundesministerium für Umwelt, Naturschutz und Reaktorsicherheit, (Federal Ministry for the Environment, Nature Conservation, and Nuclear Safety)
conditions abroad and report their findings regularly to the home office. This information is then compiled into relevant, up-to-date reports and publications that are made available to German firms. Many of these resources can be obtained free of charge. Most publications that are for sale can be obtained for around €5 each. Alternatively, a one year subscription with unlimited access to all bfai resources is available for €425 ("Preis- und Zahlungsinformationen").

5.3 Federal Foreign Office (AA)

In addition to the export assistance services provided by the BMWi, and more specifically the bfai, the German Federal Foreign Office (AA) encourages German export activity. The overall mission of the foreign service is to represent and promote Germany’s interests abroad, and this includes economic and commercial interests. The Federal Foreign Office carries out this mandate in several ways. In a basic sense, officials within the AA are able to use the connections afforded by their diplomatic positions to gain the attention of policymakers in foreign countries with regard to topics of interest or concern to German exporters. More concretely, German embassies and consulates regularly host or sponsor business roundtables, conferences, and product promotion events. With a network of 220 embassies and consulates worldwide, the Federal Foreign Office plays an important role in raising awareness for German products abroad, and often provides a foundation of support for German firms in foreign countries ("Außenwirtschaftsförderung," p. 2).
5.4 German Chambers of Commerce Abroad (AHK)

In addition to purely governmental efforts, German export promotion programs are carried out to a large extent by the German Chambers of Commerce Abroad (AHK).\textsuperscript{28} The AHK system is a non-governmental organization with nearly 120 offices in over 80 countries around the world, and is closely aligned with the national German Chamber of Commerce and Industry (DIHK)\textsuperscript{29}, as well as with Eurochambres. Although the AHK network receives some funding from, and works closely with, German government agencies, the majority of its funding comes from membership dues and fees for the services it provides. This gives the organization significant autonomy, and frees the German government (in particular the bfai) from the task of providing the bulk of informational assistance to firms ("AHKs all around the globe"). In other words, many of the tasks performed by the AHK network would otherwise be left to government agencies (as we shall later see in the case of the United States).

The functions of the AHK can be broken into six categories. First, AHK offices provide advertising services abroad for German firms. Second, the organization provides start-up advisory services to German firms when entering the realm of exporting. In addition, the AHK collaborates with other organizations to provide educational programs abroad, aimed at providing German firms with qualified employees in foreign countries. Next, the network seeks to inform German exporting firms about changing market conditions and new trends, as well as other issues that affect the ability of companies to compete. A further objective is to provide networking and contact information to German business

\textsuperscript{28} Auslandshandelskammer
\textsuperscript{29} Deutsche Industrie- und Handelskammer
leaders. Finally, the mission of the AHK network is also to provide specific information to companies as they attempt to adapt to different countries, cultures, and business environments. In working toward these aims, the AHK network has proven to be a useful contributor to German export promotion efforts. Each year AHK offices answer nearly a million trade-related inquiries, advise 80,000 firms, and organize almost 3,000 conferences, conventions, and trade shows. The 40,000 member companies of the AHK are a testament to the services this organization provides ("AHK- Die erste Adresse auf den Weltmärkten").

A specific example of export promotion efforts within the AHK network is the German American Chamber of Commerce (GACC). With a head office in New York and branches in Atlanta, Chicago, Philadelphia, and San Francisco, the GACC offers the resources of the AHK network described above, and works closely with the German BMWi and bfai. Membership dues for the GACC range from €460 to €1,840, depending on the level of service the customer requires. Currently, over 1,000 German and American firms are counted among the members of the German American Chamber of Commerce ("Membership").

5.5 Foreign Trade and Investment Protection Scheme (AGA)

As discussed in earlier chapters, firms face numerous difficulties when selling abroad, including complex bureaucracy, unfamiliar markets, and different consumer tastes and preferences. In addition to these challenges, however, is the real financial risk firms must take when exporting. The German federal government seeks to assist exporting companies, particularly SMEs, by reducing this financial risk. Through the Foreign Trade and
Investment Protection Scheme (AGA)\textsuperscript{30}, the federal government provides export credit guarantees and export credit insurance. When a commercial bank provides a loan to a firm to assist with export expenses, export credit guarantees promise full repayment to the commercial bank in the event the exporting firm defaults on its loan. Just as credit guarantees give banks the confidence to provide loans, export credit insurance gives firms the confidence to export by protecting them against potential losses resulting from commercial and political factors. This is especially relevant for SMEs, as well as for firms exporting to high risk markets in developing countries.

The German federal government provides these protection schemes primarily through the assistance of two private firms, Euler Hermes Kreditversicherungs-AG and PricewaterhouseCoopers AG\textsuperscript{31}, as well as through the state-owned KfW\textsuperscript{32} development bank. Euler Hermes, however, is the leading partner in the cooperative effort, and as such, German export protection has become synonymous with the term “Hermes coverage.” By mandate of the German government, these companies manage the AGA scheme and prepare applications for coverage in close coordination with exporting firms. Applications are then passed along to the federal government for approval. Once their applications have been approved, firms continue to work with Euler Hermes and PricewaterhouseCoopers in the event that a claim is necessary. This coverage is a major promoter of German export activity, as evidenced by the roughly €9.2 billion in coverage provided for exports to over 150 countries in the first half of 2006 (“Exportkreditgarantien der Bundesrepublik Deutschland Hermesdeckungen: Halbjahresbericht 2006”).

\textsuperscript{30} AuslandsGeschäftsAbsicherung
\textsuperscript{31} AG denotes Aktiengesellschaft, or incorporated company.
\textsuperscript{32} KfW Bankengruppe, formerly known as the Kreditanstalt für Wiederaufbau.
As a federal system with export promotion efforts being carried out at different levels of government and by organizations straddling both the public and private sectors, assistance to exporters in Germany must be carefully coordinated. Overall, these efforts are characterized by cooperation and by the pooling of resources, resulting in a finely-tuned system. The end effect of this is Germany's continued dominance as an export powerhouse.
Chapter Six: Export Promotion in the United States of America

Over the last 30 years, economic policy in the United States has been characterized by a broad shift toward market principles in a process affecting many areas of economic and social life. Examples include the airline industry, which was deregulated in the late 1970s, and healthcare and pensions, which have increasingly become matters for the private sector. This has allowed firms greater competency in more areas, as well as freed them from many types of government interference. As one scholar stated, “Laissez-faire capitalism appears to have triumphed” (Hertz 2003, p. 42). In theory, this increased emphasis on market forces, and the resulting competition among firms, has allowed consumers greater selection and cheaper prices. The other aspect of this trend, however, is that some types of government support for firms has been reduced as well, and companies can no longer rely on the state in order to remain competitive. To make matters more difficult for some firms, the opening of markets worldwide and the reduction of trade distorting government support has meant that firms must increasingly compete in a new global trade environment without the benefit of protectionist tariffs or export subsidies. The result of three decades of an increased emphasis on market reforms has led to the current state of the U.S. economy, which will now be discussed.

6.1 Economy Overview

As I have done for the European Union and Germany, I will now provide a brief overview of the U.S. economy. The United States is a dominant force in the world with an
extraordinarily large and wealthy economy. U.S. GDP in 2006 was just shy of $13 trillion, or over $43,500 per capita. Like many European economies, the United States is highly developed, with services accounting for 78.6 percent of total GDP, industry comprising 20.4 percent, and agriculture a mere 0.9 percent. Also like Europe, the United States depends heavily on trade for overall economic vitality. As the U.S. economy has become increasingly dominated by the service sector, and as the comparative advantage for many manufactured products has shifted abroad, the demand for foreign goods has increased markedly. While the United States exported an impressive $1 trillion worth of goods and services in 2006, imports were nearly double, at close to $1.87 trillion ("The World Factbook"). With regard to U.S. trade, one fact is striking: much more is entering the United States than is leaving.

6.2 The U.S. Trade Deficit

The enormity of the U.S. trade deficit and its importance in justifying an increased emphasis on WTO-consistent export promotion warrant an individual section of this paper. As discussed earlier, a trade deficit cannot necessarily be viewed as a negative phenomenon, and in the case of the United States, it reflects strong domestic demand. People have money in the United States, and they are spending it. However, consumers without money are spending as well, and the same is true for the economy as a whole with regard to the net outflow of currency related to the trade deficit. This trend is nothing new in the United States, where a trade deficit has existed every year since 1976. Furthermore, the deficit has increased every year since 1991, with the exception of 2001, when it rebounded only slightly ("U.S. Trade in Goods and Services—Balance of Payments (BOP) Basis Value"). In August
2006 alone, the gap increased by over $73 billion, and as 2006 came to an end, the U.S. deficit hit a record high of $862.3 billion ("Trade with World (seasonally adjusted): 2006" and "The World Factbook"). Although the trade deficit has long been an issue among U.S. policymakers, the sheer enormity of these figures has caused newfound concern as of late. In response to the record numbers, Senator Max Baucus (D-MT), current Chairman of the Senate Finance Committee, stated: "Everyone is hurt by the negative effects of trade deficits, when foreign debt grows and American businesses struggle to compete...Americans must embrace new policies now that will keep our companies and our workers first in the global market for decades to come" ("Baucus Disappointed by Trade Deficit Numbers"). In light of the trade deficit, the immediate question asks what exactly these policies should be.

### 6.2.1 The U.S. Trade Deficit and China

As the trade deficit increased dramatically in 2006, many in the United States were quick to call foul play on the part of China, a longtime scapegoat for failures in U.S. competitiveness. As discussed briefly in the third chapter, the central issue is China’s undervaluation of its currency, the RMB, and its role in contributing to the U.S. trade deficit. The undervalued RMB has, in effect, given Chinese exporting firms a significant advantage in selling their products on the world market, and China’s trade surplus has risen along with the U.S. deficit (Bergsten 2006). In a recent report, the United States-China Economic and Security Review Commission (USCC), a panel of experts on U.S.-Sino relations, summarized the effects of China’s currency manipulation on the U.S. economy as follows: "The Chinese government’s deliberate undervaluation of the renminbi makes U.S. products
more expensive to Chinese consumers who therefore purchase fewer of them. Conversely, China’s undervalued currency also makes Chinese products cheaper in the United States, and therefore U.S. consumers purchase more of them. The combination is a major contributor to the record-high and still-growing U.S. trade deficit. The undervalued Chinese currency harms American competitiveness and is also a factor encouraging the relocation of U.S. manufacturing overseas while discouraging investments in U.S. exporting industries” (“2006 Report to Congress,” p. 46). The People’s Bank of China demands that U.S. dollars earned by Chinese exporters be traded at the rate of roughly 8 RMB to the dollar, which most economists suggest amounts to a 15 to 40 percent discount (“2006 Report to Congress,” p. 52). Certainly this has been to the advantage of Chinese firms, as well as the economy overall, as it contributed to China’s rapid, largely export-driven GDP growth of close to 10.5 percent in 2006 (“The World Factbook”). It is precisely this growth, the affect of this growth on U.S. competitiveness, and the global economic clout that China has accrued that causes worry among policymakers in the United States.

As discussed in Chapter Three, Senators Graham and Schumer introduced legislation in September 2006 in response to these concerns. Citing the excessive U.S. deficit and the equally excessive Chinese surplus, the Senators requested a debate and vote on S. 295. This punitive bill, threatening to apply a temporary tariff of 27.5 percent to all Chinese products bound for the United States, was designed to sway Chinese attitudes toward the prospect of allowing the RMB to appreciate (“Senator Graham Press Release”). However, concerned about the message such a bill would send to the Chinese, not to mention the fact that such legislation would disregard WTO rules, Senator Max Baucus stated the need to “craft legislation that will be responsible, consistent with World Trade Organization rules, and that
has a good chance of becoming law” (“Senators will craft new China currency bill”). At his urging, Graham and Schumer agreed to postpone any Chinese currency legislation until the new Congress convened in early 2007. As of this writing in March 2007, the prospects for such legislation remain unclear. However, any U.S. response to the RMB issue partially misses the point. While most economists agree the undervalued RMB contributes to the U.S. deficit, there is also the potential for improvement in U.S. export promotion efforts as a means to reduce the deficit. As we shall see in the next chapter, the trade deficit is also a result of numerous problems within the export promotion efforts of the U.S. government.

6.3 Trade Promotion Coordinating Committee

Like the European Union and Germany, the United States has a variety of export promotion programs conducted by numerous agencies at all levels of government. The task of coordinating government export promotion efforts at the federal level lies with the Trade Promotion Coordinating Committee (TPCC). Established by Congress in 1992, the TPCC seeks to harmonize the export promotion activities of the 19 various federal agencies and offices involved in these efforts. The TPCC is housed within the Department of Commerce, with the Commerce Secretary serving as the Chair, and the President of the Ex-Im Bank serving as Vice-Chair. In addition to seeking greater cooperation among agencies, the TPCC is charged each year with submitting to Congress the National Export Strategy, a report detailing the status of U.S. export promotion activities.

A series of export-related overviews, trends, and statistics are published each year in the National Export Strategy. The Strategy generally highlights trade agreements
successfully negotiated during the previous year, as well as statistics and projections regarding what these agreements may contribute to the economy. For example, the 2006 National Export Strategy cites increases in exports to Australia and Jordan, the result of two agreements negotiated during 2005. In addition, the report lists examples of federal government resources available to exporters, providing case study examples of services provided by TPCC member agencies. Finally, the Strategy discusses priority markets (in 2006 these were China and India) ("The 2006 National Export Strategy: The Administration’s Trade Promotion Agenda"). However, as the National Export Strategy is designed to provide the legislative branch with information on the activities of the mainly executive branch agencies, it is not, in the eyes of many, a necessarily objective report. It can be argued that the National Export Strategy is much less a strategy than it is an opportunity for the Executive branch to highlight its accomplishments in trade, while downplaying or neglecting many of the deficiencies. This, of course, is a matter of debate. Nonetheless, there is a compelling case that little actual strategy can be found within the National Export Strategy.

While the TPCC seeks to coordinate the activities of the 19 various agencies involved in export promotion, it does so purely for governmental purposes. In other words, the TPCC does not offer services to the public, guide exporters through the maze of federal assistance programs, or provide any other information that directly benefits firms. The TPCC does not even have its own website. For firms trying to make sense of the export process and become familiar with the governmental assistance available to them, the best example of interagency cooperation is offered on the internet portal "Export.gov." Started as a Presidential E-
Government Initiative\textsuperscript{33} in 2002, Export.gov is managed by the Commerce Department’s International Trade Administration (ITA), and is a collaborative effort involving the same 19 agencies that comprise the TPCC. Within the Export.gov portal, firms can search by industry for foreign market opportunities, trade leads, and events and workshops both in the United States and abroad. In addition, Export.gov contains basic information on issues such as export regulation and control, intellectual property rights, export financing, and NAFTA. Export.gov also contains a “Spotlights” section, which showcases American products, current events that may be of interest to exporting firms, and highlights the foreign “market of the month.” The market of the month section provides information on a selected country’s demographics, political situation, and business climate, and lists the contact information of U.S. trade officials who specialize in that market.\textsuperscript{34} Finally, Export.gov contains links to all TPCC member agencies, where more in-depth information on specific assistance programs can be attained (“Export.gov: Helping U.S. Companies Export”).

\textbf{6.4 United States Department of Commerce}

Among the various agencies included under the umbrella of the TPCC, the most notable is the Department of Commerce. With the basic aim of promoting economic vitality, growth, and competitiveness, the Commerce Department envelopes several offices and initiatives geared toward export promotion. Within the Commerce Department, the ITA seeks to assist U.S. exporters while also safeguarding against the dumping and subsidization

\textsuperscript{33} A series of internet portals created by the White House in 2002 to enable firms to more easily interact with the Federal government.

\textsuperscript{34} Examples of the “Market of the Month” include Saudi Arabia (March 2007), Mexico (February 2007), and Libya (January 2007).
of foreign products. A branch of the ITA, the U.S. Commercial Service, is specifically charged with offering U.S. exporters informational assistance such as market research, networking, and contact information.

6.4.1 United States Commercial Service

As the export promotion division of the ITA, the Commercial Service defines its overall objective as follows: “We promote and protect U.S. commercial interests abroad and deliver customized solutions to ensure that U.S. businesses compete and win in the global marketplace” (“U.S. Commercial Service Vision, Mission and Client Service Principles”). This mission is carried out by 108 Export Assistance Centers in the United States, as well as 150 offices in over 80 foreign countries (“Export Programs Guide: A Business Guide To Federal Export Assistance,” p. 1). The services provided by the Commercial Service will now be discussed in greater detail.

Most online assistance offered by the U.S. Commercial Service is the same basic, inter-agency information found in the Export.gov portal discussed previously. However, one online database, the Market Research Library, is unique to the Commercial Service. The Market Research Library is roughly similar in purpose to the EU’s Market Access Database, in that it provides reports on market conditions pertaining to a wide variety of goods and services in a wide selection of countries. This free service allows users to search for information by industry, region, and country (“Market Research Library”). Unlike the EU’s Market Access Database, however, the Market Research Library is not characterized by three-way interaction, which in the case of the United States, would
involve the federal government, state governments, and businesses themselves. Furthermore, this database does not appear to be nearly as comprehensive as its European counterpart. For firms in need of market information beyond what the Market Research Library provides, the Commercial Service will supply data tailored to a company’s specific demands. This information is provided on a case-by-case basis for a fee of between $1,000 and $5,000, depending on the industry and country in question (“How Do I Go Global?,” p. 5).

In addition to providing information to exporters, the U.S. Commercial Service has the ability to advocate on behalf of U.S. firms as they seek to win foreign contracts. The Advocacy Center, housed within the Commercial Service, considers applications from firms that are pursuing a specific business contract. The applicant companies must demonstrate that the assistance provided would allow the firm to contribute positively to the overall health of the U.S. economy. Once the application has been received, the Advocacy Center, in cooperation with the relevant U.S. embassy or consulate, determines the viability of the contract in question and decides whether or not the Commercial Service will advocate for the firm. While advocacy services are free of charge, the burden of proof regarding the potential rewards resulting from such assistance lies entirely with the applicant company (“U.S. Government Advocacy Guidelines”).

Aside from the work of the Advocacy Center, in-country networking assistance is provided by the Commercial Service through the Gold Key Service. For a fee of between $150 and $1,300 per day, the Commercial Service will assist in finding accommodation

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35 For the sake of this comparison, the U.S. federal government is roughly similar to the EU, while the U.S. states can be likened to the EU member states.
and transportation abroad, reach out to potential buyers with a firm's product information, and schedule business meetings and appointments ("How Do I Go Global?," p. 5).

As is the case with customized market research provided by the Commercial Service, the wide range of prices for the Gold Key Service reflects the differing costs of providing these services in various countries. For example, the base fee for a U.S. firm utilizing the Gold Key Service in Germany is $1,130 per day, plus roughly $225 per day for a bilingual escort ("Gold Key Business Appointment Service"). For a firm using the Gold Key Service in Pakistan, the fee is $685 for the first day, plus $320 for every day thereafter. These fees do not include accommodation (although as mentioned, the Commercial Services will assist in finding accommodation), transportation, or any other expenses related to the stay abroad ("Welcome to the U.S. Commercial Service Pakistan").

Despite the cost, many U.S. firms have benefited from the Gold Key Service. Based on the experiences of Dan DiMase, owner of a small Rhode Island company that distributes electric parts, assistance provided by the Commercial Service carries significant clout. "It says a lot when you get a call from the US embassy or the US Department of Commerce looking to arrange a meeting," DiMase stated (Bradley 2006). However, proposed budget cuts within the U.S. Commercial Service have repeatedly threatened the Gold Key Program over the past several years. In 2005, the Gold Key fees generated $1.4 million, with the remaining $1.3 million in program costs paid from the budget of the Commercial Service. Under potential fee schedules, however, firms will likely have to pay the full cost for these services. Estimates indicate that the cost of a single day of Gold Key assistance could increase from the current maximum of around $1,500 to as high as $2,500 (Bradley 2006, p.
2). For SMEs, this increase is formidable, and it could mean the difference in whether or not a small firm can gain the necessary information and contacts to go abroad.

In addition to the Gold Key program, the Commercial Service offers the Platinum Key Service aimed at assisting U.S. firms over longer periods of time, typically six months to a year. In addition to providing some of the networking services found in the Gold Key program, the Platinum Key Service helps firms fine-tune their sales and marketing strategies, and identify distributors, clients, and other business partners during the first months of export activity. The costs of this service also vary among countries and industries, but prices generally start at roughly $3,000 per case (“Platinum Key Service”).

Finally, for business leaders who are not able or willing to travel abroad to meet with prospective business partners, the Commercial Service also offers networking information through the International Partner Search (IPS) program. For between $300 and $600 (again, depending on country and industry), the Commercial Service will provide the contact information of potential buyers and distributors, an official opinion of the Commercial Service with regard to the prospects for success in the market in question, and a report detailing competing firms in the prospective market (“The U.S. Commercial Service: The federal government’s worldwide network dedicated to promoting your international business,” p. 4).

6.4.2 STAT-USA

Aside from the direct assistance programs offered by the Commerce Department through the Commercial Service, the Commerce Department offers help to U.S. exporters
through online trade statistics. STAT-USA is a series of subscription-only internet databases managed by the Commerce Department in cooperation with the United States Census Bureau. Three main platforms comprise the STAT-USA framework, namely STAT-USA/Internet, USA Trade Online, and EuroTrade Online. STAT-USA/Internet offers extensive data on almost every aspect of the U.S. economy, while USA Trade Online provides detailed information on the real-time flow of many U.S. imports and exports, covering a total of over 18,000 commodities ("About Us"). EuroTrade Online offers extensive data on over 12,000 import and export commodities for each of the 27 EU member states. The information provided is the official data of EuroStat ("About Eurotrade Online").

The data found in the STAT-USA databases is invaluable for many exporting firms, as it portrays the real-time conditions of numerous foreign markets with regard to any number of specific commodities, allowing companies to accurately understand the extent of their competition abroad. STAT-USA is available to firms of all types, from Fortune 500 companies to small, private businesses. This luxury, however, comes at a price. An annual subscription to STAT-USA/Internet costs $200, the fee for USA Trade Online is $300 per annum, and the yearly subscription for the EuroTrade Online database is available for $2,900 ("STAT-USA Products and Services"). While large and medium-sized companies might not hesitate to pay these fees, small firms may have difficulty justifying the expense.

6.5 United States Department of State

Just as the EU and German agencies involved in export promotion utilize foreign service missions as a platform to push European exports abroad, the U.S. State Department
coordinates efforts with the Commercial Service and other government agencies. Most of the Export Assistance Centers abroad are operated out of U.S. embassies and consulates. Furthermore, the State Department describes “U.S. Embassy officers [as] the eyes, ears, and in-country advocates for U.S. business interests throughout the world” (“Doing Business in International Markets”). Within the State Department, the Office of Commercial and Business Affairs seeks to coordinate the trade promotion activities of the State Department and the Commercial Service, as well as ensure that business perspectives are represented in the overall foreign policy of the United States. In addition, the U.S. State Department offers standard consular services abroad, such as replacement passport issuance, as well as the legal representation in general that allow U.S. citizens to travel and conduct business abroad (“Doing Business in International Markets”).

6.6 United States Small Business Administration

Created in 1953, the United States Small Business Administration (SBA) is an independent agency within the federal government with a mission to “aid, counsel, assist and protect the interests of small business concerns” in the United States (“About SBA”). As discussed previously in this paper, export promotion activities are often aimed at SMEs that, because of the difficulties and costs associated with selling in foreign markets, have generally left exporting to larger firms. As such, the SBA is a TPCC member agency and contributes to the overall export promotion efforts of the federal government.

In its online “Export Library,” the SBA offers potential exporting firms a variety of information specific to the needs of small businesses. The most notable resource is a lengthy
publication titled "Breaking into the Trade Game: A Small Business Guide to Exporting.” This publication details all aspects of exporting, including making the decision to sell abroad, identifying and entering foreign markets, networking, export financing, transport and logistics, and forming strategic alliances, all with a special focus on the challenges unique to small firms. In addition, the SBA provides links to export assistance programs already discussed, such as Export.gov, and those offered by the Commercial Service.

6.7 Export-Import Bank of the United States

The Export-Import Bank of the United States (Ex-Im), also an independent agency within the federal government, uses direct loans, export credit guarantees, and export credit insurance to support and encourage U.S. firms with regard to the financial aspects of exporting. Ex-Im operates on a budget of roughly $200 million per year, which allows it to finance only one percent of U.S. exports (Jackson 2006, p. 2). Nonetheless, the bank serves an important function by assuming risks that private lending institutions are unwilling or unable to assume. The main services offered by Ex-Im will now be discussed in greater detail.

Like the German Euler-Hermes system, export credit guarantees and export credit insurance are primary tools of Ex-Im, as they help reduce the risks associated with both commercial and political uncertainty in foreign markets. When a commercial bank provides a loan to a firm to assist with export expenses, Ex-Im can provide the commercial bank with a guarantee, promising full repayment in the event the exporting firm defaults on its loan. In
2005, Ex-Im guaranteed over 3,000 loans totaling nearly $14 billion\textsuperscript{36} (Jackson 2006, p. 4). Finally, the least used tool at Ex-Im's disposal is the direct lending program. Direct loans, with the most favorable terms allowed under international agreements, are provided to firms primarily to counter subsidized export financing by foreign governments. Ex-Im's tied aid, which includes grants and loans with below market interest rates, must be approved by the U.S. Treasury Department.\textsuperscript{37} The Treasury has not approved a single tied aid request by Ex-Im since 2002, suggesting a reluctance on the part of the U.S. government to become involved in trade disputes (Jackson 2006, p. 3).

6.8 United States Chamber of Commerce

The United States Chamber of Commerce, like Eurochambres, is an extensive organization with the aim of representing business interests at home and abroad. The U.S. Chamber of Commerce is headquartered in Washington, D.C., and encompasses thousands of local and state chapters, as well as more than three million U.S. firms of all sizes and from all industries ("About Us"). In order to assist U.S. exporters, the U.S. Chamber of Commerce offers basic information in its online portal "Trade Roots." Exporting firms can access basic country information, industry-specific export information, market insights, and a limited set of trade statistics. In addition, the Trade Roots provides contact information for U.S. Commercial Service Offices abroad ("Trade Roots Trade Toolbox").

In addition to the basic export assistance resources offered by the Trade Roots portal, foreign offices are located in 91 countries around the world. These chambers are generally

\textsuperscript{36} Ex-Im provided $14 billion worth of coverage, which should not be confused with its budget of $200 million.

\textsuperscript{37} This rule does not apply to tied-aid for agricultural products.
affiliated with the U.S. Chamber of Commerce, however they are operated independently of the main U.S. Chamber and funded largely through their own membership dues. Using the example of the American Chamber of Commerce in Germany, membership dues of between €670 and €1,950 per company, per year (depending on firm size) entitle member firms to attend networking and informational seminars, as well as be referred for potential business contracts ("Member Benefits").

6.9 U.S. Export Promotion at the State Level

Although federal agencies such as the Departments of Commerce and State, the SBA, and Ex-Im Bank provide the bulk of government export assistance, there are also notable export promotion efforts at the state level. As U.S. states are given significant autonomy in many aspects of governance, it is also partly up to state governments to provide their firms with assistance during the export process. Naturally, the resources state governments devote to export promotion vary sharply. Furthermore, with 50 separate models in question, it is difficult to define the nature of export promotion at the state level. Nonetheless, studies have attempted to draw certain basic conclusions regarding state-level efforts.

In a study conducted by the SBA (Cadwell 1992), export promotion programs were found in all 50 U.S. states. The author characterized many of these programs as "ambitious and broad," with a series of large objectives, yet little definition of how these objectives should be met (Cadwell 1992, p. 2). Business leaders from nine states\(^\text{38}\) were surveyed regarding their experiences with state-level export assistance, resulting in widespread

\(^{38}\) These states included California, Colorado, Illinois, Maryland, Michigan, Nebraska, New York, Rhode Island, and Texas.
conclusions. In general, however, the most successful programs were characterized by an emphasis on individual export counseling for firms with a focus on the needs of companies from that particular state (Cadwell 1992, p. 2). In addition, seminars and workshops offered by states with the aim of providing basic information on both exporting in general, as well as on federal export assistance, were seen as successful. Among the recommendations found in the report is an increased effort on the part of state legislatures to define export goals explicitly, a better defined allocation of resources, and improvement in collecting feedback from firms that have utilized state export assistance programs (Cadwell 1992, p. 3).

The export assistance tools provided by the federal government, states, and the Chamber of Commerce network assist U.S. firms on a daily basis. As evidenced by the U.S. trade deficit, however, export activity must increase among U.S. firms. This paper will now turn to a discussion of the many flaws within U.S. export promotion efforts, and why America would benefit from looking to Europe as a potential model on which to base improvements.
Chapter Seven: U.S. Challenges and European Answers

As evidenced by the efforts made by governments and other organizations in the EU, Germany, and the U.S., export promotion is considered a vital component of a successful trade strategy. The variety of export assistance offered to firms demonstrates in practice the theoretical rationale behind export promotion, as discussed in Chapter Three. Furthermore, having completed a survey of export promotion programs in Europe and the United States, it is apparent that most of these efforts are similar in concept and design. EU, German, and U.S. programs all seek to provide firms with the same types of information and connections in order to facilitate the export process. In addition to informational assistance, these governments all fund, or at least provide access to, export credit guarantees and insurance aimed at minimizing the financial risk to firms.

Furthermore, the governments in the EU, Germany, and the U.S. all are faced with the challenge of coordinating the efforts of numerous agencies and offices, not to mention other organizations with vested interests in export activity. Providing a harmonized, comprehensive export promotion strategy, while still catering to the widely varying needs of firms, and remaining within the legal framework of the WTO and other agreements, is somewhat of a juggling act. Although European programs are far from perfect, and although U.S. programs indeed help exporters every day, Europe appears to be ahead in rising to this challenge. The focus will now shift to why this is the case, and why the United States can learn from specific examples of European export promotion efforts.
7.1 Problems with U.S. Export Promotion

At the beginning of this paper, the case of Nationwide Equipment was cited to exemplify the difficulties facing U.S. exporters. The Jacksonville, Florida based firm, founded in 1983, is a medium-sized company that buys used construction equipment, refurbishes it, and sells it to customers around the world. Owner Edward Kostenski is certainly not a novice in the realm of exporting, having sold his products in over 60 countries. In fact, Nationwide Equipment has earned the Presidential Award for Excellence in Exports, as well as the Chamber of Commerce International Trader of the Year Award ("From the Desk of the President"). Despite its vast experience in exporting, however, the company is finding it increasingly difficult to sell in foreign markets. Frank Vargo, Vice President for the National Association of Manufacturers and former senior official at the Commerce Department, summarized the basic problem: "Every study that's been done for the last 30 years shows that our export promotion effort is puny compared to what other countries do" (Armbruster 2006).

7.1.1 Limited Funding

Last year, Nationwide Equipment secured a sale of heavy equipment to a customer in Ghana. The deal, valued at $1.37 million, was guaranteed by Ex-Im, allowing the purchaser in Ghana to obtain a loan (Hammer 2006). At the last minute, however, Ex-Im withdrew its credit approval, citing doubts about the customer’s financial situation. The feeling among many exporters is that this is not an isolated event, and is in fact indicative of a larger trend.
Kostenski stated the following: "We have orders and orders because the dollar is weak, but since 2002, Ex-Im has just dried up. If Ex-Im doesn’t take care of me, what incentive is there for me to export American-made products and create jobs at home?" (Hammer 2006). This demonstrates one primary problem with regard to U.S. export promotion efforts: a lack of funding.

SMEs such as Nationwide Equipment are the firms facing the greatest risks in export transactions, as their more limited financial resources often do not allow for failure. As discussed, a main goal of Ex-Im is to minimize the risk these companies face. In 2005, however, only 19 percent of the bank’s coverage went to small exporting firms, a total of $2.6 billion. At the same time, over $4 billion, or roughly a third of Ex-Im’s total coverage budget, went to aircraft manufacturer Boeing for the sale of 78 airliners (Hammer 2006). Export financing such as this has justifiably given Ex-Im the nickname “Bank of Boeing.” Clearly, the welfare of the Boeing Corporation is directly tied to thousands of U.S. jobs. Nonetheless, one could argue Ex-Im’s lack of funding for SMEs is possibly more damaging to employment figures than a potential cut in the bank’s assistance to Boeing. Estimates suggest every $1 billion in U.S. exports generates roughly 14,000 jobs. Using these estimates, Jim Morrison, President of the Small Business Exporters Association, argues that if Ex-Im helped each small exporting firm in the United States sell in one additional foreign market, U.S. exports would rise by almost $350 billion, cutting the deficit almost in half (Hammer 2006). Granted, not every small firm in the United States is suited for export activity. However, many firms are, and an increased focus on these firms as potential exporting SMEs has the ability to reduce the trade deficit and safeguard, if not create, jobs in
the United States. Increased funding for Ex-Im’s coverage, or at least a shift in the use of available funding, could help make this happen.

The problem of inadequate or misused funding is not unique to Ex-Im. A 2006 study conducted by the Government Accountability Office (GAO) found that overall, export promotion funding has declined by more than 30 percent since 2002, the result of budget cuts at many TPCC agencies (Yager 2006, p. 2). Furthermore, the 19 member agencies of the TPCC contributed a total of just $1.8 million to the Committee in 2006. In addition to the lack of funding for export promotion efforts directly, basic funding for research and development, which has the potential to boost export competitiveness, has declined in recent years. Not including defense-related R&D, which many argue has little commercial value, the U.S. level of federal funding for research and development, at 2.17 percent of GDP, is below the OECD\(^{39}\) average ("Cutting our Trade Deficit: Can the U.S. Muster its Diverse Trade Promotion Operations to make an Impact?"). The lack of funding for export promotion programs specifically, as well as for overall economic competitiveness which can lead to increased exports, led to comments by one official at the Economic Policy Institute\(^{40}\) that the TPCC’s National Export Strategy is in fact “a thinly disguised import strategy” ("Cutting our Trade Deficit: Can the U.S. Muster its Diverse Trade Promotion Operations to make an Impact?").

\(^{39}\) The Organization for Economic Cooperation and Development.

\(^{40}\) The Economic Policy Institute is a think tank based in Washington, D.C.
7.1.2 Limited Awareness

In addition to the general lack of funding for U.S. export promotion efforts, problems stem from a lack of awareness on the part of firms. Many business leaders are neither aware of the export assistance that is available, nor are they even aware of the potential benefits of exporting in general. Furthermore, many U.S. firms have, in the past, simply not been willing to export. Because of the vast domestic market in the U.S., many companies have not needed to look abroad for new customers. Vargo continued, stating that many firms are not aware that “in today’s globalized world, you’re in the international marketplace, whether you like it or not” (Armbruster 2006). To make matters worse, over a seven year period between 1997 and 2004, the number of U.S. exporting firms increased just 8.5 percent. As of June 2006, just 4 percent of U.S. firms exported their products. Of the U.S. small and medium-sized enterprises (SMEs) that did export in June 2006, almost 60 percent exported to just one foreign market (“2006 National Export Strategy Report,” p. 24-5). This is in sharp contrast to Germany, where the average firm earns one out of every three Euros in foreign markets (“Außenwirtschaftsförderung,” p. 1). Possibly because of smaller domestic markets historically, many European business leaders have long understood the value of exporting. In the case of the United States, firms must first be made to understand the necessity of exporting; once this point has been communicated, they must then be given the assistance they need to succeed in foreign markets.
7.1.3 Limited Coordination

In addition to the general lack of funding for export promotion programs in the United States, a lack of coordination among agencies hampers the overall objective of boosting exports. A 2006 GAO study found that coordination among TPCC agencies continues to be extremely limited. In particular, coordination among the Commerce Department, State Department, and Agriculture Department remains difficult, especially in defining the role and competency of personnel from each department at embassies and consulates abroad (Yager 2006, p. 3). Also complicating U.S. export promotion efforts is a general lack of defined goals, including measures for monitoring progress in reaching these goals. While the TPCC’s annual Export Strategy does little to define specific objectives, there is limited harmonization between the objectives it does define and the objectives of the individual agencies within the TPCC (Yager 2006, p. 3). Furthermore, in stark contrast to Europe, there is little cooperation between government agencies and Chambers of Commerce in the United States. Perhaps the motto of the U.S. Chamber of Commerce, “Fighting For Your Business,” characterizes the relationship between the Chamber and the federal government (“About Us”). While the Chamber of Commerce does provide a link from its website to that of the U.S. Commercial Service, there are few specific examples of collaborative efforts between the two groups.

The findings of the 2006 GAO report on the TPCC are evident in other studies, as well as in the anecdotal evidence supplied by exporters and potential exporters in the United States. State International and Development Organizations (SIDO) President Kathy Hill stated: “We are staring down the barrel of a $1 trillion trade deficit, but our export
promotion programs are a cut-and-paste affair. Why is it that trade policy, the process of negotiating trade agreements, is centrally orchestrated by a powerful White House office, while trade promotion, the process of helping our businesses take advantage of the agreements we sign, is left up to a loose constellation of agencies and institutions with no common agenda?” (Bradley, p. 2). In balancing the mix of export promotion efforts at numerous levels of government, as well as the mix of public-private efforts, the United States is not rising to the challenge.

7.2 Efforts to Improve U.S. Export Promotion

Because of the significant problems with U.S. export promotion efforts, there is an increasing awareness of the issue among policymakers in the United States. Most recently, the cause has been spearheaded by Congressman John Mica (R-FL). In the 109th Congress, Mica introduced H.R. 4250, the United States Export Promotion Act of 2005 (“H.R. 4250: United States Export Promotion Act of 2005”). H.R. 4250 contained provisions to eliminate all fees charged by the U.S. Commercial Service, including those for Gold Key and Platinum Key programs (p. 4). In addition, the bill sought to relocate Commercial Service officers to foreign offices separate from U.S. embassies and consulates, thereby placing an increased emphasis on the unique role of the Commercial Service in promoting U.S. export activity (p. 3). Finally, the proposed legislation required the Commerce Department to conduct a minimum of 100 U.S. trade missions in foreign countries in fiscal year 2006-2007, as well as to create a comprehensive, online database of all U.S. exporting firms (p. 4-5).

Unfortunately, H.R. 4250 was referred to the House Committee on International Relations, 41 The 109th Congress existed from January 2005 until January 2007.
where it remained frozen until the end of the 109th Congress. Like all unconcluded legislation, it was discarded entirely, having never become law, when the new Congress took office in early 2007.

In addition to Rep. Mica’s efforts in 2005, Congressman Donald Manzullo (R-IL) introduced legislation during the 109th Congress that sought to better organize U.S. export promotion efforts. H.R. 5196, the Small Business Trade Promotion Enhancement Act of 2006, contained provisions to establish an “Office of Trade Promotion” within the Executive Office of the President. The proposed office would replace the TPCC, which as discussed, has been largely ineffective in coordinating export promotion activities. In addition, to the establishment of this office, the President would be required to appoint a Director of Trade Promotion, as well as two Associate Directors. This would, in effect, place an increased emphasis on export promotion by giving this policy area the undivided attention of senior policymakers in a unique office, as opposed to leaving it to the cabinet members presiding over the departments that loosely comprise the TPCC. Like H.R. 4250, H.R. 5196 was referred to the House International Relations Committee and never became law (“5196: Small Business Trade Promotion Enhancement Act of 2006”).

### 7.3 Specific European Examples to Follow

Complimenting the reforms attempted by Reps. Mica and Manzullo in 2005, specific aspects of European efforts should be evaluated and possibly applied in the United States. The notion of looking to Europe was voiced in 2002 by former Commerce Secretary Donald Evans. Evans stated: “We [are] particularly impressed by the high level of support our
trading partners give to small and mid-sized firms...Our competitors take a more active approach in generating opportunities for their exporters.” Evans continued: “Other governments take a more holistic view toward export promotion...And we found especially in Europe...elaborate e-business strategies...have become the organizing principle for their trade promotion programs” (“Testimony of Secretary Donald L. Evans Before the House International Relations Committee”). The online portal Export.gov is an example of the U.S. federal government following the approaches of some European governments, such as Germany, in coordinating a vast array of export promotion programs. However, the United States must do more. As Secretary Evans summarized: “…this is really just the starting point of our work.”

Based on the evaluation of export promotion programs presented in this paper, the following aspects of European programs should be of particular interest to U.S. policymakers:

- An internet portal similar to Germany’s iXPOS platform could be created in the United States. While Export.gov is a step in this direction, iXPOS is more comprehensive, user-friendly, and in addition to linking all federal agencies involved in export promotion, provides a wealth of information directly. Export.gov could be further developed along the lines of iXPOS.

- A database similar to the EU’s Market Access Database could be created in the United States. The MADB’s three-way dialogue between the EU, the member states, and the private sector could be applied to a U.S. database that links the federal government, state governments, and firms. This three-way dialogue is lacking in the current U.S. Market Research Library.
Programs such as the EU Gateway to Japan could be mimicked by the United States. In line with the proposals in H.R. 4250, U.S. trade missions should increase and fees imposed by the Commercial Service should be reduced significantly or eliminated. In-depth, yet reasonably priced programs like Gateway to Japan are not offered currently by U.S. agencies.

The United States should increase funding of export promotion programs to match European levels. Germany devotes more funding, relative to the size of its economy, than the United States.

The cooperative relationship between European governments and Eurochambres could serve as an example for the United States. Cooperation between government and the U.S. Chamber of Commerce is extremely limited. Programs such as the EU Gateway to Japan succeed because of the cooperative effort between government and the Chambers of Commerce.

Aspects of the German AHK system could be applied to the U.S. Commercial Service abroad. As an organization independent of the German foreign service (not to say the two do not cooperate), the AHK is afforded the ability of focusing exclusively on fostering business relations. In line with H.R. 4250, the U.S. Commercial Service should establish its own offices abroad in a system similar to the AHK. While U.S. embassies and consulates can support U.S. business interests, they should not have to house the Commercial Service.
• The Euler-Hermes program in Germany focuses to a greater extent on export financing for SMEs. This approach could be adopted by Ex-Im. Ex-Im should redistribute its funds to assist more SMEs.
Conducting business abroad is a daunting challenge. Although the impediment of tariff barriers has declined over the past half-century, exporting firms must still learn to navigate new business environments. This difficult task involves mastering everything from different cultural preferences to different certification standards for products. Despite the difficulties associated with exporting, however, its benefits can be well worth the effort. Firms stand to increase sales, and as an aggregate result, national economies stand to grow. There is the potential for jobs to be created, and pressure on social systems is reduced. Given these advantages, governments find it in their best interests to encourage, promote, and even reward export activity. While the rules of the international trading system have become increasingly stringent, especially with regard to financially rewarding exporting firms, export promotion plays an important role in the trade strategies of most countries around the world. Export promotion characterized by informational assistance and support, instead of payments, can be successful both now and in the future.

All countries must actively seek to remain competitive in a world of ever-shifting comparative advantage. While not all countries can remain ahead of the curve, and not all economies can enjoy trade surpluses, it is essential that trade deficits be kept in check. Export promotion is not the only answer to maintaining a healthy balance of trade, but it is an important factor. With the United States racking up record levels of foreign debt, it is only reasonable to evaluate the export promotion efforts of the U.S. government with a special eye toward areas for improvement. To this end, much can be learned from Europe. Agencies at all levels of government in Europe work together to coordinate and harmonize the assistance
available to exporting firms. Furthermore, their efforts compliment those of the Chambers of Commerce. Many programs are well funded, and European exporters have a wealth of assistance from which to choose.

While the United States makes a similar effort, it falls short in terms of both coordination and funding. Despite the possible lessons to be learned from Europe, however, U.S. programs will only improve through real political will. The Presidential e-initiative creating the Export.gov portal was a step in the right direction, as was the legislation introduced in the last Congress. However, export promotion legislation must become law in the future. Perhaps this will only occur if the U.S. trade deficit continues to soar and if the Chinese continue to maintain a sluggish position with regard to the RMB. It is very probable that conditions will become more difficult for U.S. exporters before they become better.


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