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## State Government in International Trade

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# STATE GOVERNMENT IN INTERNATIONAL TRADE

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The aim of this article is to review an international trade program as conceived, planned, and conducted by a state government in the United States. The program example selected is that of the State of Georgia.

## I. HISTORY OF THE PROGRAM

The current program of activities of the State of Georgia in the field of international trade was begun in 1971 under the leadership of Louis W. Truman, Lieutenant General (United States Army, Retired), who was then Commissioner of the Georgia Department of Community Development. This state department, in common with such departments in many states of the United States, has, as basic missions, the search for new industries, the promotion of business in general, and the promotion of tourism for the State of Georgia in both national and international markets. A key factor in the execution of the programs has been the enthusiastic support of the governors who held office during the period: Governor Lester Maddox, Governor Jimmy Carter and Governor George Busbee.

The broad program now underway was actually launched in 1971 with the formation of a small International Division within the Department of Community Development which, despite the considerable increase in activities since initiation of the program, has remained small, with a total of only six employees in the Atlanta offices of the department.

In the interest of preciseness, it is important to emphasize that this effort was not the birth of international business in Georgia. Businessmen and farmers in Georgia have a long history of participation in the international marketplace and today there are numerous illustrious names on the list of Georgia companies operating on a global basis.<sup>1</sup> My intention is to describe the development and growth of a new effort to promote international trade by a state government agency.

## II. GROUNDWORK FOR DEVELOPMENT

The conceptual basis for the development of the international trade program embraced a number of estimates, facts, opinions and truisms. Principal among these were the following items:

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1. Examples of such companies are the Coca Cola Company of Atlanta, the Southwire Company of Carrollton, and Lummus Industries, Inc., of Columbus.

- that state government should not undertake any activity which can be done more efficiently by private business;
- that extensive professional assistance is available to United States businessmen who wish to participate in international trade;<sup>2</sup>
- that many U.S. goods and services are either superior in quality to, or highly competitive with, those of other nations and are, therefore, readily marketable;
- that the percentage of the United States gross national product attributable to exports is very low when compared to the performance of some of the principal industrialized nations<sup>3</sup> and that this fact probably means that U.S. business, for whatever reasons, does not take full advantage of opportunities in the international marketplace;
- that under the laws and regulations of the United States, there are minimal administrative problems connected with the export sale of most goods and services and that there are few restrictions pertaining to either officials of state governments or businessmen regarding travel in foreign countries to promote or sell U.S. goods and services;

Having established a conceptual basis for the development of the program, the next requirement was examining the practical aspects of the problem of encouraging and assisting more Georgia businessmen to take advantage of the many opportunities that exist in the international marketplace. More precisely stated, the objective was simply to learn why businessmen do not engage in international trade and then to develop appropriate remedial action, if practicable.

To accomplish this task, a series of interviews with businessmen was conducted.<sup>4</sup> Although the survey was not extensive, the sampling, which was aimed at a variety of types of business throughout the state, produced a convincing pattern of responses. Basically, there were two responses that reflected the reaction of all those interviewed. One group expressed enthu-

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2. Such assistance is provided in various ways by the United States Department of Agriculture, the United States Department of Commerce, the United States Department of Customs, the United States State Department, commercial sections of United States embassies and consulates around the world, international departments of banks, international insurance operators, international freight forwarders, and numerous professional associations.

3. Performance in the last quarter of 1974 is illustrative. Exports as a percent of GNP for selected nations were as follows: United States 7.4%, Japan 12.6%, West Germany 23%, United Kingdom 19.5%, Canada 23%. U.S. DEP'T OF COMMERCE, INTERNATIONAL ECONOMIC INDICATORS AND COMPETITIVE TRENDS, Chart 52, at 61 (August 1975).

4. The survey was accomplished over time by means of random interviews conducted during export seminars and conferences, interviews with experienced personnel in the international departments of Georgia banks and a questionnaire sent to about 600 Georgia manufacturers in April, 1973.

siasm for the idea of expanding into the international market, along with a need for information and assistance on how to get started. A second group expressed the view that they had not attempted to engage in exporting because it was their understanding that a great deal of complicated "red tape" was involved. After having been informed about the simple steps involved and the professional services available, many of the second group were ready to reconsider.

As a result of these interviews, and other study,<sup>5</sup> it was evident that an increase in participation by Georgia firms in international trade could be achieved through a modest program of information and assistance that could be provided by the Department of Community Development. The program, as it developed gradually over a period of months, included the following activities:

- development of a capability to provide comprehensive information and assistance to Georgia businessmen.<sup>6</sup>
- expanded cooperation, coordination, and exchange of information with other agencies<sup>7</sup> concerned with international trade;
- encouragement of foreign nations to consider Georgia as a location for consular and trade offices;
- encouragement of foreign firms to locate headquarters, distribution and manufacturing facilities in Georgia;<sup>8</sup>
- enthusiastic support for the construction of the Georgia World Congress Center, a state facility for trade exhibitions and conferences with equipment for multi-lingual conferences;<sup>9</sup>
- encouragement of foreign businessmen to view the Georgia De-

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5. Additional study included review and assimilation of material obtained through visits to the National Association of State Development Agencies, Washington, D.C., international trade departments of other states, the Regional Office of the United States Department of Commerce in Atlanta, the United States Department of Commerce in Washington, D.C., and departments concerned with international trade in the universities of the university system of Georgia.

6. In addition to the development of a considerable library of reference material, personnel of the international division broadened their knowledge through individual study programs and attendance at numerous seminars and conferences on international trade.

7. See those departments and agencies listed in note 2 *supra*. Other agencies are the Georgia Chamber of Commerce, the Georgia International Trade Association, the Georgia Ports Authority, international business elements of state and private universities, the State Department of Agriculture, Georgia firms having extensive experience in foreign trade, and consular offices located in Georgia.

8. Foreign firms were encouraged to locate in Georgia by means of a variety of techniques including direct mail solicitation, selective advertising in foreign and domestic publications that serve the foreign market, solicitation by Department of Community Development representatives located in foreign countries and by the conduct of reverse investment missions, *i.e.*, Georgia missions that visited foreign businessmen for the specific purpose of encouraging investment in Georgia. There are now more than 130 foreign firms with offices or factories in Georgia.

9. This facility is now a reality, with the opening set for September, 1976.

- partment of Community Development as a point of contact for information and assistance on business in general in Georgia;
- the conduct of a very selective advertising campaign in foreign publications and United States publications having foreign circulation;
  - the publication of a periodic *Special Report* to Georgia businessmen to provide them with the leads acquired as a result of the total effort;
  - the planning and conduct of formal trade missions to foreign countries on a continuing basis;
  - the planning and conduct of "reverse investment" missions to foreign countries, *i.e.*, missions specifically oriented toward acquiring foreign industrial investment in Georgia;
  - the planning and organization of exhibitions of Georgia products in foreign countries;<sup>10</sup>
  - the planning of special good will and business seeking missions headed by the governor or the lieutenant governor;
  - the establishment of a network of overseas offices of the Department of Community Development to function as general trade promotion offices.<sup>11</sup>

Although each of the activities listed has had a bearing on the overall success of the program, it is not practicable to review each of them in detail here. Given this limitation, the planning and conduct of trade missions has been selected for examination because of the ultimate importance which accrued to these missions and also because such missions are illustrative of state-federal relationships in the field of international trade.

### III. THE TRADE MISSION PROGRAM

At the outset, planners of the Department of Community Development visualized the organization of a trade mission as a service. The usefulness of such a service became all the more obvious as consideration was given to the numerous problems that confront a businessman who is making his first sortie in the field of international trade. Obtaining passports, visas, and hotel reservations is not a particularly complicated matter, but other requirements can present formidable problems to a novice such as the need to get advance information to potential customers, arrangements for appointments and interpreters, and arrangements to carry samples without payment of duties. On the other hand, it was clear that a state office could easily make such arrangements, not only because of an inherent capability

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10. The first effort in this area was the organization of an exhibition of the products of the Georgia carpet industry. This exhibition was conducted in the United States Trade Center in Tokyo, Japan in June, 1975, with seven Georgia manufacturers participating.

11. The Department now has offices in Belgium, Brazil, Japan, and Canada.

to more readily command the attention of both United States and foreign government agencies as well as others, but also because of its capability to collect and maintain comprehensive sources of information—a task which would be burdensome to the average business.

The trade mission program began to develop from planning to reality encompassing the following elements:

- a basic concept of planning trade missions so that the Georgia businessman could participate with minimum effort;
- initiation of planning eight to ten months in advance of the dates of a mission visit;
- coordination with federal agencies, including United States embassies and consulates, and foreign government agencies and business organizations, such as chambers of commerce;
- planning and organization of the mission itinerary;<sup>12</sup>
- providing for each mission to consist of 10 - 20 businessmen with a mission duration of about two weeks;
- sending an advance man, at least one month in advance of the visit, to coordinate details in each city to be visited by the mission;
- appropriate study of the market in the countries to be visited followed by invitations and publicity in Georgia aimed at firms having marketable goods and services;
- insuring that all trade missions would be conducted in a professional and businesslike manner;<sup>13</sup>
- inclusion of buyers, bankers, and investors in the composition of the mission in addition to sellers.

As planning and coordination for the first trade mission began in late 1972—a mission to be named “Georgia Trade Trek One” and scheduled to visit Sao Paulo, Rio de Janeiro, Belo Horizonte, and Recife in Brazil—department planners established contact with the Bureau of International Commerce of the United States Department of Commerce, since this bureau has responsibility for federally-sponsored or federally-supported trade missions. Although neither federal assistance nor federal permission is required for the conduct of a trade mission,<sup>14</sup> it was desirable to make

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12. This planning included travel and lodging, appointments for each businessman on the mission, publicity, mailing of a mission brochure, interpreters, mission receptions in each city, and other matters related to protocol and representation.

13. Research indicated that some U.S. trade missions had been conducted as if they were excursions for playboys—to the considerable irritation of personnel of the Department of Commerce and U.S. embassies assigned to assist them.

14. Taking exports as an example, the great majority of products in international trade may be exported from the United States under a General License. To export these products, one need only check with an office of the United States Department of Commerce to verify that the product falls in the category of the General License. Neither a written application nor a permit is required. Some commodities, which may be controlled for various policy reasons, require a written application and a Validated Export License. Having qualified for

contact with the Bureau of International Commerce to take advantage of their extensive experience and available assistance.

Examination of the bureau's policies concerning trade missions revealed two areas of fundamental disagreement with the concepts already developed by the planners of the Department of Community Development—a disagreement which persisted unresolved for more than a year. These bureau policies<sup>15</sup> provide:

To be designated an official Department of Commerce Industry-Organized Government-Approved Trade Mission, the sponsors must conform to the following criteria:

1. The prime objective of the proposed Mission and all its members must be the sale of U.S. produced goods and services and the establishment of agencies or representation abroad.
2. The products represented on the Mission shall be a homogenous group within one product theme which the Department believes offers substantial market opportunities. The Foreign Service Posts must agree with the product mix of the Mission and its timing.

In discussions with representatives of the Bureau of International Commerce in Washington,<sup>16</sup> planners of the Georgia Department of Community Development learned at once that the policy contained in the first criterion was even more circumscribed than the language used to express it would indicate. The precise meaning of the policy, as it was explained, was that inclusion of buyers, bankers, and investors in a trade mission, as planned by the Georgia Department of Community Development, would preclude federal recognition and support. This view was based on a rationale which held that even the small expenditures involved in assisting a trade mission could not be justified to the Congress if used to assist importers or others whose business activities normally result in a dollar outflow.

To the Georgia planners, this policy represented a rather sterile concept. In their view, the inclusion of buyers, bankers, and investors, along with sellers, on a trade mission simply amounted to recognition that the term

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the required license, the businessman is free to sell his product in any country with the exception of those cases where the law prohibits exports to a particular country. Given the fact that each exporter must operate within the constraints just mentioned, federal permission for the conduct of a trade mission is not required. It goes without saying that federal assistance is not required to enable businessmen to sell their products as members of a mission. See U.S. DEP'T OF COMMERCE, A BASIC GUIDE TO EXPORTING at 33.

15. See generally U.S. DEP'T OF COMMERCE, TRADE MISSIONS, A HANDBOOK FOR TRADE MISSION MEMBERS at 18.

16. During 1973 and early 1974, there were numerous discussions of the subject matter between representatives of the Georgia Department of Community Development and representatives of the Bureau of International Commerce of the United States Department of Commerce. These discussions took place by telephone and by means of visits by representatives of the Georgia Department of Community Development to the offices of the Department of Commerce in Washington.

“international trade” conveys the implication that both buying and selling are involved. The decision to include buyers in missions did not mean that an effort would be made to encourage Georgia firms to engage in importing. Rather, the intent was that firms already engaged in importing would be encouraged to participate in trade missions as a means of making the missions more attractive to foreign business associations and governments. Bankers and investors were considered important in mission composition because they might be able to assist in financing purchases of goods and services from Georgia firms, and also because they have the capability to identify and evaluate business opportunities.

The second criterion in the Bureau of International Commerce policy with regard to trade missions was considered by the Georgia planners to be fundamentally incomprehensible on several counts. As noted, this criterion provided that products represented on the mission shall be a homogenous group and that United States foreign service posts must agree with the product mix. The bureau explanation of the term “homogenous group,” alternatively referred to as a “vertical group,” was that the products represented on a mission should be a “family” of products.<sup>17</sup> The only reason ever offered as a basis for this policy was that establishing contact with potential customers would be simpler when dealing with a single industry—reasoning that could hardly be described as overwhelming. The Georgia planners believed, and now know, that a mission offering many unrelated products, referred to in the Bureau of International Commerce as a “horizontal mission,” is an effective selling device and that there is no particular magic in the so-called “vertical” or “homogenous” grouping of products. After all, a salable product is a salable product. Perhaps not thoroughly understood in the Bureau is the fact that the number and variety of industries in Georgia or in any other single state does not permit adherence to a concept of “homogenous” product missions. In fact, the State of Georgia would be able to launch few trade missions under such guidelines.

The policy requirement that foreign service posts approve the products represented on a mission was based on the curious view that the United States government might somehow be embarrassed if a trade mission offered products which did not sell. The Georgia planners, on the other hand, not only found it hard to believe that such a situation could embarrass the United States, but also took the position that the individual businessman is best qualified to decide, after having been provided market data, whether or not he should risk the expenses of a trip to a foreign country.

After careful consideration of the policies of the Bureau of International Commerce, a decision was made to proceed with the trade mission program without federal recognition. With considerable success, three missions,

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17. As an example, a bakery products mission would include ovens, pans, packaging equipment and other materials, and equipment related solely to the baking industry.

designated Georgia Trade Treks One, Two and Three, visited cities in Brazil, Ecuador, Columbia, Venezuela, Nicaragua, Honduras, El Salvador, Guatemala, and Costa Rica. Despite the lack of formal federal recognition, it is important to note that the cooperation and assistance provided by the United States Department of Commerce, the United States State Department, and foreign service posts was generally splendid and enthusiastic. Perhaps due to the sincerity of the effort and the professionalism demonstrated, the Department of Commerce, after completion of these first three trade missions, relaxed the application, although not the letter, of those policies which had been the source of disagreement.<sup>18</sup> Federal recognition was then given to Georgia Trade Treks Four, Five and Six which visited Chile, Peru, Ecuador, Bulgaria, Rumania and Mexico. Thus, six formal trade missions were completed in the relatively short span of two years.

#### IV. ESTABLISHMENT OF OVERSEAS OFFICES

The plan to establish the overseas trade promotion offices<sup>19</sup> of the Department of Community Development was first estimated to involve a lengthy administrative process of applications and negotiations with United States and foreign government agencies. This was not the case. First, there were no real formalities on the part of the United States government, its only concern being that such offices confine their activities to business, or more precisely, that such offices refrain from intrusion into the area of foreign affairs reserved by law to the federal government.<sup>20</sup> Japan, Belgium, Canada and Brazil were selected for the location of offices. In the case of the first three countries, there was no special problem, since precedent had been established over the years through representa-

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18. In June, 1974, Commissioner Truman and other representatives of the Georgia Department of Community Development visited the Department of Commerce in Washington to attempt, once again, to resolve the problem of recognition of Georgia missions and the opposing concepts involved. The senior officer of the Department of Commerce present was the then Deputy Assistant Secretary for International Commerce, Mr. Marinus Van Gessel. After a discussion, which was both lengthy and lively, Mr. Van Gessel ruled in substance that Georgia missions could be recognized by the Department of Commerce despite the possible inclusion of bankers, buyers, and investors if he were given the assurance that the principal objective of Georgia missions would be the export of United States goods and services. Because this view coincided with the basic concepts of the Georgia Department of Community Development, Commissioner Truman assented readily, and the problem of recognition was resolved.

19. These one-man offices function as a miniature Department for all matters related to promotion of foreign trade, investment and tourism for Georgia. Duties include seeking new business and investment, following up on leads provided by the Department of Community Development, maintaining contact with foreign business organizations, and providing foreign businessmen with information about Georgia.

20. Section 10, article one of the Constitution of the United States provides, *inter alia*, that "No state shall . . . enter into any agreement or compact . . . with a foreign power. . . ."

tions and establishment of offices by other states of the United States.<sup>21</sup> In these countries, informal notification to the respective governments was sufficient. The situation in Brazil was different because no other state of the United States had ever presented a request to the Brazilian government for permission to open a trade promotion office. After coordination with the State Department and a visit to the Brazilian foreign ministry to present the idea, a letter was sent to the foreign ministry, in which it was explained that the purpose of the office would be to assist Brazilian businessmen and Georgia businessmen in the promotion of increased trade and business in general between firms in Brazil and firms in Georgia. Georgia also emphasized that the State office would not be engaged in business *per se*, and that special status for the Georgia representative was not desired. After consultations between representatives of the United States embassy in Brazil and representatives of the Brazilian Ministry of External Relations, and submission of a United States diplomatic note to that ministry, prompt formal approval was given for this first state trade promotion in Brazil.

#### V. PROGRAM RESULTS

The results of the total effort over the past four years<sup>22</sup> have been both positive and impressive. Aside from new business found for Georgia firms, new foreign firms have been attracted to invest in Georgia and more foreign governments have opened trade and consular offices in Georgia as a result of the program. The total program has assisted greatly in the development of a new international awareness of Atlanta and Georgia as centers of business activity in an area of the United States having great growth potential in the near future—the Southeast. The need for developing such an awareness had become apparent to all Georgians who participated in the various missions as, time and time again, it was learned that knowledge of Georgia on the part of many foreigners began and ended with the movie, "Gone With the Wind."

What proved to be the single most important element of the program was, as so often is the case, the simplest element of the original concept. In all activities—trade missions, reverse investment missions, special missions and advertising—foreign businessmen have been invited and encouraged to visit Georgia and to correspond with the Georgia Department of Community Development and Georgia businessmen about any legiti-

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21. Information supplied by the National Association of State Development Agencies, Washington, D.C., shows that the following states or commonwealths maintained trade offices in foreign countries as of the last quarter of 1975: Alabama, Alaska, Connecticut, Georgia, Illinois, Maine, Michigan, Minnesota, Mississippi, New York, North Carolina, Ohio, Pennsylvania, Puerto Rico, South Carolina, Texas, Virginia, and Wisconsin.

22. As of November, 1975, Georgia had 8 consulates, 7 trade offices, and 25 honorary consuls of foreign countries. Many of these offices were established in the last few years.

mate business interest, no matter whether it concerned buying or selling. The invitation, coupled with responsiveness to inquiries, has resulted in a growing increase in the number of business contacts between Georgia firms and firms in foreign countries. This development should not be surprising. After all, a first step in doing business is to let it be known that one wants to do business.

On May 19, 1975, by authority of the President of the United States, the Georgia Department of Community Development was presented the President's E Award for Export Service in recognition of "an outstanding contribution to the export expansion program of the United States." Clearly demonstrated after the first four years of Georgia's extensive effort in international trade is the fact that there is a role for state government in this field and that this role can be executed in cooperation with the various interested departments of the federal government. Insofar as Georgia is concerned, however, it is Commissioner Truman's view that the success attained must be attributed, in large measure, to the enthusiastic support of Georgia businessmen. Without such support, no state government could anticipate worthwhile accomplishment.