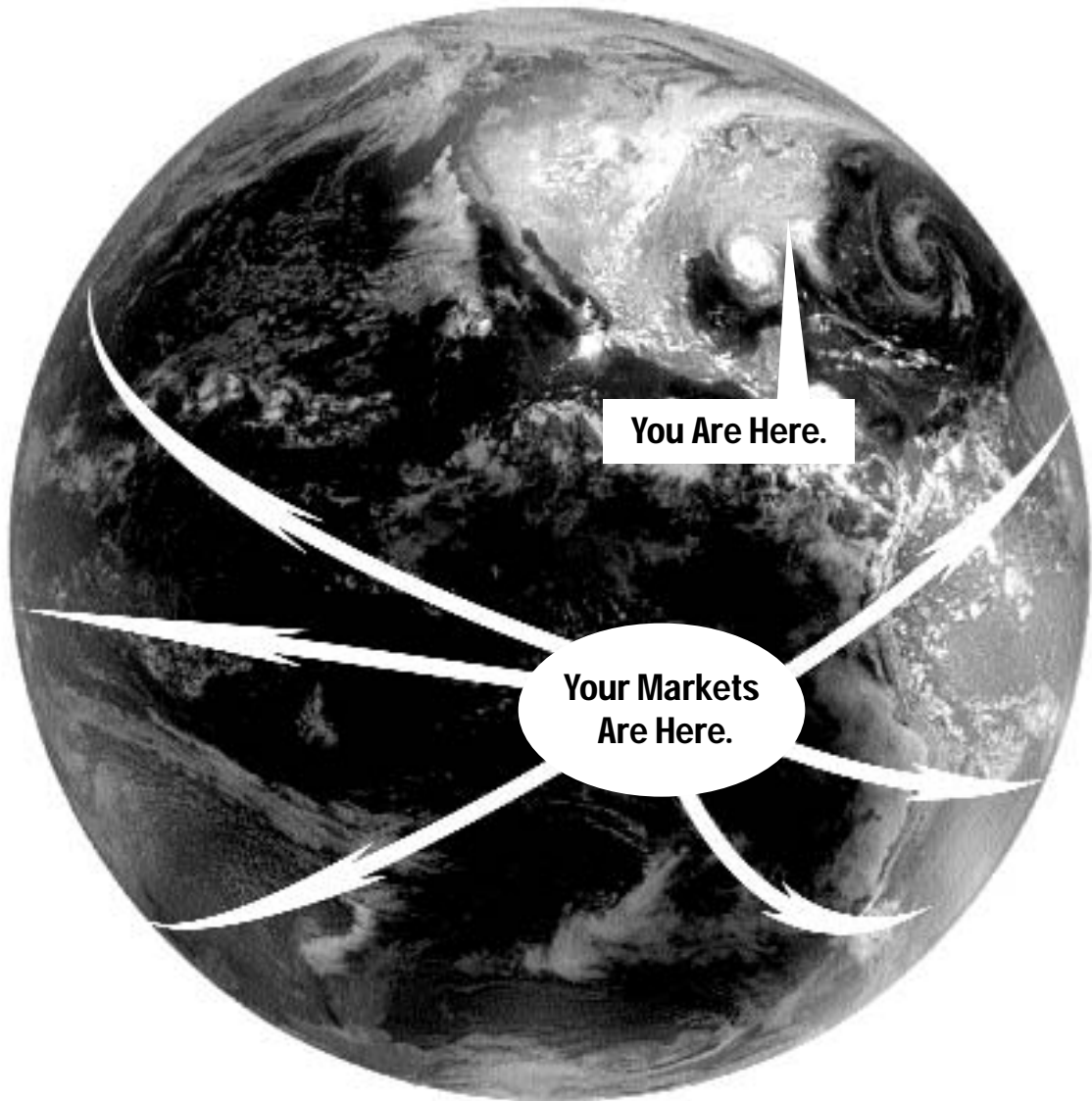


Fast Forward:

Mobilizing the South for Prosperity in a Global Economy

September 2003



You Are Here.

Your Markets
Are Here.

Fast Forward: Mobilizing the South For Prosperity In a Global Economy

Executive Summary

Globalization has brought the South many good-paying jobs, low-cost consumer items, eager workers, bright students, new research and technology, and the rich experience of diverse cultures.

Globalization has also contributed to painful economic changes and reduced security. The negative repercussions of globalization are very serious, but it would be a disservice to future generations of Southerners to characterize globalization as a complete disaster, or to advocate market-defying policy positions, such as promoting exports while reducing imports. The Southern economy is fused to the global economy, meaning we must stay in the game, and get good at it.

Our frequently piecemeal response to globalization—a dislocated worker program here, a trade delegation there—means both the best and the worst of globalization are slipping through our fingers. To reap the best and mitigate the worst, states must mobilize all their resources.

Why? For starters, global commerce accounts for about one-quarter of our economy.¹ Second, there are powerful synergies between traditionally domestic and traditionally foreign issues. Higher education, for example, is one of America's biggest exports. Third, there are equally powerful synergies between international factors, such as foreign alumni and trade development, or investment recruitment and immigration.

Definition: Globalization is what occurs when people, firms, and nations seek economic opportunity and other goals in a world opened up by technology, trade negotiations, and the spread of free market and democratic principles. It erases the barriers between the world's markets, communities and cultures.

Yet most states have disconnected policies to boost competitiveness, and fragmented *programs*—not really policies—to take advantage of global economic opportunities. The Southern Global Strategies Council (GSC) suggests a different approach. It believes a globally competitive state must also be globally educated and engaged, and that such actions require a capacity to think and act strategically about the whole.

The following page summarizes the GSC's recommended steps for making *all* Southerners upwardly mobile in today's global economy. Its recommendations are neither exclusive nor comprehensive, but suggest a pattern of actions that will lead to a rational, policy-based approach to creating a globally educated, engaged and competitive South.

Step 1: Create a widely shared vision of the South’s place in the world.

- Craft a vision of the Globalized South.
- Create an informed leadership and constituency for trade.
- Celebrate local success stories.
- Internationalize local media reporting.

Step 2: Use international trade to support business viability.

- Build a trade system, not stove pipe programs.
- Elevate state globalization to a policy level.
- Get significantly more businesses actively exploring trade.
- Forge multi-state partnerships to promote exports.

Step 3: Build upon the strong international presence in our region.

- Cultivate an innovative, global-savvy business image for the South.
- Improve the quality of foreigners’ experiences in South.
- Leverage existing linkages to bolster recruitment efforts.
- Fully leverage the international expertise and links in higher education.

Step 4: Teach our future workforce needed skills and confidence.

- Prepare every student to transition immediately into postsecondary education.
- Imbed international goals in state workforce development policies.
- Internationalize basic education.
- Expose youth to people from other countries.

Step 5: Develop international relationships to foster trade & investment.

- Systematically build relations where there’s a high return on investment.
- Develop an outreach strategy to encourage civic support and volunteerism.
- Create a Southern initiative targeted to a specific, developing world region.

“If we continue to do what we’ve always done we’re going to get what we’ve always had. And most of us in the South are unsatisfied with what we’ve had. ... We no longer can say, well, a 9th grade education is good enough to live in this community. We no longer live in this community; we live in the world. We therefore have to have an education that helps us to compete, live, and work in a whole world rather than in our own very small landlocked community that we can see with our own two eyes.” —Governor Mike Huckabee (6/23/01)

Background on the Report

This report is a product of the Southern Global Strategies Council—a standing advisory council to the Southern Growth Policies Board. The Global Strategies Council (GSC) provides expert advice on international issues affecting Southern Growth states. Each state is represented on the GSC by two gubernatorial appointees from leadership positions in government, business, academia, or the nonprofit sector.

The GSC builds on Southern Growth’s 20 years of national leadership for new concepts in state international competitiveness. The GSC identifies state strategies for managing globalization, and tracks the South’s progress towards its international goals. It also serves as a clearinghouse for speakers, data, program practices, grant applications, leadership education, multi-state trade efforts, and communication with entities at the national or international level. Its vision is:

“The South’s citizens, businesses, and communities will fulfill their potential by becoming globally educated, engaged and competitive. They will enjoy a worldwide reputation for excellence and global leadership.”

More than a hundred experts gave their valuable time to develop this report. Many are listed in Appendix A. Some participated in a regional retreat, in a focus group, or in one of the seven meetings of the GSC. Others answered a survey, summarized in Appendix B. The report was nearly two years in the making, allowing for thorough deliberation amongst the GSC members and their colleagues.

A number of individuals, organizations and companies also provided logistical and financial support that enabled the GSC to meet regularly and develop strong bonds of friendship—the catalyst of collaboration. These supporters are:

- ◆ American Electric Power
- ◆ Alabama Development Office
- ◆ BellSouth International
- ◆ The Boeing Company
- ◆ Cafe Europa, Hilton Head
- ◆ The Club Group, Hilton Head
- ◆ Georgia Department of Industry, Trade and Tourism
- ◆ Greater Kansas City Chamber of Commerce
- ◆ Greater Kansas City World Trade Center
- ◆ Greater Little Rock Chamber of Commerce
- ◆ Greater Mobile Chamber of Commerce
- ◆ Mississippi Economic Council
- ◆ Missouri’s International Trade Division
- ◆ South Carolina Department of Commerce
- ◆ Southwestern Bell Telephone Company, Arkansas Division
- ◆ SunTrust Bank
- ◆ Tecklenburg Law Firm, LLC, South Carolina
- ◆ Tennessee Department of Economic and Community Development
- ◆ Vaughan Morrissette, Point Clear, Alabama

Benchmarks: Where We Stand

The South has been shaped by globalization from the beginning. Global opportunity—and misery—drove French, Irish and other Europeans to settle in the South, largely displacing the region’s first residents, Native Americans. Slavery created a social catastrophe that came to redefine Southern culture. In the twentieth century, the South has been home to most of the nation’s troops, and world wars took many Southern lives.

Despite all this, Southerners have tended to view international events as something that happens “over there.” This perception started to change some 10 years ago as technology, trade negotiations, and immigration broke down the physical and psychological barriers to global interaction. Globalization began to affect *everyone’s* daily lives.

So where does the South stand amidst all this global change? How does it compare to the rest of the United States? No one can say for sure since accurate, timely and comparable state data are scarce. From what indicators we have, however, it seems the South has been something of a passive participant in globalization.

Exports

At the national level, exports of goods *and services* accounted for 9.3 percent of U.S. Gross Domestic Product in 2002. This is down slightly from 9.9 percent in 2001 as a result of the global economic downturn. Goods exports (also referred to as merchandise exports) include agricultural, mineral and manufactured products, but no services. Agriculture now accounts for less than 10 percent of U.S. merchandise exports. (See Table 1.)

Table 1
Share by Sector of U.S. Merchandise Exports, 1970-2001

Year	Total Goods (\$ billions)	Manufactures %	Agricultural %	Mineral/Fuels %	Other ² %
1970	43.8	72	17	4	7
1980	225.7	71	18	4	7
1990	393.6	80	10	3	7
2000	781.9	88	7	2	3
2001	730.9	88	8	2	2

Source: <http://www.census.gov/prod/2003pubs/02statab/foreign.pdf> (table 1278).

Goods exports as a share of total Gross State Product (GSP) rose from 5.4 percent in 1977 to 7.9 percent in 2000. By contrast, the South's goods exports rose from 5.5 percent of GSP in 1977 to only 6.0 percent in 2000³ (see Table 2).

Table 2
State Merchandise Exports, Selected Years,
in Dollars and as a Percent of Gross State Product (GSP)

State	2002 ⁴	2000		1977	
	\$Millions	\$ Millions	% GSP	\$ Millions	% GSP
Alabama	8,267	7,317	6.1	1,164	4.4
Arkansas	2,804	2,599	3.8	1,558	10.4
Georgia	14,413	14,925	5.0	1,840	4.5
Kentucky	10,607	9,612	8.1	1,610	5.6
Louisiana	17,567	16,814	12.2	1,926	4.9
Mississippi	3,058	2,726	4.0	1,346	8.4
Missouri	6,791	6,497	3.6	2,388	5.7
North Carolina	14,718	17,946	6.4	3,166	7.2
Oklahoma	2,444	3,072	3.3	989	4.1
Puerto Rico ⁵	9,732	4,856	11.7	933	8.4
South Carolina	9,656	8,565	7.6	1,247	6.1
Tennessee	11,621	11,592	6.5	1,643	4.9
Virginia	10,796	11,698	4.5	1,770	4.0
West Virginia	2,237	2,219	5.2	458	3.1
South Total	124,711	120,438	6.0	22,038	5.5
U.S. Total	693,517	782,429	7.9	107,111	5.4
South % of U.S.	18.0	16.0	--	20.6	--

Sources: <http://www.census.gov/foreign-trade/statistics/state/country/index.html> and *State Export Series*, U.S. Department of Commerce, International Trade Administration, November 1978.

While it appears the South lost ground, it may not be as bad as it looks. In 1977, agriculture accounted for a healthy share of U.S. merchandise exports. As a major producer of crops and livestock, the South racked up almost 21 percent of total U.S. exports. But during the 1980s and 1990s, manufactured products dominated trade growth. Although the South was busily acquiring industrial assembly operations, some of its manufacturing exports were certainly attributed to non-Southern states in which the corporate headquarters were located.⁶ Similar data quirks create the impression that Louisiana is a major producer of merchandise exports simply because the Port of New Orleans is the departure point for massive amounts of Midwestern grain.

Another reassuring sign is that although the South lags the nation in the growth of new exporters, it has not been by much. (See Table 3.)

Table 3
The Number and Percent Increase in Merchandise Exporters, Selected Years⁷

State	1998	1992	Percent Change
Alabama	2,564	1,550	75
Arkansas	1,456	1,032	67
Georgia	7,335	4,103	105
Kentucky	3,413	1,732	76
Louisiana	2,488	1,550	91
Mississippi	1,363	955	86
Missouri	4,456	2,674	73
North Carolina	6,869	3,833	100
Oklahoma	2,216	1,416	59
Puerto Rico	1,140	708	42
South Carolina	2,979	1,693	125
Tennessee	4,153	2,629	91
Virginia	4,692	2,891	76
West Virginia	1,337	560	39
South	46,461	27,326	70
US	205,188	112,854	82
South Share	23	24	--

Source: *A Profile of U.S. Exporting Companies, 1997-98 and 1992*, Economics and Statistics Administration, Bureau of Economic Analysis, U.S. Department of Commerce

It is important to note that state export figures count only merchandise exports. Services like architecture and engineering, software, movies, consulting, law, travel, education, tourism and insurance became major sources of U.S. export income in the 1990s—accounting for 39 percent of total U.S. exports in 2001—and will grow even larger after the next round of global trade negotiations. Service exports can have a huge impact on local Southern economies. In the case of Madison County, Alabama, home to the high-tech community of Huntsville, a local survey in 1998 revealed \$3.3 billion in exports, while Census figures counted only \$1 billion in that same year. The difference—\$2.3 billion—can be largely attributed to service exports that were not captured in the official metropolitan export data.⁸

Imports

Imports contribute to state economic development, too. In addition to spurring competition and innovation, imports also:

1. Lower input costs for domestic firms, reducing their cost of production.
2. Round out a domestic firm's sales line, making it more attractive to clients.
3. Transfer foreign technology to the U.S., making the domestic firm more productive.

From the consumer's perspective, trade translates into wider product selection, higher quality products and services and pocketbook savings estimated at \$1,500 or more per family each year.⁹ By contrast, the cost of a child's lunch is artificially inflated since the prices of peanut butter, jam, milk and fruits are significantly higher in the presence of sugar quotas and other trade barriers. The Institute for International Economics estimates the annual cost of protectionism at over \$6,000 per American household.¹⁰ We don't notice it because we are accustomed to the higher tab (e.g., \$21 extra annually for sugar).

The absence of import pressure has the opposite effect. For example, in the years before foreign competition began to rattle the U.S. market, Detroit showed little innovation in auto design and performance. American cars became so famous for shoddy construction that lemon laws were enacted. Or consider Japan, where the economy has been flat for decades due in no small part to its high import barriers.

Some people try to calculate a state-level balance of payments—exports over imports. This is both difficult and prone to misinterpretation. U.S. import data is collected at several dozen ports of entry, but not at the state level. An economist could develop a model for estimating citizen and industry consumption of imports, but the finding would be of limited use from a policy standpoint. It would be an artificial measure of state economic health, and could prompt experimentation with import-substitution strategies, a technique widely discredited by decades of misuse in Latin America and elsewhere. (Import *replacement* is fine if the in-country product is comparable and no more costly. *Substitution* subsidizes the industry by forcing customers to pay more for the nationally produced item.)

Export Jobs

If trade is hard to measure at the state level, trade-related jobs are even harder. A rough rule of thumb is every \$1 billion in merchandise exports supports about 15,500 jobs (direct and indirect).¹¹ That means merchandise exports supported almost 11 million U.S. jobs in 2002, or one of every 14 jobs. (Table 4 shows state-specific job data for the latest year available.)

Exports are especially important in manufacturing where one of every five jobs depend on it, which is almost double the share in 1977 when it was one in nine jobs.¹² Note that

the South accounts for a disproportionately large share of direct export jobs. This reflects the South's higher proportion of employment in manufacturing.

Yet export jobs tend to be invisible to the public, and even to the exporting firm's own CEOs and workers. Why?

1. Export jobs are usually created with no fanfare. Smaller firms tend to grow export jobs a few at a time. There are no press events to herald them, especially when exports are replacing lost domestic customers. Even the production workers themselves often do not know who is buying their products.
2. Parts sold to an exporter located in a different state don't show up as exports of the originating state. For instance, Oklahoma annually produces \$1 billion dollars worth of jet engines that are shipped to The Boeing Company for final assembly in Washington. Half the airplane wings may wind up overseas, but none are counted as Oklahoma exports.

Table 4
Jobs Supported by Manufacturing Exports, 1997 (latest year available)

State	Direct	Indirect	Total	As % of Civilian Labor Force ¹³
Alabama	52,300	62,700	115,000	5.5
Arkansas	26,800	35,000	61,800	5.0
Georgia	72,700	112,800	185,500	4.9
Kentucky	58,300	87,100	145,400	7.8
Louisiana	22,800	59,000	81,800	4.1
Mississippi	24,600	39,200	63,800	5.1
Missouri	75,700	91,400	167,100	5.8
North Carolina	132,900	152,700	285,600	7.5
Oklahoma	30,100	33,800	63,900	4.1
Puerto Rico	NA	NA	NA	NA
South Carolina	68,800	67,200	136,000	7.4
Tennessee	79,000	77,200	156,200	5.7
Virginia	58,700	83,300	142,000	4.2
West Virginia	8,900	11,800	20,700	2.6
South	711,500	913,200	1,624,800	5.6
US	3,344,200	4,332,000	7,676,200	5.7
% in South	35	16	21	--

Source: *Statistical Abstract of the United States: 1998* and http://www.ita.doc.gov/td/industry/otea/job_report/jobs_report_web.pdf, Office of Trade and Economic Analysis, International Trade Administration, U.S. Department of Commerce, February 2001.¹⁴

3. Jobs tied to service exports or to imports have been virtually unaccounted for.

The undercount of jobs supported by trade is evident in a recent study of South Carolina's ports where careful research revealed far more trade-related jobs than federal figures would suggest (counting only export jobs). The study revealed 281,000 jobs depended on port operations—almost double the number of export jobs reported for the state as a whole.¹⁵

A Special Note on Measuring Export Program Performance

States have tried to measure export program performance for more than a decade, as has the federal government. Among all small business development programs, the impact of export programs is probably the hardest to measure, as will be explained below. Some of the most commonly used performance benchmarks are:

- Export value totals by sector or by event (e.g., trade show, market research).
- Numbers of participants in an activity.
- Numbers of deals signed (e.g., sales contracts or agent/distributors).
- Numbers of new-to-export or new-to-market firms served.
- Numbers of exporters in the state.
- Fees collected.
- Client contact hours.
- Client satisfaction.
- Amount of repeat business.
- Web site hits.
- Success stories.
- Number of referrals.

Other potential measures include:

- Export intensity (percent of total sales exported, by a given firm or industry).
- Percent of firms exporting by sector.
- Number of times a firm is helped to avoid a harmful move or loss.
- Increased expertise & awareness about exporting in the business community.
- Changes in a firm's internal procedures & personnel to enhance export capability.
- Share of firms with international certifications.
- Turnover on volunteer boards governing trade programs.

Why is export program performance so hard to measure?

- Most measures of state export performance tell little about a program's effectiveness. For one thing, overall export activity can be deeply and swiftly affected by external events, such as foreign political instability, changes in the foreign exchange rate and

global recession. Second, large firms swamp the data, meaning a single discontinued contract could cause the state export numbers to tank.

- Export deals may be botched for reasons that are not the fault of the program. Poor legal advice or banking services could ruin a perfectly good export opportunity.
- A sale or a contract cannot be assumed to be a success. Many firms unknowingly under-price their goods, failing to take into account the extra costs associated with exporting, such as shipment and documentation. Other firms end up paying huge legal fees to extract themselves from a bad situation (e.g., an irrevocable contract with a non-performing distributor).
- Sales may be sub-optimal. An exporter may be racking up new sales, but far less than it could have if armed with better research and support. In other words, export figures tell nothing about sales foregone.
- Firms are highly secretive about sales information. Broad surveys of clients or the full business community would elicit more accurate information, but the link to specific events or programs is weakened. Just as bad, delighted customers may inflate their sales figures in an effort to make the program look good, when in fact it undermines program credibility.
- Programs tend to focus on what they are being measured against. This is good except that sales figures and deal counts (among the most popular measures) do little to measure the progress of firms in the early stages of learning and exploring.
- Events are often collaborative, such as a state trade office and the U.S. Export Assistance Office co-sponsoring a seminar. This, too, is good, if the decision-makers are willing to assume there's no difference in value-added between the sponsoring programs. Often a long list of organizations will sponsor an event, and all parties take full credit for any outcomes. There is logic to this—it may take all of them for the event to be successful—but individual program accountability or event cost-benefit assessments are harder to establish.
- Qualitative measures (e.g., surveys or interviews) can be expensive and complicated. Respondents can also have a foggy memory about which program provided what service.¹⁶

It is telling that even private and nonprofit export assistance programs have trouble proving their worth to those that fund them. Chamber and college-based export education programs come and go on a regular basis. In a way, each has the near-impossible task of demonstrating an impact based on the small role they play in the lengthy export development process.

In the face of such constraints, states may want to consider measuring overall system performance, in addition to the regular program measures, since, after all, the end goal is

maximizing the state's export potential. Perhaps the ideal would be for industry sectors to set goals for themselves. This would bring the private sector into direct negotiation with public and private service providers. The added advantage could be the end of the "court-appointed lawyer" approach to private sector referrals. Currently, in the interests of fairness, many public trade programs are required to rotate their client referrals to bankers, lawyers, freight forwarders and others without much screening for quality. Industry-driven trade goals could also bring non-traditional players to the table, such as industrial extension programs, cluster representatives, and industry associations, who could help set realistic goals and partner with service providers to ensure those goals are met to the best extent possible.

One final consideration in shaping and reshaping programs is that sudden swings in focus can tear up foreign relationships and credibility within the business community. A long-term sales relationship is based on trust among the parties. With cultural and distance issues, it's even harder to establish that trust with foreign firms and counterpart organizations.

Econ 101 Lite: How Trade Raises Job Quality and the Standard of Living

New competitors in the home market cause existing companies to get better or get out—innovate or die. It's not as bad as it sounds because the door swings both ways. Many existing U.S. companies grow, and new ones spring up, as business people discover there is a market for their products overseas. With open trade, countries profit by focusing on what they do best. America's competitive edge is in knowledge-intensive and culturally unique products and services; things like North Carolina biotechnology, Kentucky race horses, Tennessee music, Alabama aerospace, Oklahoma drilling services, a New Orleans vacation or an engineering degree from Georgia Tech.

Moreover, industries do not so much disappear as evolve. Industry sectors hammered by imports may shrink dramatically, even as some firms within that sector thrive through innovation. For example, in the case of the textile and apparel industry, some surviving firms are using technology to distinguish themselves from the foreign competition, offering sportswear made with high tech fibers. But today's innovation is tomorrow's old news. Surviving firms must continually reinvent themselves. This is the "creative-destructive" process at the heart of capitalism—the continuous cycle of the birth and death of firms, products and industries.

This pressure to innovate and specialize adds to the pool of human knowledge and enables Americans to benefit from ever more useful and enjoyable products and services. It also makes companies more efficient, meaning more profits and better pay for workers. The shift to knowledge-intensive industry also opens up new careers; while this makes it hard to predict future skill needs, it offers exciting and rewarding careers to well-educated kids and adults who never stop learning.

Although trade gains outweigh the losses, the distribution of pain and gain is uneven. The fact is that market forces act to maximize wealth, not fairness. The fairness of trade's impact is a matter of public policy. Economists are fond of saying that because trade increases total national wealth, the "winners" have both the incentive and ability to compensate "losers" and still walk away with gains. Thus the distributional impact of trade depends on: (1) the government's policies towards preventing or compensating for income loss through education, training, transition assistance and subsidies, and (2) the individual's own efforts and ability to anticipate and prepare for job change.

Foreign Direct Investment (FDI)

Foreign direct investment (FDI) is capital used to acquire, start or expand a business where foreign owners have a voting interest of ten percent or more. (It excludes foreign government holdings of U.S. Treasury securities and other official assets, such as embassies. Foreign government investments in business, however, *are* part of foreign direct investment.) The ten percent threshold seems low, but it is believed to represent the point at which a minority party can exert influence on company decisions. Most FDI, however, is in firms where foreign owners have more than a 50 percent stake.

Table 5
Employment in Foreign-Owned Firms, 1997-2001¹⁷

State	Employment ('000s)		As a % of Total Civilian Jobs	
	1997	2001	1997	2001
Alabama	66.0	92.2	3.2	4.3
Arkansas	34.0	41.0	2.8	3.3
Georgia	191.0	243.8	5.1	5.9
Kentucky	90.0	101.5	4.8	5.2
Louisiana	58.3	59.5	2.9	2.9
Mississippi	22.9	27.6	1.8	2.1
Missouri	85.0	114.0	2.9	3.8
North Carolina	226.3	237.7	6.0	5.9
Oklahoma	34.7	41.6	2.2	2.5
Puerto Rico	17.4	18.5	NA	NA
South Carolina	119.5	136.7	6.5	7.0
Tennessee	147.5	157.0	5.4	5.6
Virginia	147.3	171.3	4.3	4.7
West Virginia	27.6	27.7	3.4	3.3
South¹	1,267.5	1,470.1	4.3	4.8
US	5,201.9	6,371.9	3.9	4.5
South Share	24.4	23.1	--	--

1) Percent of South's 2000 jobs was calculated separately, based on January 2000 figures.

Source: Bureau of Economic Analysis, *Survey of Current Business*, August 2003, at

www.bea.gov/bea/articles/2003/08august/0803usaffiliates.pdf.

Foreign-owned firms employed 6.4 million Americans in 2001, or 4.5 percent of the civilian workforce (see Table 5).¹⁸ Total employment in foreign-owned firms has dropped in recent years, with virtually all job loss coming from labor-intensive firms; most of the loss was confined to firms where foreigners had a small stake in the company. The majority of FDI jobs—87 percent—and job growth are in firms where foreigners hold more than 50 percent of the assets.¹⁹ Foreign-owned firms also accounted for 7 percent of U.S. Gross Domestic Product in 2001.²⁰

FDI does much more than create jobs. It brings innovative, world-class management and production practices into the business community at large. Foreign-owned firms also account for nearly a quarter of U.S. exports, roughly half of which is destined to the foreign parent company. Foreign parent company exports to their affiliates in the U.S. account for about a quarter of U.S. imports.²¹

Investment and exports are closely linked. Many firms test foreign market demand through exporting before making a full-scale commitment. If successful, they may then decide to invest in a sales office, distribution network or local production. Other firms export to their customers that have invested overseas. Perhaps a third of American exporters start out by shipping to other American firms located in the foreign market.

	1990	2001
U.S.-owned assets abroad	2,294	6,891
U.S. direct investment only	732	2,302
Foreign-owned assets in the U.S.	2,459	9,206
Foreign direct investment only	540	2,552

Source: Table G1, Bureau of Economic Analysis, Survey of Current Business, August 2003, at: www.bea.gov/bea/articles/2003/08august/dpages/0803dpgg.pdf.

This means that foreign contacts developed for trade can be useful for investment recruitment, and vice versa. Even if states choose not to tap this synergy, recruiters still need to understand exporting since many of their prospects expect to ship their U.S.-made goods overseas. Even more basic, recruiters need a functional knowledge of foreign history, culture, and political relations with the U.S. government to signal the state's business savvy and avoid gaffes.

Finally, from a jobs perspective, it's important to recognize that foreign investment in America is considerably larger than U.S. investment overseas. (See Table 6.) In addition, U.S. investment abroad is more often done to reach new customers than it is to

extract a cost advantage (selling back to U.S. customers). U.S. firms employed 6 million workers overseas in 1999, but most of them were in high-wage industrialized countries. Of course, because the Southern economy was built on attracting low-wage industries, it has seen more than its share of industries go overseas for the purpose of cost-savings as opposed to market expansion. Still, the South has many ambitious companies investing overseas. Home Depot, Coke, Pepsi, and Kentucky Fried Chicken invest all over the world to sell to foreign customers, as well as Americans.

Student Exchange

The United States has always drawn bright young students from all over world. Often from the elite classes of their homelands, these students have provided the U.S. with priceless political and social contacts.

They also spend on tuition and living expenses. In 2002, foreign students spent an estimated \$1.6 billion. For all foreign students—graduate and undergraduate—around 75 percent of their funding comes from overseas. (U.S. support to foreign students is mainly in the form of graduate student stipends to provide teaching or research assistance.)

Table 7
Foreign Students in the U.S., Selected Years

State	2002	2000	1990	1980	1970
Alabama	6,040	5,441	4,513	3,220	551
Arkansas	2,758	2,317	1,710	1,328	235
Georgia	11,991	9,901	5,980	4,472	1,258
Kentucky	4,789	4,201	2,543	2,208	734
Louisiana	6,312	6,305	5,535	5,546	1,720
Mississippi	2,381	2,263	1,941	1,704	387
Missouri	10,281	9,182	6,620	4,712	2,896
North Carolina	8,960	7,848	5,764	3,709	1,594
Oklahoma	8,818	8,041	5,989	8,464	1,554
Puerto Rico	NA	621	633	628	1,049
South Carolina	3,731	3,523	2,381	1,484	368
Tennessee	5,867	5,244	4,247	4,499	1,295
Virginia	12,600	11,616	6,970	3,374	662
West Virginia	2,108	2,230	1,417	1,453	226
South	68,605	78,733	56,243	46,801	14,529
US	582,996	514,723	386,851	286,343	134,959
South Share	11.8	15.3	14.5	16.3	10.8

Source: *Open Doors*, Institute for International Education, annual reports.

Some state trade offices, like Oklahoma, work with institutions of higher education to recruit foreign students and leverage alumni networks for the purpose of attracting foreign investment and promoting trade.

The South's share of foreign students is less than what one might expect (See Table 7). Although it had 21 percent of the nation's postsecondary enrollments in 1999/2000, the South had only 15 percent of the nation's foreign students.

Foreign scholars (visiting professors and university-based researchers) also contribute to a state's global competitiveness. They not only enhance the technical expertise and prestige of the host institution, but also contribute to cultural diversity on the campus and the opportunity to develop lasting relationships with the foreign country.

Unfortunately, the South had only 16 percent of all foreign scholars in the U.S., versus 23 percent of the nation's faculty in 1999/2000 (see Table 8).²² Another way to look at it is that only Georgia and South Carolina met the national average of ten percent of faculty being foreign scholars.

Table 8
Foreign Scholars, 1997-2000

State	2000	1999	1998	1997
Alabama	763	490	507	765
Arkansas	126	126	138	199
Georgia	1,844	1,809	1,809	1,592
Kentucky	412	580	580	517
Louisiana	851	546	567	591
Mississippi	302	208	232	161
Missouri	1,454	1,363	1,509	1,387
North Carolina	1,968	1,684	1,776	1,684
Oklahoma	548	639	432	659
Puerto Rico	33	45	45	45
South Carolina	1,021	893	964	913
Tennessee	1,169	1,055	893	1,055
Virginia	1,423	1,427	1,191	1,427
West Virginia	33	32	33	32
South	11,821	10,771	10,668	11,035
U.S.	74,670	70,056	65,494	70,501
South Share	15.8	15.4	16.3	15.7

Source: *Open Doors*, Institute for International Education, annual reports.

Study abroad is another critical measure of a state's global capacity (see Table 9). Students with a significant overseas experience are profoundly affected by the immersion. They not only learn a great deal about the specific country, but also return home with a more accurate view of globalization in all its facets, and a better ability to interact with foreign visitors and immigrants with both sensitivity and confidence.

Table 9
U.S. Students Studying Abroad

State	2001	2000	1999	1998
Alabama	1,180	954	963	1,112
Arkansas	601	685	787	742
Georgia	4,379	4,029	3,342	2,913
Kentucky	1,272	1,413	1,240	1,216
Louisiana	1,474	1,523	1,054	615
Mississippi	970	926	877	1,003
Missouri	2,721	2,851	2,277	1,951
North Carolina	5,864	5,693	5,439	4,564
Oklahoma	787	783	998	795
Puerto Rico	NA	NA	NA	NA
South Carolina	2,007	2,088	1,680	1,418
Tennessee	1,822	1,800	1,694	1,167
Virginia	4,823	5,263	4,184	3,394
West Virginia	580	531	409	362
South	28,480	28,539	24,944	21,252
U.S.	154,168	143,568	129,770	109,682
South Share	18.5	19.9	19.2	19.4

Source: Open Doors, Institute for International Education, annual reports.

Foreign language training

Like study abroad, foreign language competency is a good measure of a state's ability to navigate in an increasingly multilingual world. The teaching of Spanish has increased dramatically in recent years, in tandem with the rise of Hispanic populations in the South. Yet, Table 10 reveals more than a five-point gap between the South and the nation on the percentage of secondary school students enrolled in a foreign language course. The gap is even more stark when the South is compared with the Non-South: 28.3 percent versus 35.6, respectively, a gap of 7.3 percentage points.

This may change if more universities add language requirements for entrance or graduation, a feature that many dropped in the 1970s. For instance, beginning in 2004, students entering the University of North Carolina will be required to have taken two years of a second language as a minimum course requirement.²³

Table 10
Foreign Language Enrollments in Public Schools, Grades 7-12, Fall 2000

State	Foreign Language Enrollments (FLE) ²⁴	FLE as % of Total Enrollments	Spanish as % of FLE
Alabama	37,879	11.9	73.7
Arkansas	51,623	25.4	77.7
Georgia	197,428	33.2	68.7
Kentucky	96,112	33.8	68.8
Louisiana	82,079	26.0	53.4
Mississippi	39,145	14.0	70.6
Missouri	192,085	36.2	68.8
North Carolina	187,114	28.3	64.2
Oklahoma	85,493	26.6	71.5
South Carolina	96,329	33.3	68.7
Tennessee	100,706	26.1	67.6
Virginia	169,865	33.6	68.7
West Virginia	27,076	20.4	63.0
South	1,362,934	28.3	67.7
U.S.	6,928,057	33.8	68.7
South Share	20	--	--

Source: “Foreign Language Enrollments in Public Secondary Schools, Fall 2000,” American Council on the Teaching of Foreign Languages, May 2002.

Immigrants

Immigrants have always played a vital role in American growth and innovation. America’s well-being will depend even more on them in the near future. Around the world, industrialized countries—and even some developing countries—are beginning to experience zero or negative population growth. The South faces especially slow growth in the size of its youthful population. According to Census projections, between 2000 and 2025, the South’s youthful population will barely increase, versus a growth spurt for the rest of the United States of up to 17 percent.²⁵ (See Table 11.)

Immigration is a recent phenomenon in the Southern Growth region. As the South’s population skyrocketed in the post-1950s industrial boom, most of the new arrivals came from other parts of the United States. Depleted of workers, *those* states had to turn to immigrants when their economies picked up in the 1990s. As a result, the South had far fewer foreign-born residents than the rest of the nation. (See Table 12.) Although 4.0 percent sounds like a small figure, it is slightly more than double what it was a decade earlier.

Table 11
Percent Change in Youthful Population, 2000-2025 (projected)

State	Under 18	18-44	State	Under 18	18-44
Alabama	3.0	-1.3	North Carolina	1.4	-1.3
Arkansas	-4.1	-6.9	Oklahoma	7.1	3.6
Georgia	12.5	6.7	South Carolina	4.1	0.1
Kentucky	-7.8	-11.5	Tennessee	3.1	-1.4
Louisiana	5.6	3.0	Virginia	9.7	4.6
Mississippi	-4.0	-6.7	West Virginia	-13.9	-18.4
Missouri	2.0	-2.9			
South	3.5	-0.6			
U.S.	14.1	7.1			
Non-South	17.1	9.4			

Source: U.S. Census Bureau at www.census.gov/population/projections/state/stpiage.txt.

Table 12
Birth Origin of State Residents, 2000 (1,000's)

State	Total Population	Born in the State	Born in Another State ²	Foreign Born	% Born Overseas
Alabama	4,447	3,262	1,097	88	2.0
Arkansas	2,673	1,708	892	74	2.8
Georgia	8,186	4,736	2,874	577	7.1
Kentucky	4,042	2,980	981	80	2.0
Louisiana	4,469	3,547	806	116	2.6
Mississippi	2,845	2,114	691	40	1.4
Missouri	5,595	3,792	1,652	151	2.7
North Carolina	8,049	5,073	2,546	430	5.3
Oklahoma	3,451	2,159	1,160	132	3.8
Puerto Rico	3,809	3,453 ¹	246 ³	110	2.9
South Carolina	4,012	2,569	1,327	116	2.9
Tennessee	5,689	3,679	1,851	159	2.8
Virginia	7,079	3,676	2,832	570	8.1
West Virginia	1,808	1,343	446	19	1.1
South	66,154	44,091	19,401	2,662	4.0
U.S.	281,422	168,729	81,585	31,108	11.1
South Share	23.5	26.1	23.8	8.6	--

Source: U.S. Census Bureau, Census Supplementary Survey, at <http://factfinder.census.gov/home/en/c2ss.html>

1 People born on the island. 2 People born in U.S. Territories as well as children that happened to be born while their American parents were overseas. 3 Includes those born off the island.

International Relationships

Civic leaders can play a major role in helping local communities respond to globalization. Sister Cities and similar agreements offer a safe, positive and fascinating vehicle for getting to know another country and its leaders' views of America. When the relationship is selected strategically, it can open the door to a mutually beneficial exchange of business, arts and education. Sister Cities International is only one such vehicle, but it is both large and convenient for tracking civic connectedness. The South has 100 cities involved in this program, and 14 more seeking a foreign pair. (See Table 13.) Yet this represents only about 16-17 percent of the total Sister Cities in the U.S., significantly less than one might expect with 24 percent of the nation's population. The resources required to host delegations and pay visits overseas is probably a major barrier for many of the South's rural communities.

Table 13
Number of Sister Cities, Agreements, and Seekers, 2002 and 2003²⁶

State	Cities		Pairs		Cities Seeking a Match	
	2003	2002	2003	2002	2003	2002
Alabama	4	4	19	18	1	0
Arkansas	5	6	8	10	0	0
Georgia	11	14	38	39	1	2
Kentucky	11	11	19	19	4	2
Louisiana	4	5	11	14	0	0
Mississippi	0	0	0	0	0	0
Missouri	9	10	30	31	3	1
North Carolina	11	10	24	23	2	3
Oklahoma	8	10	20	24	0	1
South Carolina	5	5	12	11	0	1
Tennessee	9	8	20	20	2	0
Virginia	15	17	38	40	0	3
West Virginia	0	0	0	0	1	2
South	92	100	239	249	14	15

Source: Sister Cities International, as of 4-8-03

Lingering Questions About the State Role

Why is so much of this is a state responsibility?

The answer is, first, that few people paid attention to manufacturing exports before the 1980s, which also happened to be the dawning of government cutbacks and decentralization. The combined investment of the states in promoting manufacturing

exports quickly exceeded that of the federal government. By contrast, the promotion of agricultural exports was hard-wired into the federal budget decades earlier, ensuring it a sizeable, if now reduced, base of financial support. The promotion of service exports was left to, and largely remains, in the nearly impenetrable realm of multilateral development banks and the U.S. Agency for International Development.

Second, from a trade policy standpoint, earlier rounds of global trade negotiations had little effect on state government operations. The trade pacts simply lowered tariff barriers. Recently, though, the focus of international negotiations has been on things in which states play a major role (e.g., non-tariff barriers to investment, and professional services). This has put the federal government in the nearly impossible position of coordinating, much less pledging, state conformance to new international rules.

Third, while the U.S. State Department used to bristle at state agreements with other countries, smaller budgets and overwhelming challenges have caused the State Department to welcome state involvement in development overseas. (It still objects to state and local efforts to create foreign policy.)

Fourth, the federal government remains a major source of funds for international programs in higher education. Yet because the larger and better-resourced institutions are the most likely to secure grants, states that want to internationalize all campuses—not to mention K-12 education—must be pro-active.

If exporting is so profitable, why do companies need outside support?

The big ones don't. The trouble is, that's not where America's growth potential lies. It is in the thousands of smaller manufacturers, consultants, high tech start-ups, and service providers in the cultural, tourism and education business. It is also in the minority community—African, Asian, Native, and Hispanic—as well as in women-owned firms.

Getting into a new export market is typically a high risk, long-term venture. It can easily take three years and many visits overseas before a company starts to get regular export orders. Large and traditional companies have the wherewithal to go it alone, but smaller and minority-owned companies do not. Working capital to finance all the staff time, product adjustments, and the initial export shipment is tough to get. Building client relationships is also extraordinarily time-consuming. Unless the business owner has a real commitment to export, most will opt to get by with what they have.

Also, there is no single way to export. What works in Canada will not be the same as what works in China, which will not be the same as what works in Turkey. Small firms do not have the resources it takes to hire internationally experienced bankers, lawyers, accountants, and so forth with genuine expertise in the specific country.

Under such circumstances, the role of government is classic: level the playing field. The tools are equally classic: education, infrastructure, monetary and non-monetary incentives, the bully pulpit, coordination, and the brokering of meetings and partnerships.

Recommendations

As experienced observers, members of the Global Strategies Council (GSC) firmly believe incremental action too often substitutes for what is really needed—vision and sweeping policy coordination to strengthen the South’s position in the global economy. The GSC therefore set out to identify steps states can take, acting both alone and in partnership with each other, to realize the region’s full global potential.

To strengthen the South’s position in the global economy the GSC recommends five steps that address strategic planning and leadership awareness, business viability, the foreign presence in the South, workforce preparation, and civic engagement overseas. Each step is accompanied by a brief inventory of assets and barriers, as well as suggested activities and benchmarks.



“We recognize and embrace the fact that 96 percent of all the people in the world live outside the U.S. borders. If we want to prosper, we must build relationships and expand our world both economically and culturally.”

Governor Brad Henry (5/13/03)



“We live in an international community. Products and services in the development of smart devices are worldwide. Foreign barriers to this type of commerce limit the creativity that is available in other countries. Neither side benefits when it is difficult to import and export this type of technology.”

Neil Henderson, President, Accelerated Technology, Mobile, Alabama (2001)

Step 1

Create a widely shared vision of the South’s “place” within the world.

“Solo las culturas que se comunican viven y florecen” (Only cultures that communicate with other cultures can survive and flourish.)

—Carlos Fuentes, Latin American scholar²⁷

The South has a “sense of place” unlike anywhere else in the country. According to James Peacock, director of the University Center for International Studies in Chapel Hill, the South was identified as a region apart from the rest of the U.S. beginning in the 1830s—primarily the North out of ridicule and the South out of defiance. Dr. Peacock holds that this “oppositional” identity might in fact enable the South’s culture to withstand the homogenizing impulse of globalization, and allow it to be more successful in global trade.

How? The South may be quite different from the rest of the United States, but it has much in common with the numerous regions of the world that have been subjugated by war and dominant cultures, and bruised by poverty and discrimination. In this view the idealized, modern South is a beacon of light to the rest of the world—it overcame grinding poverty, renounced discrimination, and its natives ascended to positions of national power, all without losing its precious sense of place. Better yet, from the foreign perspective the South can be viewed as a part of the fabled America the Beautiful and yet, being a region apart, it can also be absolved from blame for that part of American foreign policy that is perceived by foreigners as arrogant and bullying. The rest of the world can accept the South as both a peer and a role model.²⁸

Ironically, then, globalization may free the South to recast its identity based on what it is, not on what it isn’t. Dr. Peacock calls this “grounded globalism.” Doing so can reinforce the positive features of Southern identity without having to fear or reject the presence of other cultures.

There are three quick and tangible benefits to creating a widely shared vision of the South in the world. One is a sense of optimism about the future. A vision is the product of knowledge and confidence in one’s abilities to meet a challenge. The second, if the visioning process is highly inclusive, is a heightened awareness among public and private leaders, as well as the general public, about the role of trade as a driver in the knowledge-based economy. Third, as the vision is projected globally, it could enable the South to open many more doors overseas and create many more good jobs through trade.

To make this a reality, the full range of the South’s leaders must work together to create a vision of the South in relation to the world (not just the North) and infuse it in the consciousness of every Southerner. To allow others to define it is to cede the South’s identity altogether. Similarly, turning away from global markets shows a reckless disregard for future generations of Southerners, regardless their hue and birth origin.

Assets

The South has a solid base from which to build a global vision and launch a public education initiative. The most obvious starting point is Southern Growth itself. Over the past three years, Southern Growth has solicited the best thinking from thousands of Southerners in all walks of life to prepare its annual *Report on the Future of the South*. Each of these reports has addressed a key aspect of economic development (innovation, workforce, leadership). The GSC will work to extend this thinking into the global context, and publish it in the *2004 Report on the Future of the South*.

In addition, Southern Growth is developing a series of public outreach and community toolkits, and is building a dissemination network to bring those tools into the heart of hundreds of Southern communities. These tools and networks offer ready access to the general public, allowing them to listen, try on, and perhaps buy into a new identity of the South in a changed world.

Barriers

“The” Southern identity is not written anywhere in ink, and it will resist representation in a single slogan or list of characteristics. The Global Strategies Council broached the branding issue in one of its meetings and realized there are many Southern identities, and that in some states the general population may identify more with the Midwest, West, or Latin America than it does with the South.

Although the South has the country’s highest proportion of native-born population, it has not been immune from the transience that characterizes America. One-third of the South’s population in 2000 was born in a location other than the state of current residence. A significant proportion of them were from beyond the South’s borders. Still, some anthropologists argue that many of the new arrivals assimilate core features of Southern culture, while bringing their own cultures into the mix—the “Hóla, y’all” effect. The challenge in developing the “Globalized South” will be to articulate a non-exclusive core of Southern values, symbols and beliefs.

Even for a single corporation, developing a brand or revising its image takes a lot of time, resources and maintenance. To articulate a global identity for the South will take a lot of focus and thinking outside the box. Given the proclivity of newly elected leaders to make a fresh beginning, a branding effort will require some insulation from election cycles, making it all the more imperative that the business community lead the effort.

Finally, in some quarters, resentment of globalization may be so intense as to preclude productive conversation. Having lost more than its share of jobs to import competition and a media that covers only global distress, the South has relatively little faith in global markets as a solution to job loss. Add to that the fears of a post 9/11 world, SARS, and the scarcity of self-confidence and business optimism that comes from world travel, and you have many members of the public and leadership who see no value in making trade and global contact a priority.

Recommendations

1. Craft a vision of the “Globalized South.”

The South could benefit from a common brand image overseas. Most of our states, cities, research institutions, advanced industries, crafts and tourist spots are too small or scattered to be well known outside America. For instance, aerospace and biohazard research are significant industries in the South, but few individual locations have a critical mass of related firms.

True branding requires extensive testing and the development of options. It would take so long as to require some shielding from the disruptions inherent in electoral cycles, reason alone for extensive business and citizen ownership of the process. The Southern Technology Council plans to initiate a branding process that, if successful, could serve as the basis for promotional efforts overseas.

Just as important, however, is the development of a vision of the Southern identity in the global context. What makes us feel special vis-à-vis the rest of the world, not just the American North? Is it that we are underdog nation-builders? The best in the tradition of oral story telling? The friendliest Type A’s? Unusually honest in everyday business and racial relations? Deeply spiritual while embracing science?

The “we” of the South is changing, but a core set of hopes and traits might define the South and its role in the world, offering a focal point for cultural and environmental conservation. Southern Growth’s Global Strategies Council can take the lead in identifying this vision as part of its work in creating the *2004 Report on the Future of the South*.

2. Create an informed leadership and constituency for trade.

The South has potential for a larger stake in global markets, but more people must see the big picture if states are to adopt policies to maximize their export opportunities. Most leaders and citizens, however, have learned about trade through polarized debate, sensationalist media coverage, and organized letter campaigns or protests. The thoughtful listener grows skeptical of all messaging.

This bodes ill for the passage of future trade agreements, or the states’ ability to respond with reason and composure to the occasional challenges to state sovereignty or predominant cultures and religions. The upcoming negotiations over global trade in services and ground rules for global investment will affect state policies as never before. This may stir outrage among those who have not followed the issue, have no context by which to judge the implications, or have had little time or leverage to confer meaningfully with federal negotiators.

A deeper understanding of globalization should therefore be fostered through a more considered process, far from any political deadline. Possible ways to do this are through the use of training institutes for legislators, legislative staff, and other key state officials, as has been done successfully in South Carolina. (See Appendix C.)

Grassroots education aimed at adults and youth could take place with a number of existing tools. In the case of students, there are a number of curricular tools available through the National Council on Economic Education.²⁹ There is also a classroom exercise targeted specifically on trade opportunities, called The Virtual Trade Mission.³⁰ Another approach aimed more at adults is labor intensive, but also among the most likely to have a meaningful effect. That is the use of community discussion forums. Southern Growth has produced a toolkit, *Seeing the Future*, for use in small group discussions. A brief video is followed by a moderated discussion of globalization, technology, workforce and community, backed by easy-to-read briefing materials. Other guides for community discussions about globalization are available from the Kettering Foundation.³¹

Finally, business leaders themselves need to be vigorous advocates for trade. A number of private sector organizations, such as the U.S. Chamber of Commerce and the National Association of Manufacturers, articulate the business view of trade and enlist business leaders in explaining the importance of trade to their employees and community leaders.³² Although recent high-profile business scandals have tainted the credibility of business in general, most regional and local businesses are in good standing. While some communities have highly visible business champions for trade, many do not. When it comes to economic development efforts, the absence of business sends a curious signal—if the business community doesn't care, why should the public sector? The answer is that larger companies, which need less help with trade, are apt to invest their energy in other causes that will have a greater impact on the bottom line, such as education. Most smaller companies don't have the time or resources to champion trade development, and may not even see trade as something of value to them.

3. Celebrate local success stories.

One sure way to draw public attention is to saturate the media with interesting, local success stories. Nationally, the U.S. Department of Commerce annually issues a small number of "E-Awards" for excellence in export development. The awards are prestigious for the field, but most of the press coverage is in the trade journals and a one-time byline in the local newspaper.

The old rule of marketing may apply here—repeat a consistent message, frequently, through a variety of media. Standard media are just one route. Just as important are celebrations within business and civic organizations, such as chambers, and community events, like a dinner honoring an entrepreneur. Another route is to engage the governor. Part of the U.S. Chamber of Commerce Trade Roots program involves working with a governor to tour the state, promoting exports and calling

attention to a wide variety of local success stories. In the case of Alabama, the tour included testimonials from makers of everything from popcorn to ambulances.

The same actions could be taken to celebrate achievements in other aspects of international commerce or international relations. Charlotte, North Carolina holds an annual black tie dinner honoring a local resident that has made a substantial contribution to the community's global engagement. Similar support and recognition could be given to visiting foreign students, the most active Sister Cities, or the fastest-growing foreign-owned operation.

4. Internationalize local media reporting.

Most state and local media avoid international reporting because their readers and viewers ignore it. The real problem, however, may be more in the telling of the story—the failure to make it relevant to the average citizen.

The key, then, is to identify models of *localized* international reporting, and support the media in adopting this style. State leaders could meet with editors and editorial boards to brief them on upcoming issues and point out model reporting practices. The *Atlanta Journal Constitution*, for instance, has recently added a global column to its online newspaper, covering local stories with an international angle. The *Raleigh News and Observer* has done an excellent job reporting on Hispanic life in the Triangle area, but it has also authored some NAFTA stories that have caused the region's university economists to cringe and write corrective editorials.

Another way to promote local reporting is to provide technical support. The rank and file media tend to be both over-extended and an inch deep in experience. The reporters are often generalists, very young, and quickly rotated from position to position. They have very little time to arrange interviews, assemble the facts, and gather data into meaningful graphics. To further the cause of public awareness, then, trade development organizations (or other international institutions) should have in hand a short list of professors and country experts who can speak to various topics. They should also have as much specific data as possible, pre-formatted into nice charts, tables and other graphics...all in electronic form. Some organizations might also offer ready-made stories, such as a report on how a local firm is part of the response to an international crisis.

Some states have also routinely sought to engage the media in trade missions, events and educational seminars. Many media representatives cannot accept free tickets to accompany overseas missions, but creative use of the in-country media (feeding stories to the media back home) may help alleviate the impression that the trips are all junkets. States and regions can also generate stories for recruitment purposes, using the foreign press corps in the U.S.

Suggested benchmarks

- Public opinion polls on their views of globalization.
- Numbers or percent of the leadership reached by trade education programs.
- Percent of the leadership ranking trade as a key economic development strategy.
- Number or percent of students taking economics.
- Share of newspaper coverage devoted to local international stories.
- Extent of statewide and local international celebrations.
- Extent of use of citizen deliberation toolkits.
- Extent to which leaders believe they have a shared vision of the state's international role.

Step 2

Use international trade to support business viability, thereby creating plentiful, good jobs.

“In a game of scissors, rocks and paper, you’ll get bruised if you keep a closed fist. It is better to get in the game and play with strategy than to merely accept the blows of defeat.” —Anonymous

Exporting is highly correlated with more and better jobs, and with increasing skills and investment. Exporters represent the best this country has to offer.

Look at the pattern. Exporters add jobs 18 percent faster than their non-exporting counterparts, pay 13-18 percent better wages, invest 14-20 percent more in training, are 10-15 percent more productive, use technologies 50 percent more intensively, and are nine times less likely to go out of business.³³ Virtually all jobs loss in manufacturing during the 1990s was in firms that did not export.³⁴

With over 95 percent of the world's consumers living outside of the United States, the future of business is in global trade.

Of course, correlation is not the same as causality. The truth is, most exporters were outstanding successes even before they began exporting. The only direct results of going global seem to be increased longevity and faster growth, which is logical considering all the new customers overseas. Faster growth and longevity may also be due in part to the enormous learning opportunity presented by global interaction—companies discover new uses for their existing products, see demand for potential new product lines, and get insights on the competition *before* it hits them. (Appendix D gives an example of this.)

Either way, trade activity is a signature characteristic of growth-oriented companies.

Thus, communities need to focus on recruiting, expanding, and starting new businesses that are both competitive (“modernized”) and trade savvy. Many existing companies and start-ups do not recognize modernization or trade as a priority. Those that do often cannot afford the time or resources to persist. In either case, an informed decision will depend largely on the company’s access to peer networks, experienced business advisors, and user-friendly public and non-profit programs.

Assets

The South has lots of potential for creating more jobs through trade. It has:

- Trusted industrial and agricultural extension programs that help firms and farms become globally competitive.
- Many business associations, such as chambers of commerce, that could provide access and information to thousands of non-exporters.
- A cadre of experienced exporters and service providers that can mentor and assist non-exporters or passive exporters.
- Universities and community colleges that want to help local businesses go global and attract foreign students.
- A bounty of amenities to draw foreign tourists.
- A strong belief in the principles of public-private partnership and program collaboration, which will be essential in creating an integrated trade development system.
- Spotty but significant international air service, and growing investments in ground transportation systems to carry cargo, people and ideas across borders.

<u>Why Firms Export</u>
<ul style="list-style-type: none">• Alternative to flat growth in U.S. demand• Increase revenues• Smooth business cycles• Increase profits• Learn new skills• Adopt new technologies• Broaden organizational capabilities• New applications for the firm’s products

The South also has a public that is supportive of business growth, if not trade. Polls suggest that while proportionately more Southerners take a dim view of trade than Americans in other parts of the country, a greater percentage of Southerners change their minds on learning some basic facts about global commerce.

Barriers

There is a steep learning curve. Traders and investors around the world have to contend with mind-boggling differences in payment, business law, product labeling, certification, languages, shipping, protocol and so forth. Americans tend to have a tougher time of it since they often face higher tariff and non-tariff barriers than their foreign counterparts. Global trade negotiations reduce these barriers.

The trade support system is dysfunctional. Persistent, experienced and larger exporters can hunt down and package what they need from public, private and nonprofit service

providers, but thousands of smaller, new-to-export companies find this “some assembly required” approach confusing and prohibitively costly. Thousands more don’t look into their options or even know they should. Not only do they miss sales opportunities, those firms that export by happenstance risk serious financial and legal damage.

The South has one additional barrier to trade expansion—a long and successful history of industrial recruitment. The South has recruited thousands of branch plants since the 1950s, but relatively few corporate headquarters where the big decisions are made. Success with recruitment also seems to have delayed giving serious attention to exporting and other complimentary economic development strategies. In addition, industrial recruitment has created a deeply ingrained culture of secrecy; this comes from having to protect prospect leads. By contrast, trade requires almost no secrecy at the exploration phase. Yet the penchant for secrecy often prevents deep and sustained collaboration between political jurisdictions or even agencies.

The end result is fewer Southern businesses have had either the will or the way to grow through trade. Aside from lower per capita exports, evidence of the South’s lagging interest in exporting can perhaps be seen in the records of the most significant federal grant for non-agricultural exports—the Market Development Cooperator Program (MDCP) of the U.S. Department of Commerce. Since 1993, MDCP has offered grants of up to \$400,000 to states and nonprofits to develop exports for industries. Omitting awards made to Northern Virginia, which were all to national industry associations, the South has won only four percent of all MDCP dollars, far less than would be expected based on its 17 percent share of the nation’s total Gross State Product.³⁵

Recommendations

1. Build a trade system, not stove pipe programs.

Trade is a Cinderella field. Once in awhile it’s glamorous and all eyes are trained on it, but most of the time it’s sitting in the ashes. Without big dollars or big names to champion the cause, public and private trade services can shift like the desert sands—missions change, offices open and close, services expand or contract, and staff jobs can switch from professional to patronage. Circumstance and whim end up driving service availability.

Most trade programs survive on a year-to-year basis. Programs are scattered across the landscape, supported by a wide variety of government, business, academic and nonprofit organizations. Although some coordinate loosely with others (e.g., sharing lists of people to invite to events) they largely operate autonomously. This can lead to duplication of services. It can also leave gaps in services. Because it is easier to demonstrate the impact of services delivered at the end of the learning curve, when a sale is near at hand, programs tend to put their focus there. Firms that have never exported need the most attention, but they may leave the agency with nothing to show for their efforts in the next quarterly report. Without a statewide policy driving

program development or resource allocation, communities and their firms cannot be assured access to all the necessary services.

All of this creates confusion and uncertainty for clients, unhealthy competition among programs, and sub-optimal services and state export performance. It means lost jobs.

One other factor cries out for system-level attention: the evolving client. Firms with the greatest export potential—service and technology companies—have not been the traditional clients of trade programs and sometimes need different types of support. Often the technical details are so complex that it is hard for anyone other than an engineer to describe the product’s capabilities. In other cases, a federal agency (e.g., the U.S. Agency for International Development) or a development bank (e.g., the Inter-American Development Bank) might be financing the foreign buyer. In that case, the company needs to secure the attention and trust of the financing agency, and track proposals as they move through the agency pipeline. This often requires years of cultivation, something smaller companies generally can’t do. It helps that an American director and a representative from the U.S. Department of Commerce are stationed in each financing agency, but it doesn’t replace the need for lots of face time. If states make it a policy to go after the service and technology markets overseas, they might need to bring less commonly used stakeholders into the effort, such as research universities and federal labs, state technology boards and advisors, entrepreneurship programs and industry associations.

A comprehensive view of the state’s global situation would encourage the development of a trade system that delivers what firms need, not just what programs have to offer. For example, it is almost politically impossible for government programs to teach importing or support out-bound investment. Yet imports and out-bound investment are often key strategies for businesses seeking to remain competitive or to break into overseas markets (e.g., by purchasing a foreign distribution channel). A systems approach might encourage the private sector and nonprofit organizations to provide those services.

This calls for a statewide vision of trade goals and a commitment to achieving them through the seamless delivery of what firms need.

2. Elevate state globalization to a policy level.

Many public agencies can play a role in trade development. In most states, the trade department has links to the obvious agencies, such as agriculture, but not to the full range of potential contributors. Moreover, many of these departmental agreements are based on personality rather than policy. They are also mostly for joint marketing and shared events. While these ad hoc agreements allow both agencies to do more with less, the basic support structure remains the same—directors are expected to implement programs, not invent new policies.

Innovation, and deep and sustained cooperation, are unlikely if program directors have nothing more than informal understandings to back them up. They need a high level policy-making body to span the agencies, search for synergies, and think outside the organizational chart. Below, in Table 14, is a chart that illustrates ways in which trade touches, and is touched by, many other functions of government.

Table 14
Where Trade Intersects With Other Policy Areas

Topic	Example of a Trade Implication
Education	Need for cultural and technical skills
Workforce	Job creation and worker dislocation
Investment	Trade often precedes foreign investment
Transportation	Respond to changing flow of goods and people
Telecommunications	Use of the Internet for marketing and payment
Hosting	Need for protocol training and delegation management
Business	Quality certifications and management practices
Community	Leveraging foreign relationships, such as Sister Cities
Arts	Impress VIPs with the state's culture and sophistication
Regulation	Conformity with and response to global services negotiations

Globalization also affects many other aspects of state government. Agencies tend to respond with isolated programs, if at all. Yet the impact of a single facet of globalization can slosh over into many agencies. For example, immigration affects, and is affected by, many government policies and programs as well as business operations (see Table 15).

Table 15
The Impact of Immigration on Government and Business

Topic	Implications
Trade	Cultural and business bridges into foreign markets
Investment	Public attitudes towards foreigners
Tourism	Ability of hospitality staff to speak another language
Workforce	Shortages and accessibility of visa offices
Regulation	Certification of immigrants in their current professions
K-12 Education	Multiple languages in the classroom
Higher Education	Maintaining graduate level math programs
Health	Unfamiliar illnesses and cultural practices
Community	Preventing hate crimes against foreigners
Law	Ensuring due process for accused immigrants
Social Services	Knowledge and access to eligible services
Consumers	Tapping into the growing market power of Hispanics
Employment	Business understanding of INS rules

States might consider three actions. One, as noted above, is to create accountability for the state's *overall* trade performance. Vest policy responsibility with someone in both the administration and the legislature. In a few states, trade development is a cabinet level position; if it is true that we need a laser-like focus on globalization, then more states might consider doing the same.

Second, states might form an advisory council of public and private leaders to develop the state's vision and policies for trade development, and to provide broad oversight on the state's overall trade performance. This could be in the form of an existing entity of similar structure.

“Increased food production and export of food products will require an emphasis on transportation system integrity in order to guarantee quality and safety of the food products. Those regions that move quickly to establish a comprehensive food production and delivery system that can guarantee product integrity can gain market advantage.” *Economic Review*, Fall 2002, Northeast-Midwest Institute

Third, states could link trade programs tightly to other programs designed to increase competitiveness, such as industrial extension and entrepreneurship programs. Internationalizing a state economic development plan—screening every aspect for global implications—might offer another approach to building a seamless, effective trade development system.

Oklahoma is a state that understands and acts on these connections. It has developed a public-private framework to address a wide variety of global issues and has become a model for producing a statewide strategic plan. A description of the Oklahoma plan is provided in Appendix E.

3. Get more businesses actively exploring trade.

The hardest part of trade development is finding companies willing to just consider it, or take the next step.

About 97 percent of all U.S. exporters are small to medium sized businesses, and represent the greatest source of future export growth.³⁶ These companies account for about a third of total U.S. export volume, which equals \$300 billion a year.³⁷ These exporters have proven competitive capability, yet more than 60 percent of them sell to only one foreign market, mainly Canada and Mexico.

Why do so many firms with export potential never get beyond the promotional brochure? Why is the return on marketing—staff phone calls, site visits, speeches,

advertising—so limited? There are many reasons why even the most professional and passionate business advisor is stymied in his or her efforts:

- **Fear.** According to many trade staff, a lot of business people are just plain skittish, and all the more so in a post-9/11 world. They correctly perceive that it's riskier doing business overseas, both professionally and personally, and that their lack of global experience renders them all the more vulnerable. They do not have the confidence in themselves or their advisors to believe the risk can be managed if not eliminated.
- **Complacency.** Many firms are satisfied with their current level of business activity. Even when sales decline, they would rather hunker down and sit out the cycle than explore new options. (Some firms mistake a structural shift for a business cycle and lose their competitiveness.)
- **Distrust.** When it comes to credibility, firms are more likely to trust their peers or an advisor with a reliable track record. Trade staff and trade programs—whether public or private—are often a blank slate to prospective exporters.
- **Scarce resources.** Some firms can make export sales right away with a minimal investment by placing an ad, attending a trade fair, shipping to an existing customer setting up business overseas, or responding to unsolicited orders. But the real work of export development—creating a capacity for export sales growth and sustainability—more typically requires up to three years and tens of thousands of dollars to learn, research, plan, and adjust internal production processes and administration (e.g., record-keeping). In addition, budget strapped trade programs have increasingly turned to fee-based services. Fees have obvious benefits—reduced program cost and more buy-in from those that participate—but they also act as a barrier if fees are layered on with each step. The toll-like approach to learning and exploring can easily turn off an executive already annoyed at the system fragmentation.
- **Scars.** Some firms may have exported before with disappointing results, or have heard nightmare stories from other firms. Most likely, these firms did not do enough advance preparation, the result of poor, ignored, or nonexistent advice.
- **Noncommittal CEO.** Unquestionably, the greatest predictor of export success is the commitment of the CEO. Export development takes time and money and, as in the case of Weck Closure Systems, a skeptical CEO will be reluctant to invest in it (see profile below). Serious exporting also involves changes in policy and practice across many departments within a firm. This is a challenge often beyond the capacity of a sales office acting on its own.

Weck Closure Systems

Weck Closure Systems is a 40-year-old manufacturer of medical products, located in Research Triangle Park, North Carolina. It draws on the research capabilities of three near-by universities to develop its products. One of its products, a specialized surgical clip, is used to seal off veins or arteries that will never be used again (as happens with removal of an organ). The clips are unique because they can remain in the body indefinitely, reducing the cost and risk of replacement. They are also highly reliable, which is important because clip failure could be fatal. Weck employs more than 300 people and serves as the headquarters for the medical division of its parent company, Teleflex Solutions. Teleflex is a European company employing more than 16,000 people in over 80 operating units worldwide. Weck is the only facility making these specialized surgical clips. For years Weck was a passive exporter, despite being part of a huge multinational conglomerate. Weck simply responded to foreign buyer-initiated requests and focused instead on the U.S. market. New sales staff quickly recognized Weck's true export potential, but it was some time before this vision was widely accepted within the company. In 1998, Weck executives finally decided to create an export division in their marketing office; exports as a share of Weck's total sales quickly rose from 31 percent to more than 40 percent, with predictions of it exceeding 50 percent within the next three years.³⁸

Another challenge is keeping the firms moving through the pipeline once they enter. They often start out but fail to take the next step. The disjointed trade system is partly to blame, but it's not the whole story. For instance, a firm might ask trade staff to locate foreign buyers, but then later ignore the leads—or even buyer orders.

Every export-viable firm needs to be encouraged and supported. Building a pipeline for prospective exporters requires deep public-private collaboration since no program or sector has control over the system or the customers that will travel through it. More to the point, the things that need to be done do not pay off quickly in terms of sales, the benchmark by which most trade programs—public or private—are valued.

Some possible measures might include:

- **Build an intake system.** Use the Governor's Office to bring together the major stakeholders and task them with developing one. An option might be to leverage trusted organizations that are in regular contact with businesses—such as a chamber, utility or industrial extension program—to champion the message and provide the first point of contact and screening. Another would be to embed export education and research into industry cluster and entrepreneurship development efforts.
- **Stop the leakage.** Find out why firms drop out of the exploration process and fix the problem. It could be firms give up after encountering their first barrier, such as translating a message or driving 50 miles to find an expert accountant.

Leakage also suggests that firms are not being adequately screened and supported at the outset, allowing them to get halfway into the process before realizing it is infeasible or that the CEO won't support needed adaptations. Remedies might involve incentives, case management, appeals to CEOs, better use of technologies, or screening for export readiness that includes preliminary market research and, where basic competitiveness is an issue, referrals to an industrial extension program.

- **Address legitimate business fears.** Full and timely payment is the top concern of exporters, and a major deal-breaker. Lawsuits, personal security, disease and war are also high on the list. A high-level policy group may be in a position to draw in other parties, such as the state banking commission and Office of the Secretary of State, both of which regulate business practices. These entities need to acquire a deep understanding of global trade, if they haven't already, and to actively support trade-enabling solutions.
- **Market and mentor.** Small firms will be encouraged by export successes in firms "like them." In addition to telling local success stories, states might track which approaches seem to work the best (e.g., mentoring, breakfast clubs, networking events, cluster meetings).

4. Forge multi-state partnerships to promote exports.

For decades, Southern states have maintained overseas offices for industrial recruitment, observing strict secrecy in their activities for fear of tipping off another state about a prospect. It was a strategy that served them well.

By contrast, export development is virtually non-competitive. Most activities involve pre-competitive education, research and networking. Even when it gets down to specific trade leads, few firms will be in direct competition with each other. Buyer specifications for non-commodity items quickly reduce the candidate pool. Where competition remains a concern, simple measures can reduce or eliminate the potential for conflict (e.g., no two producers of competing products on the same mission).

There are many benefits in multi-state cooperation. Quality overseas offices, missions, and trade lead development can be very expensive, and there are too many good markets for a single state to probe effectively. States can also gain competitive advantage in working together. Multi-state offices and missions attract more VIP and buyer attention.

The Council of Great Lakes Governors has supported multi-state overseas representation for years.³⁹ Their sales representatives are better received when knocking on doors because they have a deeper portfolio of potential suppliers. Moreover, a representative may come across a trade lead that's useless for one state but perfect for another. Instead of dropping the lead, the representative can meet the buyer's needs and enhance his or her can-do reputation.

Another powerful benefit from cooperation is the ability of states to participate in more industry-specific trade shows. General trade shows, where all kinds of products are displayed, are less effective since the buyer pool is diluted. Whereas one state may not have enough prospective exporters in a given industry to warrant state participation in an industry-specific event, three or four states together might have enough firms to make it worthwhile.

It should be noted that the South is not without experience in multi-state trade cooperation. The Mid-South Trade Council, for example, was formed in 1983 as a voluntary association of five (later six) state trade directors who knew and liked each other.⁴⁰ Cooperation, however, tended to be non-financial, such as with catalog shows where one would take along company brochures from the other states. Cooperation was also highly variable over the years as leadership changed. The new legislative and appointed leaders, accustomed to the secrecy inherent in industrial recruitment, were often leery of multi-state collaboration. The prospect of mingling state funds only increased the skepticism.

Other multi-state export promotion initiatives in the South—the Southern United States Trade Association and Travel South⁴¹—have been more durable, perhaps due to the role of federal funds in financing their export promotion efforts. And some Southern states do cooperate to promote exports, as in Missouri and Oklahoma’s effort in 2002 to secure a grant from the U.S. Department of Commerce Market Development Cooperator Program (MDCP).

The political and legal barriers to mingling state export promotion budgets will not disappear overnight, but there are some measures states might consider to foster cross-border cooperation:

- Put interstate cooperation in the mission statement of the state international office or strategic plan. This at least sends a signal that it is acceptable and even encouraged to pursue and negotiate a cooperative initiative.
- Apply for federal grants as teams of states. There are not many sources of significant federal funds for export development other than MDCP and the Department of Agriculture, but there are opportunities in the field of education and overseas development. The GSC has and will continue to broker multi-state applications involving international business development.
- Encourage a national firm to provide an incentive for regional cooperation. For instance, The Boeing Company recently offered to help the GSC create a large Southern presence at the Paris Air Show, the premier event for aerospace products. Few states usually go to this event as it is expensive and because they don’t have a critical mass of these specialized firms. Missouri led this particular initiative, and a number of states stood ready to join. Unfortunately the effort had to be postponed due to the states’ budget crises.

Suggested benchmarks

- Share of Gross State Product derived from exports.
- The proportion of firms engaged in exporting.
- Jobs supported by all forms of international transactions.
- The share of exporter sales derived from exporting (export intensity).
- The proportion of the public supportive of trade.
- The presence of an international policy advisor for the governor.
- The number of inter-state joint trade activities.

Step 3

Build upon the strong international presence in our region to expand jobs, talent and cultural understanding.

“ ‘Todo aquel con buena voluntad esta bienvenido en Carolina del Norte.’ In other words: All people of good will are welcome in North Carolina. We need your talents, your skills, and your hard work. That is not just good policy. That is a North Carolina value.”

—Governor Easley, State of the State address, March 4, 2003

The South was the first American region in modern times to recruit investment from overseas. It was enormously successful; foreign direct investment (FDI) now accounts for a significant share of private sector employment. Just as important, FDI brought to the South world-class plant and equipment, and introduced to the wider business community new management practices and attitudes towards education.

Immigration, too, has spiked. Instead of Europe, immigrants in the 20th century were coming from Asia, Mexico and Latin America. These new immigrants account for a growing share of the workforce, largely at the entry-level in services and manufacturing, but also in entrepreneurship (both mom & pop and high-tech). Non-immigrant foreign visitors have also skyrocketed, including temporary workers, tourists, students, scholars and business visitors. Each makes unique contributions to the Southern economy.

Foreign students, for example, are channels for international commerce and cultural exchange. Many are from families in the wealthier classes and are closely connected to the business and political structures back home. Some states, like Oklahoma, have managed their foreign alumni networks for this express purpose. Foreign students also support the local economy while in school. During the 2001-02 school year, Kentucky’s 4,789 foreign students contributed a total of over \$75 million in fees and tuition to more than 30 post-secondary institutions, and another \$2.8 million in family living expenses.⁴²

As such, it is important for states to encourage these economic activities both directly through recruitment and indirectly by offering a continually welcoming environment.

Living in the U.S., whether for a week or the rest of life, can be frustrating and even frightening for a new arrival, all the more so post 9/11.

Assets

The South is advantaged here with its solid base of international assets, especially FDI. Compared to the rest of the United States, the South has historically been much more welcoming and appreciative of foreign investment. The success of foreign investors has paid enormous dividends in the form of plant expansions and new investment by other companies won by word-of-mouth recommendation.

Relatedly, the South has its famous Southern hospitality. On this aspect, Southerners are culturally much more attuned to the rest of the world. Although it is a generalization, Southerners as a whole are in less of a hurry to cut a deal, more interested in personal relationships, and take family honor quite seriously.

The South can also draw on the resources of a growing number of foreign consulates that are establishing regional offices in the South.

Barriers

Southern warmth and hospitality are strong but not ubiquitous. Xenophobia and an isolationist attitude were identified in our regional survey of international experts as the primary barrier to taking advantage of the South's international growth opportunities (see Appendix B). Although many of the more blatant forms of xenophobia are gone (e.g., excluding Japanese investors from private golf clubs) an undercurrent of xenophobia persists, now more directed to Hispanics and people of Middle Eastern descent.

There are also numerous explicit and hidden barriers to foreign participation in the economy. Examples include college enrollment caps for foreign students, some of which are inordinately tight; traveling far to register with the nearest INS office; lack of skill certifications for skilled immigrants like bricklayers; inability of the children of undocumented workers to enroll in post-secondary education; the achingly slow process for earning citizenship; and the tendency of recruiters to "abandon" foreign investors once they've set up shop. Limited public knowledge of foreign languages, cultures, history and current overseas events also lower the comfort level of international visitors.

Finally, although some individual cities enjoy world fame, such as Atlanta, New Orleans, and Memphis, the South as a whole is not well known overseas. Many individual Southern states are no better off, with little name recognition. To the extent the South has an identity overseas, it's often a mixed image of rapid growth and racial oppression.

Recommendations

1. Cultivate an innovative, global-savvy business image for the South.

Individual states have long pitched their own messages to foreign investors and tourists, and will continue to do so. Each, however, can gain value from a regional effort to reframe the South's image of backwardness into one of innovation and success over adversity. As part of a process of developing this positive Southern image, states might assemble and market a series of "did you know" spots that collectively feature the South as a sophisticated and fun place to live, visit, and do business. Other possibilities include a regional effort to host international events, such as soccer or golf tournaments, academic conferences and trade shows.

Organized state initiatives to provide and focus development assistance to an emerging market would also boost the South's image overseas. (It could also turn into a vehicle for business development and the exposure of leaders and exporter neophytes to global realities.)

2. Improve the quality of foreigners' experiences in South.

The first step would be for state and local officials, as well as business leaders, to better acquaint themselves with the federal rules governing foreign activities. The Immigration and Naturalization Service (INS) has some of the oldest and most complex legislation on the books. Services to help immigrant clients and businesses wade through the mess is a minor industry.

The next step might be a relatively simple survey of international tourists, students, workers and residents to determine how they experience life in the state, and what could be done to make their stay more productive and enjoyable. Some of the answers might be surprising. At one meeting of the Southeast U.S.-Japan Association, a governor asked a Japanese business executive how the state could have better supported him as a new investor. The answer was quick: help getting driver's licenses and realtors that could speak Japanese. The routines of American life can be baffling to a newcomer, and small measures could go a long way to ease the adjustment. It is for this reason that the U.S.-Israel Chamber of Commerce in Atlanta prepared a guidebook for new Israeli investors on how to go about getting settled in the area.

State and community leaders might respond in any number of ways. Some, like Charlotte, North Carolina, may establish a mayor's international council that, among other things, provides new arrivals a voice in community matters. A number of governors have ombudsmen in their offices who can work with the immigrant community to identify problems and find solutions.

At an even higher level, states might want to consider developing and promoting federal policy changes that would ease the transition of new arrivals into communities.

Finally, states might consider a specific initiative to help communities respond productively to immigration and to build cultural understanding and relations. One outstanding program in this area is the North Carolina Center for International Understanding (NCCIU). NCCIU takes delegations of local leaders from high-immigration impact counties to Mexico where they spend a week studying the culture and meeting the families left behind. (See Appendix F.)

3. Leverage existing international linkages to bolster recruitment efforts.

Every state has hundreds of potential goodwill diplomats who could represent the state well to foreign audiences: foreign investors, U.S. multinational companies, exporters, powerful foreign alumni, “favorite sons” living overseas or in Washington, D.C., and university ties overseas. Each could be tapped to help the state attract more business and create a more welcoming image. This would require a common understanding of the message (and perhaps wide participation in shaping the message) and trust that the contact, once made, will be handled with tact and professionalism.

States might also support existing efforts by universities to recruit international scholars and students.

Suggested benchmarks

- Proportion of jobs and/or investment from foreign direct investment.
- The number of foreign business visitors.
- The number of international students and faculty.
- The number of foreign tourists.
- The proportion of foreign-origin in the workforce.
- The number of international chambers and cultural organizations.

Step 4

Teach our future workforce the skills and confidence needed to interact productively with people from other countries.

“If goods do not pass frontiers, armies will.”

—Cordell Hull, later to become U.S. Secretary of State under President Woodrow Wilson.⁴³

Relatively few Southerners in the current workforce were exposed to international cultures during their formative years. For many, this has resulted in low levels of confidence and skills to deal effectively with international situations, such as immigrant children in the classroom or inquiries from foreign buyers. In today’s economy, those

regions without a predominance of internationally skilled workers will certainly be competitively disadvantaged.

For the next generation of workers, an upwardly mobile career will require international skills, such as knowledge of one or more additional languages, cultural perceptiveness, knowledge of geography and history, and current information about global events well beyond the light sampling provided by most media today.

International dexterity is important not only for communication, but for innovation—the ultimate driver of growth. The juxtaposition of different cultural viewpoints, different experience, and different resources can lead to entirely new ideas, products, and processes. This is already very true in the realm of science, where global collaborations drive research and inventions and enable scientists to undertake mega-projects, such as the international space station. Manufacturing, too, has become exceptionally globalized.

If that weren't enough cause for infusing international skills into K-16 educational standards, homeland security interests should. U.S. foreign policy is full of cultural and language gaffs that have led to embarrassment, poor decisions and even disasters, most recently the failure of U.S. intelligence to intercept and translate messages about impending terrorist attacks.

Assets

Every single governor is committed to raising the quality of education in the South. It is an ambition shared by most leaders. In this environment, leaders and educators will be more open to cogent, market-based arguments in support of increasing the international content of the curricula.

Fortunately, many young people are aware of the global nature of their future work. Witness the astonishing increase in foreign language enrollments, particularly in Spanish, where schools have made classes available. A September 2000 survey of the public by the American Council on Education found 85 percent of respondents believed that to compete successfully in a global economy students must speak a foreign language, 92 percent said they must understand other cultures and customs, and 89 percent said they must know about international issues and events.⁴⁴

A growing number of educators themselves are championing curricula reforms that bring the world into the classroom. Some colleges are reinstating foreign language requirements for enrollment and graduation. Others are embedding international education into the very mission of the university. In January 2002, the University of North Carolina system adopted a global educational experience as one of the system's top six goals. (See Appendix G.)

The sheer presence in the classroom of so many diverse children can also be the basis for educating other students (and teachers) and raising awareness about the globalization of the future work place and social environment.

Finally, the number of college and high school students with an overseas experience has increased rapidly in the past few years. We will soon have a highly confident and attuned cohort of young adults.

Barriers

Too few educators have had experience teaching the international aspects of their subject area. Even fewer have had a significant opportunity to study their subject overseas; many do not have a passport, and a surprising number have never even boarded a plane.⁴⁵

School curricula are already packed and geared toward meeting established state requirements and performance tests. Adding or altering the established curricula is likely to draw protests from many quarters, including some educators who do not want to change their lesson plans, and some xenophobic citizens who see “foreign teachings” as unpatriotic.⁴⁶

Recommendations

1. Internationalize basic education.

State and local education leaders should review the international content of the education requirements and curricula, comparing them to other states that rank highly in measures of international education achievement (e.g., scores and enrollments in foreign languages and social studies). The Global Strategies Council expressed a distinct preference for infusing a global perspective into every subject and class, at all levels of education, as opposed to creating a separate “international studies” class that would be the sum total of international learning opportunities.

Specific measures should still be considered, of course, such as the addition of AP (Advanced Placement) classes in world history and recruitment of foreign-born teachers. Schools and business leaders could also support teacher education, such as through seminars and study tours, providing access to pre-scripted lesson plans on international topics, or brief summer internships in a local international business operation.

2. Imbed international goals in education and workforce development policies.

In today’s knowledge-based economy, workforce development and economic development are nearly synonymous. Yet in a spring 2002 survey of about 100 business, academic and public sector leaders, Southern Growth found almost a third reporting no concerted effort being made in their area to link workforce and economic development policies.

Aside from the policy planning process, states also might encourage their colleges and universities to re-examine their mission statements and strategic plans in light of the new global challenges and opportunities.

States additionally might consider targeting improvements for rural and under-resourced institutions. An example of an organized university support system is West Virginia’s Consortium for Faculty and Course Development in International Studies (FACDIS) that provides training for educators and maintains a clearinghouse of instructional resources and grant opportunities.⁴⁷

Other ideas include better use of distance learning for language and other international instruction, and pairing institutions with strong international programs with those that do not. A mentor institution could, for example, help the smaller college get their students to apply for grant aid, such as the Gilman Scholarship, which is a new federal grant program providing up to \$5,000 per under-privileged student for study abroad.

3. Get thousands more students through postsecondary education.

There’s no question that the definition of a competitive workforce has changed, and that it includes ever-rising skill levels. In *The Mercedes and the Magnolia*, Southern Growth argues that all children should be urged to continue on beyond high school for two or more additional years of education, ending in some degree or certification. (Table 16 shows why.) A growing number of education experts argue that the concept of a free public education should be extended for two years beyond high school because it is becoming the new minimum skill level required to become part of the middle class.

Education Required	Millions of Jobs in 2002	% Change in Jobs (2002-12)
High school only	56.4	-0.2
Some training	26.0	2.6
2-year degree	12.1	7.5
4-year degree	25.1	8.5
Advanced degree	12.6	4.0

Source: The Employment Policy Foundation, 2002, at <http://www.epf.com>⁴⁸

Research makes it clear that postponing entry into postsecondary education is about the same as quitting school for good—of those who enroll later in life only a minority

achieve their goal. Table 17 gives the college completion rates for those who enter a 4-year program; ultimately, only 58 percent of all students graduate (including those that transfer to other 4-year programs). The completion rate for 2-year degree programs is worse; of those who begin with the intent of receiving a degree, only 31 percent have achieved their goal within six years.

Table 17
College Completion Rates for Those Entering a 4-Year Degree Program

Category of Student	After 4 Years	After 6 Years
High income	50	77
College-prepped*	61	82
Full-time student	45	73
White	40	67
Low income	26	54
Black	21	46
Delayed start	24	37

Source: National Center for Education Statistics, 2003

* As in AP classes, high grades

Globalization affects state education policy far beyond the obvious matter of increased competition. The fact is children of foreign-born parents make up a substantial number of those who fail to go on to college.

Expectations play a big role. Research shows that children of parents who never went to college have lower educational ambitions. Of high school seniors graduating in 1992, 27 percent were from families in which neither parent had any postsecondary education. Only 55 percent of those children expected to get a bachelor's degree or higher, compared to 71 percent for those whose parents had some college experience, to 91 percent for those whose parents had bachelor's degrees or higher.⁴⁹

A second factor may be the quality of career guidance counseling. A recent study of six states indicated that fewer than 12 percent of students surveyed knew all the curricular requirements for admission to their states' postsecondary institutions. The study's author, Michael W. Krist, a professor of education at Stanford University, said, "As a result, about half the students entering college begin by taking remedial courses, which greatly decreases the chance they will ever graduate."⁵⁰ Tellingly, by 1998, 45 percent of white and 56 percent of Asian high school graduates had completed some advanced math or science courses, but only 30 percent of black and 26 percent of Hispanic graduates had done so.

A third factor in boosting college completion rates is financial aid. A recent study by the National Center for Education Statistics shows that, in non-elite public schools

(elite being highly selective ones, such as William & Mary), about two-thirds of aided students had completed a degree within six years, compared with one-half of unaided students.⁵¹

4. Expose youth to people from other countries.

Experience breeds confidence, and context breeds learning. How many of us squeaked through social studies or geography, not knowing—and not caring—about musty old French colonialism, Cesar Chavez (wasn't he a Roman emperor?), or the location of Indonesia. With nothing to make it come alive, what we “learned” was generally filed in short term memory...just long enough to pass the test. Now, confronted with people, politics, and business leads from the rest of the world, we have little to draw on to guide our actions. Getting involved in international trade or other activities might seem just as attractive as taking a sip from a fire hose.

The presence of foreign-born students in the classroom and the Internet may help, but mere contact is not enough. Students need to engage in dialog with foreign-born students as peers, hold artifacts, taste the food, speak a foreign language, meet citizens of foreign countries, and travel abroad in supervised educational programs. This contextual learning is the most powerful way to gain confidence and international skills.

Suggested benchmarks

- International content of the K-12 curricula.
- Percent of K-12 teachers trained to teach international studies.
- Foreign language enrollments in K-6.
- Study abroad by college students.
- Percent of all students achieving two or more years of post-secondary education.
- The number of teacher exchanges.

Step 5

Develop international relationships to overcome shared social and economic challenges and, in so doing, create new trade and investment opportunities.

“I think that the most significant barrier facing our state is the ability to live together and to nurture relationships across race, religions and other kinds of diversity and to overcome the economic barriers that inhibit our ability to work together.”

—Anonymous quote of a rural community official participating in a fact-finding visit to Mexico, 2001

The South has a lot to offer other parts of the world, and a lot of business and learning to gain in return. The South is no slacker in the first department—loads of universities, corporations, faith-based institutions, individuals, state agencies and communities have established long-term relationships with under-privileged areas of the world. What the South lacks is a clear strategy for leveraging those linkages for business and for extracting and applying new knowledge that can be gained from those relationships. These are not conflicting goals; indeed, most developing countries prefer mutual business development and learning over charity.

Increased two-way trade is an obvious goal, but there are other equally important commercial goals. Learning is top among them. Businesses that trade or invest overseas gain invaluable knowledge about customers, competitors, and emerging trends in consumer taste, technology and standards. They also gain access to new materials and new environments that can be used to test new concepts and production processes. In short, global engagement encourages business innovation.

Individuals and institutions can also learn from the process. Seeing and hearing the realities of life elsewhere creates better informed and more sensitive citizens and institutions, which in turn makes the region more attractive to foreign visitors and residents. Informed and aware citizens are also more likely to play a productive role in local civic life.

Fortunately, it is relatively easy for the South to identify areas of mutual interest and benefit. Aside from us having an economic history of interest to the other “Souths” in the world, we share many features in common with a large number of other challenged regions of the world: weather, agriculture, climate, industry, poverty, immigrants, health and any number more. The hard part is to be strategic in the choice of regions, goals, and the types of activities to be encouraged. Clearly there is an advantage in aggregating efforts within and among states, including greater scale, scope, contacts, flexibility and sustainability.

Although the South has fewer resources to establish relationships overseas, there are federal programs that can help. Many of these programs are directed to institutions of higher education, but most also encourage academic partnerships with the business communities and state and local governments. The catch is, Southern institutions either aren’t asking or aren’t being awarded as many grants as might be expected. The same is true with U.S.-supported nation-building projects (called “major projects”) funded by multilateral development banks. In both cases, much of the reason may be attributed to the South’s relative newcomer status in seeking these grants and projects, plus lesser amounts of matching funds and prior experience typically required as part of the grant process. Aside from a handful of regulars, such as Georgia Tech, the South’s universities, colleges, and other institutions do not appear much on the award lists. If these smaller institutions were able to invest in overseas relationships, they could reap the rewards of higher quality instruction and learning.

Assets

The South does have a rich array of institutional relationships overseas and plenty of personal connections to draw on, including foreign students and investors. The South also has a lot to offer in the way of institutional expertise.

There are models to learn from, including the U.S. Southeast-Japan Association and the Florida Association of Voluntary Agencies for Caribbean Action (FAVA/CA). FAVA/CA is a 10-year-old nonprofit that sends Florida volunteers into the Caribbean and Central America to carry out short-term technical assistance projects. FAVA/CA is funded in part from the state, part from donations, and part from grants from the U.S. Agency for International Development. (See www.favaca.org.) The state supported it in an effort to stem the tide of immigration; if the Caribbean had better jobs for its residents, they wouldn't be trying so hard to get to Florida.

Barriers

Perhaps the chief barrier to a strategic approach to state international relationships is fragmentation. No one knows what's going on except by word of mouth. As a result, there's little leveraging, and limited accountability. The Office of the Secretary of State in North Carolina has attempted to bring some semblance of unification to the state by asking organizations and agencies to voluntarily file their overseas agreements with the Secretary.

The South's state governments have not had have a strong voice in setting international policy in Washington, D.C. (Congressional representatives are generally not very familiar with state international efforts beyond that of a few key industries.) The chief mechanism by which state governments are supposed to communicate with federal trade policy makers is the IGPAC (Intergovernmental Policy Advisory Committee) that is convened intermittently by the Office of the U.S. Trade Representative (USTR). Southern states have not had a particularly active role in IGPAC. Each state has a "point of contact" with USTR, but these contacts have not (to date) been an effective means of state-federal communication, as was the case when USTR asked states to respond to certain provisions of the proposed NAFTA agreement. It wasn't all USTR's fault; they were trying to communicate with 50 unique states.

Attitudes and expectations are another issue, with many Sister City pairings based on cultural exchange rather than mutual economic development. Turf issues might also arise between entities dealing with the same country.

Finally, the lack of language and other international skills puts a serious damper on relationship building.

Recommendations

1. Systematically build relations where there's a high return on investment.

A state needn't restrict relationship formation, but it might pull together some of the major public, private, academic and civic stakeholders in a summit to explore common interests, strengths, and possible joint projects. States could then develop, with its partners, a plan for establishing an outcome-oriented relationship, including strategies for securing federal, foundation and corporate support.

Part of this organizational process might include collecting an inventory of existing relationships and "relationship assets," and perhaps a plan to incorporate it on a central Web site. A similar inventory of country expertise might also be useful in bringing stakeholders together.

A final consideration might be to encourage public officials to participate in professional conferences with their international peers. The whole concept of industry clusters, for example, was imported from Europe through transatlantic contact.

2. Develop an outreach strategy to encourage civic support and volunteerism.

Some in the community will look askance at providing support to other countries when our own has so many challenges. The importance of overseas travel and collaboration has never been communicated effectively to the public, but is a barrier that must be broken if the South is to be globally engaged.

In its *2003 Report on the Future of the South*, "Reinventing the Wheel," Southern Growth calls for the development of better-prepared and more diverse leaders. By leader, we meant anyone who stepped forward to contribute to civic society, not just elected leaders. The report provides a chart that describes the characteristics of a good leader in modern times. The need for cultural understanding is among those characteristics. The report also calls on states and communities to be more creative in drawing immigrant communities into civic life and leadership roles.

3. Create a Southern initiative targeted to a specific, developing world region.

Individual states are encouraged to develop their own strategic initiatives, but the region as a whole could also gain from a targeted initiative developed around a central theme—such as improving health or responding to biohazards. Such an initiative could showcase the South's technical expertise and products, and involve a sustained exchange of ideas and experiences. The South as both a giver and a respectful learner would be a powerful image and send a signal that the South is truly a global player.

Suggested benchmarks

- The number of federal grants going to Southern universities and colleges for overseas development projects.
- The number of formal relationships by Southern colleges and universities with counterparts overseas.
- Existence of a process by which the state selects and keeps strategic relationships.
- Public opinion on overseas aid and trade.
- A strategy in place for a three-year regional initiative focused on one area.
- The number of Sister Cities.

Conclusion

The time has come to bring a laser focus to the South's complete role in the global economy, both as individual states and as a region. Export promotion, investment recruitment, and raising test scores cannot be the sum total of the South's response to globalization. We need to do these, and do them more effectively, but we also need to raise the scale and scope of the South's engagement.

The challenge in defining a new vision will not be so much coming up with the right package of programs as it will be to come up with a process: a process for bringing people together again and again, preferably from all disciplines and walks of life, and then listening, learning, proposing, doing, and starting all over again.

The Global Strategies Council expects to play a major role in beginning this process in each of our states, and in crafting multi-state and regional initiatives that reflect the recommendations laid out in this report. Along the way, the GSC will develop a *Southern Globalization Index* that can help the South set its collective sights on its future in a world of change.

Appendix A

Acknowledgments

Current and Past Members of the Southern Global Strategies Council

- ◆ Cynthia J. Brinkley, President, Arkansas Division, SBC Southwestern Bell
- ◆ Kevin Chambers, Director, Office of International Trade and Investment, Oklahoma Department of Commerce
- ◆ William A. Edwards, Executive Director, Center for International Programs, Marshall University
- ◆ Patrick R. Esposito, President, Engineering Decision Consultants
- ◆ The Honorable John Hager, Assistant to the Governor, Office of Commonwealth Preparedness, Virginia
- ◆ Winthrop M. Hallett, III, President, Mobile Area Chamber of Commerce
- ◆ Paul H. Harvel, President, Greater Little Rock Chamber of Commerce
- ◆ The Honorable Cal Hobson, State Senator, Oklahoma
- ◆ The Honorable Governor Bob Holden, Missouri
- ◆ Mark R. Kilduff, Executive Director, Virginia Economic Development Partnership
- ◆ Ally Mack, Director, The International House, Jackson State University
- ◆ Carlos Martel, Deputy Commissioner, International Trade Division, Georgia Department of Industry, Trade and Tourism
- ◆ Robert E. Martinez, Vice President, Marketing Services and International, Norfolk Southern Railroads
- ◆ Catherine M. Mathis, First Vice President, SunTrust Bank
- ◆ Tim Mosher, President, Kentucky State Office, American Electric Power Company
- ◆ Gregory M. St. L. O'Brien, Chancellor, University of New Orleans
- ◆ Mary K. Pyle, Managing Director, Kansas City World Trade Center
- ◆ Evans Richardson, Director, Government Relations, The Boeing Company, Missouri
- ◆ The Honorable Governor Don Siegelman, Alabama
- ◆ Robin Stone, Vice President, The Boeing Company, Washington, D.C.
- ◆ Paul Francis Tecklenburg, Partner, Tecklenburg Law Firm, South Carolina
- ◆ Kathy Taylor, Secretary of Commerce and Tourism, Oklahoma
- ◆ Amy Thomson, Trade Development Manager, Latin American Markets, South Carolina Department of Commerce
- ◆ Mary Beth Warner, Deputy Commissioner, Kentucky Department of Community Development
- ◆ Richard B. Williamson, Chairman of the Board and CEO, T.D. Williamson, Inc.
- ◆ Blake A. Wilson, President & COO, Mississippi Economic Council

Closely Involved Friends of the Council

- ◆ Bobby L. Eason, Assistant to the Chancellor for University Affairs, University of New Orleans
- ◆ Angie Kinworthy, Director, Office of International Marketing, Missouri Department of Economic Development
- ◆ Kenneth J. Tucker, Regional Manager, State and Local Government Relations, Boeing Company
- ◆ Hilda C. Lockhart, International Trade Manager, Alabama Development Office
- ◆ Bob Parsons, Director, Industrial Training Service, Tennessee Department of Economic & Community Development
- ◆ Clark Plexico, President for Government Relations for North and South Carolina, AT&T
- ◆ Priscilla Harris, International Protocol Officer, Office of International Trade and Investment, Oklahoma Department of Commerce
- ◆ Joseph S. Guy, Director, Performing Arts Programs (and international exchange), Southern Arts Federation

Other Contributors to the Report

- ◆ HollyBeth Anderson
- ◆ Jim Apple
- ◆ Randal E. Arno
- ◆ Francine Arrington
- ◆ Roy Bahl
- ◆ David Batt
- ◆ Charles Bauman, III
- ◆ Gail E. Bingham
- ◆ Leonard S. Bull
- ◆ Sujit CanagaRetna
- ◆ Dewey Chester
- ◆ Isaac Cohen
- ◆ Ken Cummings
- ◆ Jeannemarie A. Devolites
- ◆ Robert M. de Voursney
- ◆ Ron Duggins,
- ◆ Paul H. Grossman, Jr.
- ◆ Will Hall
- ◆ Carroll N. Harris
- ◆ George L. Hiller
- ◆ C. Jones Hooks
- ◆ C. Knox Hubard
- ◆ Hugh D. Keogh
- ◆ Nicky Lancaster
- ◆ Bronwen Madden
- ◆ Dierdre Mendez
- ◆ Mark Peterson
- ◆ David Platt
- ◆ Steve Rieck
- ◆ Charles E. Rigney
- ◆ Augustin E. Rodriguez
- ◆ Dag Ryan
- ◆ Sally Sappenfield
- ◆ Karen Schafer
- ◆ Roger Scoville
- ◆ Mary Catherine Skammer-Raymond
- ◆ Tom Sleight
- ◆ Tony Smith
- ◆ Traci M. Solomon
- ◆ John B. Sternlicht
- ◆ John R. Stewart, Jr.
- ◆ Maria A. Urbina
- ◆ Jeanie M. Welch
- ◆ Gregory H. Wingfield
- ◆ Jack E. Wright
- ◆ Michel Zajur

Appendix B

February 2002 Survey of 30 Stakeholders

Regional Strengths

- The South is a lower-cost environment relative to other parts of the U.S.
- A pro-business attitude
- Exportable products, services and tourism destinations
- Pockets of excellence
- Good location vis-à-vis Latin America
- Strong presence of FDI and other world class operations, such as autos
- Excellent amenities and rich history
- National leaders in Washington, D.C.

Regional Weaknesses

- Xenophobic, isolationist attitudes
- Absence of a knowledge-economy workforce
- Stuck in an old economy mode of development
- Weak budgets and ineffective legislatures
- Continuing vulnerability to job loss
- Lack of a unified state effort

Opportunities

- Ability to sell more overseas
- Leverage assets, like universities, Fortune 500, technology industry, FDI
- Retain intellectual capital
- Leverage the presence of the foreign-born population

Threats

- Pain and backlash from job loss and anti-trade activism
- Phobia from terrorism
- States looking inept, non-strategic, indecisive
- Other states “getting it” about globalization before the South does
- Bickering among international stakeholders

Challenges to Trade Professionals

- Being spread too thin & budget cuts
- Raising awareness about trade and international education
- Finding enough leadership that “gets it”
- Coordinating services
- Keeping the office technologically up-to-date

How the Profession Will Change in the Next Five Years

- Will need to rethink use of distance learning, and other technologies that provide mobility in order to offer business “24 by 7” service
- Will need a much better understanding of biotechnology and other technologies in order to market them more effectively

How Customer Needs Will Change

- Face stiffer competition
- Must continually evolve
- Need to operate as world citizens in order to compete with peers overseas
- Better international management skills
- Access to tailored services
- Increased security

Appendix C

Program Name: South Carolina Legislators Trade Institute
Contact Person: Peter Lehman, Member
Address: South Carolina District Export Council
P.O. Box 2560
Columbia, SC 29202
Telephone: 843-577-8601
Fax: 843-577-8626
Email: plehman@scspa.com
Web site: NA

Date of profile: February 21, 2003

Abstract

Leaders need to better understand how to compete in a global economy. Legislators are well aware of the job destruction linked to trade, but few know much about the job-creating effects of trade in their own districts, or what actions they could take to increase state exports and foreign investment. Five years ago, the South Carolina District Export Council (SCDEC) developed an annual, day-and-a-half institute for legislators and their staff to learn about the jobs impact of exporters in their districts, and how positive trade outcomes depend on strategic investments in transportation and other state-supported systems.

Program Description

The Institute is an event, not an organization. It is a collaborative effort among several organizations led by the S.C. District Export Council with program participation from The Propeller Club of the U.S., Port of Charleston, the South Carolina State Ports Authority (SCSPA), and the state Department of Commerce, among others. SCDEC's Peter Lehman is active with many of these groups, which makes the logistics easier.

The focus and structure of the Institute has evolved over time. Today the Institute is a-day-and-a-half (not two) and they no longer prepare big background notebooks that few have time to read. The Institute is purposely hands-on and social. Legislators, like anyone else, often learn best when the subject is fun and tangible.

All state legislators are invited, as are a number of top state executive officials and their staff, plus Congressional representatives. Most receive a personal letter from a friend among the organizing entities. The \$30-40,000 annual cost of the Institute is raised by the SCDEC from private sector sponsors. The legislators' hotel and meals are covered.

The event begins in Charleston with an afternoon golf tournament; foursomes are assigned to encourage dialog. This is followed by a reception and formal dinner, where the President of the Port Authority gives his State of the Port address. South Carolina

exports are exhibited at the dinner, marked by the county where they came from and the name of the producer. Small items are put in the middle of the dining tables to draw conversation. Companies often donate samples of their exports, which are then given away in a raffle. The more structured learning happens the next day. In the morning they have a breakfast and keynote speaker, then board a boat for a four-hour cruise. While on the water, participants listen to a roundtable of manufacturers and other speakers. After lunch and another keynote speaker, people disembark.

Background

Trade is a key driver of the knowledge economy, but few leaders understand how it works, much less what they can do to use trade to their best advantage. Most realize that exports create jobs, but few are aware of the scale and scope of export-related job creation in their own jurisdictions. This is because trade success is nearly invisible. Companies will talk about their growth, but not where they found new customers. Workers may not even be aware that their paycheck relies on trade. By contrast, every job lost to trade is immediately and painfully visible.

Yet briefing leaders on the basic trade facts isn't enough. Leaders cannot respond to pain with abstract economic logic. But they can respond, and even be pro-active, if they can make a tangible connection between trade and successful growth companies in their jurisdictions, and between trade outcomes and specific state policies.

Outcomes

The South Carolina Legislators Trade Institute has had a significant impact on the frequency and quality of discussion among state leaders about trade, and policies to support trade. Hard measures are not available, but it is believed that the Institute had an impact on recent legislative decisions to invest in upgrading port facilities. Other indirect evidence is the fact that the Institute has star power, drawing leaders, sponsors and riveting speakers.

Policy Implications

State and local leaders must become better acquainted with the global trends. The Institute offers a sharp contrast between the usual approach to leadership trade education—such as a seminar where the speakers may outnumber the audience. Leaders need a gut feeling for trade and globalization before they can appreciate the facts. A successful Institute is:

- ◆ Collaborative—enlist all potential advocates, not just one or two.
- ◆ Strategic—find the right institutional platform, and be clear about your messages.
- ◆ Contextual—provide tangible examples of a wide array of exports.
- ◆ Fun—offer a mix of business and social events, inject humor, and hold it somewhere people want to be.
- ◆ Convenient—make it easy for legislators to say yes to an invitation.

Appendix D

Story of A Rural Manufacturer

A family-owned firm employing several hundred people in a rural area makes wood-chipping equipment for the forest products industry. Each piece of equipment is valued in the range of \$1 million. About a decade ago, the firm began to experience problems with “labor relations.” Management decided to call in an industrial extension team from a nearby university that they had used before to take care of some production problems. The team administered an in-depth survey tool designed to uncover the source of labor frictions, but it discovered that the chief cause of the unhappiness was fear that the firm might go out of business. The fact was the firm’s U.S. customers were going out of business. Logging restrictions in old growth forests of the Northwest meant there was no more demand for their out-sized wood chipping equipment.

The industrial extension team recommended that the firm search markets overseas for new customers, and referred them to the state’s trade office. The firm was reluctant. As is often the case, top management was reluctant to tackle the added risks and complexities of going global. But faced with no other choice for keeping the doors open, the firm plunged ahead. As a result:

- The firm made a major sale in Latin America.
- Based on their success and excitement at seeing the potential for exports, the firm hired an international sales manager, a Brazilian immigrant, who used her personal contacts to dig further into Latin American markets
- Spurred by success and a new-found desire to compete globally, the firm invested in new technologies and upgraded the skills of the workforce through extensive training;
- The firm not only retained its workforce, it hired more workers
- It got into product redesign, down-scaling, simplifying, and using new materials to meet the needs of smaller, less well-trained foreign customers and to suit equipment maintenance needs in different climates.
- It added new product lines, including a related line of after-sales service and consulting.
- The firm explored new financing techniques, including leasing, which is increasingly popular for heavy equipment sold overseas.
- It found specialized private consultants to help them through the complex new rules of the game, including environmental concerns (which come up if you use the U.S. Export-Import Bank), international standards, and the legal environment unique to each country.

Appendix E

Profile of a State Strategic Plan for Globalization

Program Name: Oklahoma Strategic Plan
Address: Oklahoma Department of Commerce
Office of International Trade and Investment
700 North Greenwood Ave., Suite 1400
Tulsa, Oklahoma 74106-0703
Telephone: 918-594-8116
Web site: <http://www.odoc.state.ok.us/index.html>
Date of profile: March 1, 2003

Many states have international strategic plans, but few are as comprehensive, inclusive and results-oriented as Oklahoma's. It is also simple and straightforward, making it a good model for other medium-sized states. The plan took about two years to complete.

It began in earnest in late 1998 following a focus group discussion convened by the Southern Growth Policies Board. The focus group revealed two things: (1) state trade efforts were small relative to the opportunities, and (2) the legislature had heard very little discussion about trade as an economic development strategy.

To remedy the situation, Kevin Chambers, director of the Office of International Trade and Investment (OITI) for the Oklahoma Department of Commerce, turned to the Governor's International Team (GIT) for help. The GIT is a public-private organization whose mission is primarily to help attract foreign investment into Oklahoma, but also to promote the state's globalization initiatives more generally. It has a board consisting of people from business, education, and economic development organizations; the chairman is Dr. Steven Miller, director of international business programs in the College of Business Administration at Oklahoma State University.

The GIT agreed to conduct a strategic planning process and directed that the plan:

- ◆ Provide a vision for the future;
- ◆ Offer a roadmap for actions to strengthen the state;
- ◆ Challenge stakeholders to become more involved in international matters; and
- ◆ Facilitate cooperation and collaboration among the stakeholders.

Three Keys to Success

Having no staff, the GIT turned to OITI and Oklahoma State University to co-manage the strategic planning process on its behalf. The decision not to use an outside consultant was, according to Chambers, critically important. "I really think that is a key ingredient to success. The designers must be the implementers." Equally critical was their inclusive approach—any person or group that had a stake in the outcome could participate. "The

plan development process has really helped dissipate some of the old turf fighting and mistrust between organizations,” he said. “The planning process was more important than the plan itself.” Another pivotal decision was to encourage the involvement of educational institutions, Sister Cities and ethnic organizations. Although these groups have little to do with the business of promoting exports or attracting investment, the GIT realized that these groups were a crucial link to globalizing Oklahoma. It would later turn out that some of the more useful ideas for marketing the state came from these individuals.

The strategic plan was developed using input from four separate planning retreats, extensive research on the state’s trade performance, and small group discussions. Ultimately over 80 individuals from 50 statewide and local organizations were involved in the plan’s development.

But in the eyes of the GIT, the plan was just a starting point. “The international strategic plan for Oklahoma is the beginning of a long-term process of action,” said Chambers.

Barriers to Excellence

Participants in the strategic planning process identified a dozen barriers to trade and investment. Virtually all are repeated in other states:

1. Export development pitted against investment recruitment.
2. Little cooperation among support organizations.
3. Organizations not knowing what other programs do.
4. Failure to leverage existing international contacts and subsidiaries.
5. Gaps in export education programs.
6. Little access to international education at career technology colleges.
7. Small businesses failing to recognize foreign markets as opportunities.
8. Little how-to-trade knowledge among Oklahoma businesses.
9. Lack of public awareness about the importance of international commerce.
10. Limited legislative understanding about the importance of trade.
11. Media not understanding the importance of trade.
12. Public wariness of foreign investment and their foreign employees.

The International Strategic Plan

As a result of the inclusive process, all the state’s international stakeholders were able to have a hand in the development of a mission statement for the initiative. It is:

To contribute significantly to sustainable economic development through export trade and the attraction of foreign direct investment based on cooperation and collaboration among private sector, governmental, educational, and non-governmental organizations within the state.

The final planning document opened with a brief profile of the Oklahoma business community and state’s global performance. It then described the state’s international goals and objectives:

1. Promote and expand Oklahoma's international trade.
 - ◆ Increase the dollar sales of manufactured products and services.
 - ◆ Increase the volume and types of agricultural exports.
 - ◆ Increase foreign visitors to Oklahoma.
 - ◆ Increase foreign student enrollments.
2. Expand foreign direct investment (FDI) in Oklahoma.
 - ◆ Improve the external image of Oklahoma as an "international state."
 - ◆ Increase the number of foreign-owned companies located in Oklahoma.
 - ◆ Increase the capital investment level for existing foreign-owned companies.
3. Increase Oklahoma's public awareness of, and active support for, globalization.
 - ◆ Increase public appreciation of international trade's contribution to the state's economic health.
 - ◆ Increase public support for and participation in international exchange activities.
 - ◆ Increase support for international activities by the business and non-governmental entities within communities.
4. Ensure a workforce prepared for global competition.
 - ◆ Increase international understanding among K-12 students and faculty.
 - ◆ Increase understanding of cross-border business management.
 - ◆ Increase employee understanding and skills regarding international business.
5. Build advocacy for international trade in the federal, state and local governments.
 - ◆ Increase local government support for foreign trade and investment activities.
 - ◆ Increase state legislative body support for foreign trade and FDI.
 - ◆ Increase Congressional delegation support for foreign trade and investment.

The Oklahoma International Congress (OIC)

Having articulated the goals and objectives, the next step was to develop a mechanism for implementing the plan. The GIT established the Oklahoma International Congress (OIC), a statewide organization to identify and orchestrate specific strategic actions. Membership in the OIC was open-ended, but quickly reached over 100. No dues were charged, but OIC members agreed to voluntarily pool resources when a specific action needed to be taken, such as a feasibility study.

OITI serves as secretariat but it does not direct the OIC. Rather, the OIC directs the implementation of the strategic plan through a 20-person steering committee composed of the GIT plus a few additional members. To facilitate communication among OIC members, OITI has created a special Web site and online newsletter. It also keeps an events calendar and a directory of key Web sites.

A Model First Annual Conference

The OIC held its first annual statewide conference in November 2000, drawing about 150 participants. More than just a meeting, the one-day program was an extension of the planning process. It opened with Lt. Governor Mary Fallin moderating a panel of business leaders from manufacturing, agriculture and service industries, large and small, who each spoke for three-to-four minutes on their export experiences. (During the interchange, it became apparent that some of the businesses shared a common interest in China and that they and others in the audience could pool their contacts to accelerate business plans.)

The key to the success of the conference, however, was its two breakout sessions. The first parsed the audience among seven functional areas: agriculture, culture and tourism, economic development, education and workforce development, manufacturing, Sister Cities, and service industries. A member of the conference planning team chaired each session, and asked their members to report on what they were doing, what their needs were, and what could be accomplished through collaboration. The conversations yielded instant program improvements and out-of-the-box thinking. For example, as each member of the Sister Cities group reported on their activities, the others volunteered tips, offered to lend direct assistance, or proposed a program partnership. The Sister Cities group also came up with ideas for collaborating with business and education. For instance, they came up with the concept of a new marketing plan to enhance foreign awareness of the state—the idea was later adopted as a priority by the OIC.

The second set of breakout sessions was organized along the five strategic planning goals. To guarantee a good cross-fertilization of ideas, the organizers made sure each breakout session included at least one person from each of the earlier functional breakout groups (in other words, one from agriculture, one from Sister Cities, etc.). Again, there was an exuberant exchange of ideas, though the discussion was more focused on how the different stakeholder groups could work together to advance the state plan, not just their own programs. Each group set priorities and presented them during a final plenary session. Nearly 50 specific action items were identified. A sampling of some of the more dynamic suggestions include:

- Create an online trade education system.
- Establish a statewide Sister Cities council.
- Develop a “Did you know...?” marketing campaign that features history.
- Hold Town Hall meetings to educate citizens about global trade.
- Develop newspaper and video public service announcements.
- Encourage language immersion programs for K-12.
- Bring an international curriculum into the classroom.
- Promote distance-learning classes for language and culture.
- Increase study abroad programs.
- Support a permanent House and Senate International Committee.
- Create a process to educate city officials about globalization.
- Support federal legislation to grant Fast Track, remove Cuba sanctions, and support FTAA.

Appendix F

Program Name: North Carolina Center for International Understanding
Contact Person: Millie Ravenel, Director
Address: 412 North Wilmington Street
Raleigh, NC 27601-2813
Telephone: 919-733-4902
Fax: 919-733-8578
Email: ravenel@ga.unc.edu
Web site: <http://www.ga.unc.edu/NCCIU/index.html>

Date of profile: Spring 2003

Abstract

North Carolina is one state that has developed an education program to help state and local policy and civic leaders understand Latino/Hispanic⁵² immigration in order to build capacity for making sound decisions. The Latino Initiative for North Carolina Public Policy and Civic Leaders (“the Latino Initiative”) is a model of what can happen through public-private-academic partnerships. It also provides a moving story of reconciliation and leadership in the first county to participate in the program.

Program Description

NCCIU is a 24-year-old public service program of the University of North Carolina that provides education and training to help leaders and educators address international challenges and opportunities through global experiential programs. Although it reports to General Administration offices in Chapel Hill, it is housed in Raleigh with a staff of eight. The Latino Initiative (profiled here) is only one of several major programs it offers. Each year, NCCIU also offers global study programs to all parts of the world for K-12 educators, education policymakers, and citizens in communities throughout North Carolina.

Immigration follows growth, so it is no surprise that the booming Southern economy has attracted record numbers of foreign-born people, even into the interior regions. Simply between 1995 and 1997, states like Arkansas, Mississippi and Tennessee saw the number of newly admitted immigrants in their states grow in excess of 25 percent versus 11 percent nationwide. Although many immigrants take undesirable jobs, both in terms of pay and work conditions, local residents do not always welcome them. The perception of job competition and swelling demand for schooling and social services frequently puts the recent arrivals in a bad light. To make matters worse, cultural differences and language barriers act as a barrier to communication, preventing discussion and friendships that might soften hard feelings and lead to policy and program changes that could improve the quality of life for both long-time residents and recent arrivals.

Origins of the Initiative

North Carolina's Latino population grew by 73 percent between 1995 and 2000—the fastest in the nation. Well over half of the Latino arrivals are from Mexico, and it is estimated that about half of them are in the country as undocumented workers. Out of a state population of some seven million, Latinos account for over four percent of the population.

Beginning in 1995, NCCIU's director, Millie Ravenel, and her staff began a series of conversations with key leaders from universities, foundations, the Latino/Hispanic community and state government about the potential frictions and public policy needs that a burgeoning immigrant population might cause.

One of the initial concerns was with the schools, one of the first institutions at risk of being overwhelmed by the changing demographics. To effectively serve this new student population, it was agreed that the educators needed a better understanding of the immigrants' culture and family situations. NCCIU staff studied Census and other data to identify the 20 most affected counties. Based on this list, NCCIU launched an annual two-week summer study abroad program for teachers and administrators. Each group of 20-25 educators spends the two weeks in Mexico with lectures, visits to museums, school visits and home stays with Mexican educators. In order to implement these programs, NCCIU partners with Mexican organizations such as the Universidad Iberoamericana in Mexico City, Ipoderac, an orphanage for street children in Puebla, and the Community Foundation of the Bajio in Guanajuato.

Participants frequently describe the experience as “transforming.” The first trip, in 1998, was done as a group of individual teachers from any school in the affected counties. But since the 1999 programs they recruited teams of teachers and administrators from each participating school district. These teams provide implementation networks in the months following the trip. To date the program has reached about 110 educators from 13 different school districts. In June 2003, NCCIU will take four more teams of educators, totaling 130 educators who will have participated in the program.

One of NCCIU's board members involved in the early discussions about immigration was Tom McGuire, head of the A.J. Fletcher Foundation, which supports North Carolina community projects. He had led several of NCCIU's community exchanges in the past, but was new to the topic of immigration. He became the catalyst for adding a policy-level focus to NCCIU's exchanges. The reason? Foundations were starting to receive grant applications to address problems in the Latino community, but had little knowledge by which to evaluate the proposals. So in the fall of 1998, NCCIU took a group of foundation leaders to Mexico. The delegation consisted of nine leaders from North Carolina foundations, one student, and three state and local leaders. It was similar to the educator program, but limited to just one week. NCCIU regarded this mission as a pilot for a program aimed at public policy leaders.

Adding to their experience with state policy, in 1999, NCCIU assisted another group of civil servants in frequent contact with the Latino immigrants—driver’s license examiners. The director of the state’s licensing division had accompanied the foundation leaders on their visit to Mexico. He had participated out of growing concerns about tensions and misunderstandings that were mounting in driver license offices while communicating with limited-English-proficient clients. The North Carolina Division of Motor Vehicles (NCDMV) contracted with NCCIU to provide cross-cultural training for all of the state’s 350 examiners to help them learn how to communicate more effectively with Latino/Hispanic customers. This was conducted through 22 workshops across the state. The small group format allowed dialog, which NCCIU has found to be more effective than lectures alone. As a direct result of the program, the NCDMV recently won the profession’s international award for customer service excellence.

Reaching Out to Policy & Civic Leaders

NCCIU decided what was needed was a more proactive, sabbatical approach to allow leaders to test their stereotypes in the field. Says Ravenel, “Our job is not to proselytize, but simply offer information and experience. The more information our leaders have the better their policies can be.” NCCIU launched the Latino Initiative to help leaders:

- Gain a deeper understanding of the political, social and economic issues affecting the decisions of Mexicans to go to North Carolina;
- Appreciate the richness of the Mexican culture;
- Become better informed about the needs of Latinos/Hispanics and about the agencies that provide for those needs;
- Understand the life cycle experience of Mexicans who migrate and the families left behind; and
- Develop a multi-disciplinary network of leaders to explore ways to help incorporate immigrants into North Carolina life.

The program is a study series that consists a two-day pre-departure seminar, a visit to Mexico, and a follow-up planning meeting to articulate lessons learned and identify a plan to disseminate those lessons. Organizers hope the Latino Initiative will result in a network of about 200 leaders around the state who can guide public discourse and make well-informed decisions about issues resulting from Latino/Hispanic immigration.

The Latino Initiative targets the 20 most affected counties. Its basic format is similar to the foundation leaders’ trip—one week, consisting of three days in Mexico City for seminars, cultural exhibits and lectures by the intellectual and political leaders of Mexico, followed by three days visiting rural schools, small communities, and participating in a weekend home-stay. The group also visits with Mexican families that have sons, daughters or husbands living and working in the United States. It is designed so that the Mexican state selected is one that has sent many Latinos to the targeted community back in North Carolina. The actual homes hosting the delegation are matched with policy leader participants based on similar interests and hobbies, providing yet another opportunity to develop relationships on a more personal level while on the program.

The first policy-makers trip was set for February 2000. The original intent was to take only state-level leaders. To help fund it, NCCIU received a grant of \$20,000 from the Z. Smith Reynolds Foundation, a foundation involved in the earlier visit to Mexico. This was enough to fully fund the cost of ten participants—six state legislators, and representatives of the Department of Public Instruction, the Administrative Office of the Courts, the Cooperative Extension Service, and the Self-Help Credit Union, a statewide nonprofit. Five other participants paid their own way—representatives of the Governor’s Office, AT&T, the North Carolina Rural Economic Development Center, North Carolina Association of County Commissioners, and the University of North Carolina. Millie Ravenel and the director of the Latino Initiative, Winifred Ernst, led the study mission. Unexpectedly, NCCIU was asked to take along six civic leaders from Chatham County, one of the top 20 counties targeted by NCCIU. (Siler City, the county seat, is about 40 percent Hispanic, and at Siler City Elementary School, 50 percent of the children are from Hispanic families.) The county paid for half the cost, and the rest was paid through the Scott Family Fund of the Triangle Community Foundation.

A Local Success Story

The reason behind the request from Chatham County was a crisis—in August 1999, the chairman of the county commissioners, Richard (“Rick”) Givens, wrote a strong letter to the U.S. Immigration and Naturalization Service to ask its help, “in getting these folks [undocumented immigrants] properly documented or routed back to their homes.” The Latino community was furious, and county commissioner meetings became shouting matches. A community leader from a local church found an NCCIU flyer at a festival and asked NCCIU to come to the next County Commissioner meeting. NCCIU presented what they were doing with the statewide leaders program and offered to open it up to Chatham County leaders. Seeing it as a positive way to handle the crisis, Rick Givens took them up on their offer. Ravenel observed, “The fact that the state leaders were going made it easier to get county approval to participate—it was giving them a chance to talk with their state legislators who could address the problems.” Givens, too, thought networking was key, “I knew something would come out of it. I didn’t know what, but it would be good.” The Chatham County delegation consisted of Rick Givens, another county commissioner, the chief of police, the sheriff, the vice-chair of the county school system, and a Mexican-born community educator from a nonprofit serving the local Latino/Hispanic community.

The week together in Mexico brought about a near-miraculous turnaround in attitudes and relationships, not least among the Chatham County delegation. During the debriefing participants, unbidden, told how the experience had changed their lives. Rick Givens courageously admitted he was wrong to judge the Latinos so harshly and pledged to help the community upon his return. He lived up to his word. The very next week, David Duke was scheduled to hold a rally in Siler City, using the community as an example to decry immigration’s negative impact on small towns. Givens, the sheriff, the police chief, and the others in the delegation quickly mobilized their networks to put out the word to stay away from the rally. The boycott was successful—instead of the 500

expected, no more than 100 showed up, and no violence erupted. Instead, in the days that followed tensions eased. Said one civic leader, “When we went to Mexico, and then when David Duke came, the Hispanic people found out that we were their friends. Every paper wanted us to tell them how bad the Hispanic people were, but that’s not what we had to say.” Talks have now begun on what is needed to help the Latino community adjust to life in rural North Carolina. Another local leader commented, “Now we have someone who knows us and will say thank you for calling, rather than who are you and why should I tell you anything.” As a result of this experience, county commissioners approved funds for the school system to create an intake center for new ESL students. The sheriff also sent a deputy to Mexico for two weeks of intensive Spanish-language training. And the learning goes on. The delegation gets together on its own to talk and hear presentations, for example, to listen to an expert in Mexican politics.

Next Steps

In its 1999 session, the North Carolina General Assembly put \$100,000 into the recurring budget to support an ongoing Latino Initiative through NCCIU. NCCIU’s plan calls for taking teams of state, local and civic leaders from 20 counties to Mexico (Mexico City and three locations outside of Mexico City). The total number of state policy and civic leaders participating in the Latino Initiative is projected to be 175 by the end of 2003. In addition, about 130 educators will also have participated in the parallel track of the two-week educator study abroad trips to Mexico. In the fall of 2003, the Latino Initiative Medical Coalition will take medical professionals on the program in order to improve their understanding of Latino cultures and, thus, their ability to provide healthcare services to Latinos in North Carolina.

The legislative funds for the Latino Initiative cover operating expenses, including its director and a staff assistant. NCCIU still has to fundraise to cover the study abroad costs of the state policy and civic leaders delegations, but its relationships with the foundations and universities are helping. The Z. Smith Reynolds Foundation has pledged \$140,000 over a three-year period, and the UNC-Duke Latin American Studies program has pledged to underwrite the participation of a media person each year. Family and community foundations, as well as businesses, have contributed for the participation of local leaders. In addition, the Bureau of Educational and Cultural Affairs of the Department of State has supported leaders from both North Carolina and Mexico. For some leaders, their institution or their own personal funds cover their travel costs.

“I think that the most important thing that I got out of it was a real sense of optimism about what North Carolina can be. When you see people change in front of your very eyes, it tells you where we can go and how we can work together. I wouldn’t have forecast the outcomes that I saw. And the leadership of Chatham when we got back—that was an unusual display of courage.”

—Quotes from an anonymous participants on the trip

Appendix G

The University of North Carolina's International Strategic Plan

(abbreviated)

http://www.northcarolina.edu/content.php/aa/departments/inter_programs/unc_inter.htm.)

In January 2002, the University of North Carolina Board of Governors adopted internationalization as one of six strategic directions for the University's long-range plan: *“Promote an international perspective throughout the University community to prepare citizens to become leaders in a multi-ethnic and global society.”*

The Benefits of Internationalization

Individual, University and State Benefits. The University as an educational institution realizes direct benefits from international activity. Foreign scholars and students coming to our campuses bring fresh viewpoints to our departments and broaden the horizons of faculty and students. Faculty and students who work or study abroad return to the University to share a greater understanding of global inter-relatedness and new perspectives on their professional fields, as well as new perspectives on their own communities and cultural values. Recognizing and accepting global diversity encourages faculty and students to understand cultural and social differences within North Carolina. The development of these new and shared perspectives is a cornerstone of the University and represents a significant gain for the institution, its faculty, and its students, as well as for the State.

Academic Benefits. UNC students, who will graduate and accept positions with businesses and organizations that have international dimensions, must be prepared to work with diverse cultures and people. In addition, international experiences enhance students' academic abilities in several cognitive and affective areas, including critical thinking, information gathering, problem solving, decision-making, and ability to deal with change. Increasingly, faculty work in partnerships with international colleagues or pursue research with an international component or focus. International alliances strengthen the research and public service base of UNC institutions as well as enhance curricula and deepen the personal and professional development of faculty and students.

Economic Benefits. The interdependence of the United States and the rest of the world and the impact of world events on the United States have increased dramatically. The State's economic life is increasingly dependent on global cooperation and the international movement of capital, goods, and technology. Within this context, North Carolina and its leaders, including the University, promote expanded international involvement.

Cultural and Social Benefits. Historically, the University has served as a primary center for education, cultural activities, outreach, and public service in many communities. The exposure of North Carolina's citizens to the traditions and thought of other races,

religions, and nationalities enhances intercultural communication and understanding. The human impulse toward creative activity is universal, and the performing and visual arts are a powerful tool for mutual understanding and bridging differences among people of different cultures. International faculty and students visiting UNC return to their home countries with an enhanced understanding of the culture and values of our state and nation. People living and learning in close proximity, as they do in the University setting, discover commonalities and learn to negotiate differences peacefully and productively.

Political Benefits. At a time of complicated global crises, accelerated change, and instant global communications, international experiences are critical to the security and competence of the United States in world affairs. International education provides the most reliable, long-term foundation for national security, achieved through heightened understanding and communication between peoples and cultures. It establishes constructive means by which people may communicate to solve political problems and demonstrate a national and statewide willingness to contribute to a peaceful future.

International Education Across the University

The University recognizes the following dimensions of international education and programs as essential to its mission:

- Providing opportunities for students to have direct contact with other cultures in travel, internships, study abroad and student exchange programs sponsored by the University, giving these students broadened personal experience as well as special academic training.
- Enrolling qualified students from other countries at the undergraduate, graduate and professional levels in sufficient numbers and geographic diversity to foster appreciation and understanding of differences among cultures; providing academic and support services to meet the special needs of international students; and integrating them into the life and academic processes of our institutions so that both they and we gain maximum benefit from their presence on our campuses.
- Offering courses of study with international content at all academic levels—undergraduate, graduate and professional, and continuing education—to involve students in a variety of cultures and to inform them of the contributions of all people to human development; to present forums for the discussion of global issues; and to introduce an international dimension into general education and other appropriate courses.
- Maintaining vigorous foreign language programs to train students to communicate more effectively in other cultures and to enhance their understanding of other nations' values. This includes broadening the options for language study, particularly to include critical languages such as Arabic, Japanese and Chinese, through consortia among campuses, by agreements with other universities, and through the use of information technology.

- Encouraging and supporting the development of an international dimension to the teaching, research, and service of the faculty by recognizing such activities in the regular reward systems of the University, by allocating resources to support their development, and by establishing and facilitating faculty exchanges and collaborative programs with international institutions.
- Attracting international scholars to teach languages and other subjects at UNC institutions as well as international students who can remain in North Carolina to teach in the public schools.
- Operating international public service and research programs that draw upon the expertise and international experience of faculty to help other countries address critical educational, social, and economic needs.
- Presenting a broad range of intercultural programs, such as festivals, film and lecture series and performing arts events, to highlight the values and contributions of other cultures.
- Working collaboratively with business, government, industry and non-profit organizations on international projects that promote research and development.
- Working collaboratively with community leaders and educators to promote cultural awareness, increase understanding, and find new ways to address social, economic and educational problems.
- Recognizing and reaffirming that international education, like other forms of learning, is a lifelong process that takes place outside the University as well as within, and that the University has a special obligation to make its expertise available to state agencies, public schools and diverse segments of the North Carolina public in promoting greater understanding of global issues and events.

¹ This is a back-of-the-envelope calculation intended to help readers appreciate the larger picture. It is cobbled together as follows: (a) goods exports account for about 7 percent of U.S. jobs; (b) tourism and other service exports equal at least a third of the value of goods exports, meaning they account for roughly 3 percent of jobs; (c) imports depend on U.S. jobs in marketing, sales, distribution, transportation and so forth, meaning about 7 percent of jobs are related to imports—the rough equivalent of that generated by goods exports; (d) over 5 percent of U.S. jobs are in foreign-owned firms; and (e) income from U.S. investments abroad may account for another 3 percent of jobs, if one assumes its share of GDP is roughly parallel to the number of jobs it supports. It should be noted that traditional export data does not include the total value of military products sold to other countries.

² “Other” includes gold, military grant aid and other miscellaneous items.

³ The U.S. Census Bureau’s 2002 Economic Census of Manufacturers collected information on export activity, one of many indicators, but the findings will not be published until 2004-2005. It is not known whether or to what extent Census will report out state-specific export performance.

⁴ Data on 2002 GSP is not yet available.

⁵ Export and GSP data for Puerto Rico are from the Statistical Abstract of the United States, 2000 and 2002. Data for 1977 was unavailable, so 1980 figures were used.

⁶ Be aware that state export data must be taken with a grain of salt. First, the state that produced the product is not necessarily the state of record. The Census Bureau's "Origin of Movement" data series—the only series now left—merely tells you where the product started its long trip overseas. It is designed to reveal transportation patterns, not production.

⁷ These are figures compiled from the now-defunct data series, "State of the Exporter Location." Data from the "Origin of Movement" would reflect more favorably on the South, but as explained in the text, Origin of Movement data does less to indicate state of production than Exporter Location.

⁸ *International Trade in Madison County: An Economic Impact Survey Report*, Madison County Commission International Trade Program, 2000.

⁹ Office of the U.S. Trade Representative.

¹⁰ "The Fruits of Free Trade," 2002 Annual Report Reprint, Federal Reserve Bank of Dallas, p. 16.

¹¹ U.S. Department of Commerce.

¹² 1977 figures from U.S. Department of Commerce, State Export Series (1977)

¹³ This was calculated as a percentage of the total, adjusted civilian labor force as of January 1997.

Inexplicably, these are not the same numbers as are provided in the Commerce report.

¹⁴ Office of Trade and Economic Analysis, International Trade Administration, U.S. Department of Commerce, February 2001.

¹⁵ Presentation by Peter O. Lehman, South Carolina State Ports Authority, January 2003, based on a REMI simulation. Although the REMI model took imports into account, the figure nevertheless does a better job at estimating the state's global commercial interdependence.

¹⁶ The Manufacturing Extension Program (MEP) of the National Institute for Standards and Technology (NIST) is one of the few business assistance programs that has been rigorously evaluated. The evaluation used the Census Bureau's Longitudinal Research Database to not only track actual client performance before and after the date of service, but also the performance of comparable non-clients. The study found modest benefits from the program.

¹⁷ Non-bank affiliates only.

¹⁸ Ibid. (Yes, both numbers are 5.6.)

¹⁹ Ibid.

²⁰ Bureau of Economic Analysis, *Survey of Current Business*, August 2002.

²¹ Ibid.

²² Faculty data are full-time equivalents, in the fall of 1999. From the National Center for Educational Statistics, Table 227 at <http://nces.ed.gov/pubs2002/2002130.pdf>.

²³ See http://www.northcarolina.edu/content.php/aa/departments/inter_programs/unc_inter.htm.

²⁴ Grades 7-12 include Latin as a foreign language.

²⁵ *The Mercedes and the Magnolia*, 2002 Report on the Future of the South, Southern Growth Policies Board, June 2002.

²⁶ <http://www.sister-cities.org/sci/directory/usa/index>. Earlier years are not comparable. Only recently has Sister Cities International removed inactive listings.

²⁷ Carlos Fuentes, "Los cinco soles de Mexico: Memoria de un Milenio, Barcelona, Seix Barral, 2000. See http://www.exodusltd.com/estantes/comentarios/cinco_soles/cinco_soles.html.

²⁸ Several leadership delegations from Mexico and China have visited the Southern Growth Policies Board in the past two years to learn more about the South's "success story." They are keenly aware of the parallels between their circumstances and the South of 50 years ago.

²⁹ For a catalog, see www.ncee.net.

³⁰ See The Virtual Trade Mission at www.virtualtrademission.org.

³¹ See the Kettering Foundation at www.kettering.org.

³² See more about the U.S. Chamber trade education program at www.traderoots.org.

³³ Jensen, Bradford J. and Andrew B. Bernard, *Exceptional Exporter Performance: Cause, Effect, or Both?*, Carnegie Mellon Census Research Data Center, 1997. Note that this study covered only manufacturing establishments. A comparable study has not been made of service exporters.

³⁴ *The New Economy Index*, Public Policy Institute, 2000.

-
- ³⁵ Calculations by Carol Conway, Southern Growth Policies Board, from www.ita.doc.gov/td/mdcp/active.html and www.ita.doc.gov/td/mdcp/inactive.html, March 2003.
- ³⁶ A Profile of U.S. Exporting Companies, 1997-98, U.S. Department of Commerce.
- ³⁷ Small Business Administration, 2003.
- ³⁸ Interview on February 27, 2003, with Dianna Karlsson, International Sales and Marketing Administrator, and information from the Web at <http://www.weckclosure.com>.
- ³⁹ "Great Lakes Regional Offices Abroad," *Clearinghouse on State International Policies*, Southern Growth Policies Board, January/February 1999.
- ⁴⁰ "Regional Cooperation: The Mid-South Trade Council," *Clearinghouse on State International Policies*, Southern Growth Policies Board, February 1991.
- ⁴¹ Both still exist, and can be found at <http://www.travel-south.com/> and <http://www.susta.org/>.
- ⁴² NAFSA: Association of International Educators.
- ⁴³ Hull went on to design the U.S. (free) trade laws that helped pull the nation from the Great Depression (triggered by protectionist laws) and which ultimately led to the General Agreement on Tariffs and Trade (GATT), which has now become the World Trade Organization (WTO). The Hull story and quote was recounted by Peter D. Sutherland, former director general of the WTO and now chairman of BP, in a May 2, 2003 article for the online magazine, *The Globalist*.
- ⁴⁴ See the full strategic plan at http://www.northcarolina.edu/content.php/aa/departments/inter_programs/unc_inter.htm.
- ⁴⁵ From interviews with Robert Phay, director of World View, a program of the University of North Carolina that is geared specifically to educating K-12 teachers about foreign cultures, designing new lesson plans, and organizing study trips abroad.
- ⁴⁶ In a recent effort by the North Carolina Department of Education to switch one of two mandatory courses on North Carolina history into a course on foreign studies, a small but organized cadre of citizens managed to defeat the attempt by casting it as anti-North Carolina. A similar and even wider protest was mounted when the University of North Carolina assigned incoming freshman a summer reading assignment consisting of a book on the Koran.
- ⁴⁷ See <http://www.polsci.wvu.edu/facdis/>.
- ⁴⁸ From a slide presentation by Dr. Ron Byrd, at Southern Growth's 2002 annual conference.
- ⁴⁹ National Center for Education Statistics, 2001, <http://nces.ed.gov/programs/coe/2001/essay/e02c1.asp>.
- ⁵⁰ *Education Week* online magazine, April 23, 2003, "Quantity of Course Work Rises Since 1983."
- ⁵¹ "What Colleges Contribute: Institutional Aid to Full-Time Undergraduates Attending 4-Year Colleges and Universities," National Center for Education Statistics, <http://nces.ed.gov/pubsearch/pubsinfo.asp?pubid=2003157>.
- ⁵² "Latino" refers to anyone in Latin America and the Caribbean, including the Portuguese- and French-speaking nations. "Hispanic" refers to any Spanish-speaking country, including Spain and the Canary Islands.