Foundations for Sustainable Local Economic Development Planning

Expanding the Export Sector

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Chapter 1 - Exporting: An Overview

1.1 Introduction

In March of 2010, President Obama devoted a portion of his State of the Union Address to “fixing the problems that are hampering our growth.” One of these problems, he said, was a lack of exports. The president linked an increase in exports to an increase in jobs, stating: “So tonight, we set a new goal: We will double our exports over the next five years, an increase that will support two million jobs in America. To help meet this goal, we’re launching a National Export Initiative that will help farmers and small businesses increase their exports, and reform export controls consistent with national security.” In the wake of the recent recession, a different kind of growth model that depends less on bubbles and consumption and more on the production of lasting value in the economy is needed. Increasing the export rate will lead to a more sustainable local and national economy.

The growth model that utilizes exports is built on the economic base theory. This theory states that a community’s economic growth is directly related to its demand for goods, services, and products from areas outside its local economic boundaries (Blakely and Leigh 2010, p.82). Therefore, industries that use local resources to produce goods and services to be exported outside the local area will generate local wealth and jobs. Under this assertion, the creation and expansion of export-based firms are a vital part of an economic development strategy.

In Economic Revitalization: Cases and Strategies for City and Suburb, Joan Fitzgerald and Nancey Green Leigh argue for a reorientation of economic development focused on social equity and sustainability (Fitzgerald and Leigh 2002, p. 9). Often the dominant focus of economic development is on economic growth in terms of wealth accumulation. The authors argue that economic development should confront issues of socioeconomic inequality and advocate for those who might otherwise be left out of the planning process. The push for sustainable and equitable development began in the 1980s when
progressivism pushed cities to pursue economic development that served the interests of low-income residents. In the early 1990’s this approach became formally known as equity planning, and also promoted public-private partnerships and participation in the planning process (Fitzgerald and Leigh 2002, p. 17). In addition to equitable planning, the push for more environmentally sensitive economic development has also increased over the past two decades. Economic development must address the conflicting interests of social equity, environmental protection, and economic growth.

Fitzgerald and Leigh define sustainability as “growth and change that neither contributes to rising inequalities nor diminishes opportunities for future generations” (Fitzgerald and Leigh 2002, p. 27). Sustainability and equity can be incorporated in all facets of economic development, including industrial retention, commercial revitalization, and workforce development (Fitzgerald and Leigh 2002, 229). Building the export sector can also be linked to economic development strategies that promote sustainability. Jobs in exporting pay on average more than 15 percent more than non-exporting jobs, leading to higher earnings in the manufacturing and service industries. They also provide living-wage jobs to people who would not ordinarily have access to them.

1.2 Present State of Exporting

Exports are goods and services sold in international markets. Exports are often thought of solely as manufactured goods, but services are a large part of U.S. exports. In 2008, the United States exported more than $500 billion in commercial services. The largest segment of these -- $113 billion worth -- was business, professional and technical services, including management and consulting, research and development, and computer services (Katz and Rothwell, 2010). Service exports also include tourism and education dollars. When people from outside the U.S. spend money on restaurants, entertainment, transportation and shopping in the U.S., export dollars are generated. Licensing fees and royalties for intellectual property that has been patented or trademarked by an American individual or company also count as service exports. In 2008, this accounted for $91.2 billion dollars worth exports. Similarly, when
students from outside the U.S. pay for education in the U.S., the education and all costs associated with it are education exports. What makes something a U.S. export is not where the transaction takes place, but whether or not the buyer is outside the United States.

In their exhaustive report, *Export Nation: How U.S. Metros Lead National Export Growth and Boost Competitiveness*, Istrate, Rothwell and Katz found that in 2008, the U.S. exported 1.8 trillion dollars in total. Seventy percent of the $1.6 trillion was created by exporting goods produced in the United States and 28.8 percent came from private services (2010). They report that total exports from the United States grew 46 percent over the previous five years, double the import growth rate, in real terms. Overall, in 2008, the United States ranked first in the world in service exports. In manufacturing exports, the United States ranked third, behind Germany and China (Istrate, et al. 2010, 5).

In 2008, exports supported over 10 million jobs and represented nearly 13 percent of Gross Domestic Product (National Export Initiative, 2010). Manufacturing is the largest sector of exports, with manufacturing jobs in 2008 totaling nearly 3.7 million, or 36 percent of the total jobs supported by exports (Tschetter 2010, 2). However, the number of jobs for service exports was significant as well. Export-supported jobs in professional and business services totaled nearly 2.1 million or 20 percent of the total (Tschetter 2010, 2).

1.3 Benefits of Exporting

Istrate, Rothwell, and Katz point out that in addition to bringing more income into the economy, exports lead to increased competition and therefore, better quality products and technical innovations (2010). Exports also cause the scale of the market to grow larger. This means that products can be more specialized, which leads to more jobs and higher wages. Additionally, exporting on an international scale makes large projects with expensive upfront costs possible. Projects like Hollywood movies, pharmaceuticals, solar technologies and computer processing microchips would not be profitable except with international markets, which allow producers to amortize the costs of producing a single product via
sales at scale (Istrate, et al. 2010, 3).

More jobs that pay comparatively higher wages across a wide spectrum of educational levels are created due to exporting. Companies that export serve a large global market, and are therefore less susceptible to the effects of the economic downturn in the U.S. While domestic consumers struggle with unemployment and debt, demand in many other countries is booming, and that demand could be translated into U.S. job growth (Katz and Rothwell, 2010) possibly because of this, exports grew in the otherwise slow economy during the period of 2003 to 2008. This trend has continued, and, despite the drop in the U.S. economy in June 2009, U.S. exports grew 14.1 percent from the second quarter of 2009 to the second quarter of 2010, a pace far outstripping the 3 percent growth of the economy overall (Katz and Rothwell, 2010).

Developing the export sector will lead to an increase in higher paying jobs in manufacturing and service industries. Americans working for firms that export earn more than 15 percent more than similar workers at firms that do not export (National Export Initiative, 2010). In their 2010 analysis of the 94 of the largest 100 metropolitan areas, Istrate et. al found that for every $1 billion in exports of a metro area industry, workers in that industry earn roughly 1 to 2 percent higher wages (2010). Exports already support over a third of manufacturing jobs, so increasing exports in this sector will lead to more high paying jobs for workers at all educational levels. Service exports are based in professional fields, including business, professional and technical services, including management and consulting, research and development, and computer services. Because these jobs are professional in nature, earnings are even higher in this sector than in manufacturing jobs. Increasing export jobs in both fields will bring more income into the country. Tessler (2010) reports that the value of goods exports per job was nearly $150,000 in 2008. The ratio of service exports per job was much higher at $203,000.

Increasing exports will lead to better, higher paying jobs for workers at all education levels. Even those exporting industry workers without high school diplomas earn a higher wage. This wage effect can be seen even adjusting for worker characteristics, occupation, or the characteristics of the metropolitan
area. (Istrate, Rothwell, Katz 2010, p.17). In their analysis of higher wages in the export sector, Istrate et al found that even workers who lack high school diplomas earn wages that are roughly one percent higher, on average, for every billion dollars of exports produced by their metro-industry. Their explanation for the premium seems to be that working in a metro exporting industry makes workers more productive. They cite other studies that have suggested exporting firms are more innovative, which may explain why they can afford higher wages. The increase in better, higher paying jobs will help strengthen the middle-class and close the income gap in the U.S.

1.4 Rebalancing of Trade Deficit

Developing the export sector could lead to a rebalancing of the U.S. economy and a lower trade deficit. In the last 20 years, the United States has witnessed economic growth and low unemployment in comparison with other developed countries. Yet, problems such as increasing inequality, the bursting of bubble economies and only a slight rise in living standards plague the U.S. economy (Istrate et al., 2010, p. 4) Istrate, Rothwell, and Katz blame these problems on a consumption driven economy, where savings are low and most income is spent on imported products. This has lead to a trade deficit, in which we are not exporting as much as we are importing. Increasing exports will rebalance this trade gap, and provide a more stable U.S. economy.

Chapter 2 – Factors that Affect Exporting

2.1 International Markets

In his discussion of exports in the State of the Union address, Obama linked increasing exports to the growing global market, noting that “Ninety-five percent of the world's customers and fastest-growing markets are beyond our borders.” In the past, Canada and Mexico were largest markets for U.S. exports. With the rapid urbanization and growth in emerging economies, developing countries will drive the growth of the world’s consumption in the future. While only 30 percent of the world’s population lived in
urban areas in 1950, today it’s over half, and the United Nations forecasts that 70 percent of the world’s population will be urbanized by 2050 (Istrate, et al., 2010, p.18). This urbanized population will increasingly have more purchasing power and demand more specialized goods and services.

The fastest growing markets in the global economy are the so-called “BIC” markets; Brazil, India, and China. The International Monetary Fund predicts that these three countries will together account for more than 25 percent of world GDP in just five years' time (Katz and Rothwell, 2010). This has already affected U. S. markets. From 2003 to 2008, the value of U.S. exports to Brazil, India and China doubled in inflation-adjusted dollars, accounting for 8.8 percent of U.S. exports in 2008. Put another way, our exports to these countries increased 121 percent over that time period, compared with a 46 percent increase in U.S. exports overall. (Katz and Rothwell, 2010) U.S. metropolitan areas that specifically target their exports towards BIC countries are best-positioned to take advantage of the growth of these countries.

Electronics and chemicals manufacturing were major U.S. exports in 2008. Chemicals were the second more exported product after transportation equipment and computer and electronic products were the third most exported product. In 2003, the majority of U.S. exports to the BIC countries were in the computer and electronics category and chemicals became a dominant export in 2008. Both exports increased significantly between 2003 and 2008. Computers and electronics are the largest export to China and chemicals are the largest export to both Brazil and India.

General Electric (GE) is one example of a leading American exporter that has taken advantage of emerging markets in BIC countries. Exporting to these countries not only supports jobs with GE, but also jobs with the small and medium sized businesses that serve as GE’s suppliers. Small companies like Equinox Chemicals in Albany, Georgia would benefit from tapping into the BIC market. The company currently does not export to any of the BIC countries, but the company’s president, Mark Grimaldi, has traveled to China to pursue potential business opportunities.
Services are also a major export to the BIC markets. In “Exporting Green: U.S. Companies Find Customers Abroad,” Jeff Stephens provides a snapshot of the U.S. Commercial Services efforts to increase the export of building supplies and services from U.S. companies to China (2007). To stimulate the international growth of green building, the agency focuses on both products and services, such as architecture/engineering/construction services, sustainable design and construction, building information modeling, building projects, urban planning and energy. The U.S. Commercial Services continues to work to incorporate U.S. service providers into the green building industry abroad. In August of 2010, U.S. Commercial Services in China held the Global Summit on the Sustainable Built Environment. A podcasted discussion of the green building market in China, with Chinese experts discussing the history of green building standards, how these standards are implemented and encouraged, and how other standards will influence China’s green building market in the future, is available for download on their website as a “Market Insight.”

2.2 Location

2.2.1 Metropolitan Areas

Research indicates that firms in metropolitan areas are more likely to begin exporting than firms in rural areas. Reflecting their high concentration of the nation’s human and physical capital, the largest 100 U.S. metropolitan areas produce 84 percent of the nation’s exports, making them the points of leverage for scaling up trade with the wider world. (Istrate et al., 2010, p. 2) This is due to the industrial and transportation infrastructure, a large, high-quality workforce, economies of agglomeration and the “knowledge spillover” that is fostered by a cluster of companies in the same industry.

An economic cluster is a geographic concentration of interconnected firms and supporting or coordinate organizations (Muro and Katz, 2010) Examples of clusters are the computer industry in Silicon Valley, and recently, the aircraft industry in Wichita, Kansas. Baptist and Swann (1998) divide the
benefits of clustering to those on the demand side and those on the supply side (p. 527). On the demand side, firms cluster to take advantage of a strong local demand, particularly if that demand derives from related industries. Competing companies locate near each other hoping to gain a portion of the market share. On the supply side, there are three benefits. First, a cluster of industries creates a labor market of workers with similar skills. Second, the location in an industrial center allows for materials needed by that industry to be imported in a greater variety and at a lower cost. The third supply-side benefit is “knowledge spillovers,” or the transmission of knowledge between nearby firms.

Purafil, an Atlanta manufacturer of air quality systems takes advantage of the benefits of an industrial cluster. They manufacture most of their own machinery, but use a company in Atlanta to produce some of their specialized filters. Due to Atlanta’s position as a logistics center, the company benefits from “knowledge spillover,” regarding the transportation of goods. In an interview, Dave Parsons, the head of logistics for the firm spoke of the importance of information provided by shipping and freight companies. Another of the case studies, the Sewing Room at Daughters of Cambodia, benefits from supply side by using cotton fabric that is naturally produced by a Goel, a free-trade company near their city of Phnom Penh. In a sense, both of these agencies benefit from the demand side as well; both are committed to providing sustainable jobs for the disenfranchised people of Cambodia.

Strong clusters foster innovation through dense knowledge flows and spillovers and enhance productivity, income-levels, and employment growth in industries (Muro and Katz, 2010). A concentration of firms leads to increased competition and therefore, increased competitiveness in a national and global market, especially in the manufacturing sector. Although exports make up a smaller share of our economy than in export-oriented Germany and China, our strength in high-quality services and high-value goods shows that the U.S. can compete in the fields where innovation matters most (Katz and Rothwell, 2010).
2.2.2 Entrepreneurs

Clusters strengthen entrepreneurship by boosting new enterprise formation and start-up survival (Muro and Katz, 2010). Innovative workers in cluster economies have a greater chance at entrepreneurial success due to the access to networks of businesses and customers focused in the area. Furthermore, a cluster of similar industries acts as a “safety net;” if entrepreneurs fail, their skills can be transferred to a job in the industry.

Businesses started by entrepreneurs are essential to the economic growth of the U.S.; studies at the Kauffman Foundation show that over the last three decades new businesses five years of age or younger have been responsible for virtually all of the economy's net new jobs (Litan, 2010). The U.S. remains one of the best places in the world to start a small business. Access to sophisticated financial markets remains unequalled globally in providing risk capital to high-growth potential entrepreneurs. Furthermore, the U.S. has easily navigable regulations regarding the incorporation of a business; the ease of starting up and expanding a business are enormous advantages (Brainard, 2007).

2.2.3 Rural Areas

Substantial research has been conducted about the impact of exporting in metropolitan areas, but for the most part, rural areas are assumed not to be a major force in exporting. In their 1999 study, Internationalizing the Rural Southwest: The Determinants of Rural Southeastern Manufacturers to Export, Livingston and Eff found the most export intensive industry—the capital intensive medical, scientific and industrial instrument industry—is disproportionately located in metro areas, while the industry with the lowest percentage of exporting firms—the labor intensive lumber and wood products industry—is disproportionately rural. The compared firms in Tennessee, along the metrics of firm level variables, labor force characteristics, degree of urbanization, infrastructure, general demographic variables, and county and state characteristics. The only measure that was found to influence the decision to export was
size, measured by employment. They found, “The exporting behavior of rural manufacturers does not appear in any way substantially different than that of their urban counterparts. They rely on the same sources of information, export in about the same percentage, and do not appear to suffer from any major obstacles specific to their rural location” (Livingston and Eff, 1999, p.20). This is to say that just because exporting has not been implemented in rural areas, does not mean that it will not work.

In recent years, a new model of economic development in rural areas has begun to have some impact on what is exported from these areas. Previously, the typical model for economic activity in rural areas has been the resource extraction model, which pulls people to regions to work in industries developed to utilize the resource base of the region (Nelson and Byers, 1998). In the article “Using Economic Base Models to Explain New Trends in Rural Income,” Nelson and Byers discuss the quality of life model, which draws people to regions for reasons related to environmental attributes and presumes they will engage in entrepreneurial activity to make a living from work in any industry in which they are skilled (1998). A 2010 study, entitled “The Rural Growth Trifecta: Outdoor Amenities, Creative Class and Entrepreneurial Context,” by researchers in the Department of Agriculture affirms the quality of life model. The study finds that the interaction of entrepreneurial context with the share of the workforce employed in the creative class is strongly associated with growth in the number of new establishments and employment, particularly in those rural counties endowed with attractive outdoor amenities (McGranahan, Wojan, and Lambert, 2010).

The terminology for these entrepreneurs is “Lone Eagles” and “High Flyers.” Lone Eagles are the sole proprietors of a business that derives the majority of its revenue from outside the County. They are typically highly educated people who have “niche” market business concepts that are in the high tech, light manufacturing, or professional services sector. High Flyers are similar, but have between 1-20 employees who are usually paid at a higher wage than other industries in rural areas. Traditional business location factors, such as access to a skilled or low-cost labor force, lower local taxes, or government assistance, were cited by few, if any, firms in each group (Beyers and Lindhal, 1996).
2.3 Size of Company Exporting

President Obama’s call for increasing exports specifically cited the small businesses as the beneficiaries of the National Export Initiative’s actions. The top 500 U.S. exporters accounted for 60% of the $1.2 trillion in exported goods in 2007, while companies with fewer than 500 employees account for half of private nonfarm U.S. economic output but only 30% of exported goods (Tozzi, 2010). Small businesses who export have a different set of obstacles than large firms. Their largest concern is what they perceive to be an unstable business climate. “They look at it as a big risk, and that big risk always has to do with getting paid,” says Laurel Delaney, president of Globe Trade, a Chicago-based consultant to small businesses (Tozzi, 2010). If they are not paid for their exports, small businesses do not have the financial cushion that large firms have to recover. The Small Business Association and the Export-Import Bank can provide insurance in case of this situation. Similarly, when an unanticipated surge of foreign competition causes injury to domestic producers and their employees, small businesses may have less internal wherewithal to soften the blow, so that government remedies and adjustment programs become all the more important (Brainard, 2007).

Another way that government agencies can assist small businesses is in the enforcement of trade policies and investment rules. Most small businesses do not have the scale or resources of the major multinationals to spend long months and even years identifying and getting to know the foreign officials who have bureaucratic jurisdiction over their exports and investments. (Brainard, 2007) Small businesses must rely on government agencies to introduce them to trade partners and to enforce trade regulations. Fortunately, the National Export Initiative has named the commercial advocacy and reducing barriers to trade as priorities.

Chapter 3 – Government Assistance

3.1 National Export Initiative
In March of 2010, following the State of the Union address, the National Export Initiative (NEI) was introduced as a full-scale measure to increase exports. The Export Promotion Cabinet, composed of the heads of several federal agencies and the Secretary of State, was established to develop and coordinate the implementation of the NEI. The main goals of this policy are to facilitate entry and growth in the export sector. They will accomplish this by helping companies shipping to only one market expand their sales to new markets, expanding the availability of credit for small and medium-sized enterprises, improve online tools to make information easier to find and faster to use, and working to reduce trade barriers (National Export Initiative, 2010).

Although the national focus is new, the model is not. The NEI proposes a decentralized network of initiatives across federal agencies and not a single export promotion agency. This follows the model already in place with the Trade Promotion Coordinating Committee as the main facilitator (Istrate et al., 2010). Istrate and her colleagues criticize this approach, explaining that a single agency dedicated to increasing exports would be more effective than this dispersed model.

3.2 Federal Assistance

The main tool for would-be exporters to access government resources is www.export.gov. It is managed by the International Trade Association in conjunction with federal and state government agencies. To guide companies in their journey to exporting, the website provides an “Export Assessment” by which companies can determine their readiness for exporting. This self-scored assessment helps companies determine their readiness to begin exporting. With the assessment score, the business then determines which export counseling agency would be best suited to their needs. Businesses with the least amount of preparedness are recommended to the non-profit SCORE, while businesses that are somewhat prepared to export are directed to the Small Business Association. Businesses that are prepared to export are directed to the U.S. Commercial Service and U.S. Export Assistance Centers. The website also provides training such as webinars, as well as a directory of in-person events.
The Small Business Administration (SBA) facilitates U.S. Export Assistance Centers located in major metropolitan areas throughout the United States. These are designed as one-stop shops for small- or medium-sized business. Ray Gibeau, the regional manager for the Atlanta U.S. Export Assistance Center, specifies that their function is securing financing for confirmed export orders, and not necessarily providing information. The centers offer assistance from the U.S. Small Business Administration, the U.S. Department of Commerce, the U.S. Export-Import Bank and other public and private organization.

Through the U.S. Export Assistance Centers, the SBA offers two kinds of loans. The Export Express Program helps provide exporters a streamlined method to obtain SBA- backed financing for loans and lines of credit up to $250,000. Loan proceeds may be used to finance any export development activity. Export Working Capital Program (EWCP) loans are available for up to $2 million and are targeted to small businesses that are able to generate export sales and need additional working capital to support these sales. These loans are necessary because banks often do not issue loans for exporting purposes.

In addition to participating in the Assistance Centers, the U.S. Commercial Service offers several services to companies interested in exporting. The U.S. Commercial Service is the trade promotion arm of the U.S. Department of Commerce’s International Trade Administration. It offers assistance in market intelligence, trade counseling, business matchmaking, and trade advocacy. The www.export.gov website also serves as the main online resource for the U.S. Commercial Service.

3.3 State Assistance
In a National Export Initiative webinar released by the International Trade Association, the U.S. Small Business Association emphasizes the importance of strengthening federal and state coordination in support of the NEI. Francisco Sánchez, Under Secretary of Commerce for International Trade, encouraged the 50 state and five territorial governors to invest in intensifying their efforts on export sector growth and creation. Task force strategies included broadening small business awareness and access to U.S. government trade programs and services, and marketing federal government export finance programs. The webinar promoted communication and coordination between the federal and states governments, and highlighted state-based export initiatives in Arkansas, Florida, and Washington as models for other states to consider.

State officials who engage with the federal government and take an active role in implementing national indicatives into their state indicatives put their state at an economic vantage point. Earlier this year, Washington Governor Chris Gregoire announced a new state export initiative designed to open up additional export opportunities for Washington businesses and boost job creation. The initiative complements President Obama’s National Export Initiative and builds a working relationship between Washington State and the US Department of Commerce as it implements the federal initiative. U.S. Commerce Secretary Gary Locke applauded Gregoire for partnering with the federal government on the National Export Initiative and expressed his enthusiasm to work with the state.

The best way states can utilize federal initiatives is by developing relationships with federal government agencies. The Massachusetts Export Center uses its partnership with state and federal government agencies to help local companies better understand and can take advantage of export initiatives and programs. The center uses the *Massachusetts Export Resources Guide*, a publication created by the center that provides comprehensive listings of public and private sector export service providers, to provide companies with information on services offered by each of the organizations and companies. Types of organizations listed include state and federal government agencies, as well as foreign business associations, international banks, export management companies, and air cargo
companies and steamship lines. States that stay up to date on federal initiatives and programs available to exporting companies are better able to pass this information on to local businesses and promote export growth and development within the state.

3.3.1 Assistance in Georgia

The Georgia Department of Economic Development has an International Trade division that works with small and medium size Georgia companies to assist them in exporting their products and services. Most of the companies that the Trade team supports have less than 100 employees, and their exports account for between 1-10% of their overall sales. To work with the International Trade Team, previous experience in exporting is necessary. The International Trade Team provides two main services to Georgia exporters. Global Insight provides knowledge to companies to help them increase their exports and Global Connections helps match Georgia suppliers with international buyers.

The International Trade Team works with Georgia companies that already export to help them expand to additional markets. For companies that are interested in exporting, but have no experience, Anna Alford of the GDEC recommends contacting their partners. In particular, the University of Georgia Small Business Development Center (SBDC) provides low cost training and free consulting services for companies interested in international trade. Additionally, SBDC offers courses and lectures that can deepen the knowledge that new exporters have about international trade. The SBDC has partnered with U.S. Export Assistance Center in Atlanta to offer a free export training website. This website can be accessed at www.export-u.com.

Chapter 4 – Case Studies
4.1 Rural – Equinox Chemicals

Founded in 2003, Equinox Chemicals, Inc. is a custom organic synthesis research and manufacturing company focused on the preparation of advanced specialty organics (ASO) in Albany, Georgia. The company currently employees 33 employees and offers a wide range of synthetic services to clients worldwide. Equinox specializes in the preparation of organic molecules and provides services in research and development, government, pharmaceuticals, food and flavorings and alternative fuels. Export sales account for around 40 percent of the company’s revenues. In March 2009 Equinox Chemicals was named “Small Industry of the Year” by the Albany Chamber of Commerce for its economic impact in the community, commitment to the community, and innovation.

In November 2009, Equinox Chemicals announced a $5 million expansion of its Albany headquarters that would create 40 new jobs. Mark Grimaldi, the founder and president of Equinox Chemicals, credited the city, county and economic development offices with helping make the expansion possible in the current economy. In discussing the possible expansion of the plant, Grimaldi worked with the city and county’s development team and with the Economic Development Commission to examine issues ranging from financing options to zoning to the relocation of the two businesses immediately adjacent to Equinox’s building. The president of the Albany-Dougherty Economic Development Commission calls Equinox Chemical’s expansion plan a model for local business development. The city of Albany benefits from Equinox’s location in their town. The city’s mayor sees Equinox as an example of how a small business can grow and prosper despite the economic downturn.

In March 2010, Mark Grimaldi, President of Albany-based Equinox Chemicals LLC, was named Georgia’s 2010 Small Business Exporter of the Year by the Small Business Association. Terri Denison, SBA Georgia District Director stated, “Equinox Chemicals is a perfect example of how small businesses can grow by tapping international markets. Exporting is no longer the exclusive domain of larger corporations.”
Over the past seven years, Equinox Chemicals expanded its customer base to over a half dozen countries including France, Italy, Germany, and South Korea. The product line also expanded and became more specialized by focusing on the development of organic molecules used in pharmaceuticals, food, flavor, industrial coatings, polymers, alternative fuels and other specialty chemicals.

Equinox Chemicals has received strong support in its export development from the International Trade Center, operated by the University of Georgia Small Business Development Center (SBDC). Business consultants at the center initially helped the company identify foreign buyers and provided continuous assistance with international methods of payments and international shipping for hazardous materials. As foreign sales increased, the company received help from SBDC international consultants in obtaining an SBA Export Working Capital loan package for $500,000 that was obtained through the Flint Community Bank in Albany and guaranteed by the SBA.

The company plans to use financing from the SBA’s 504 Economic Development Loan program to expand its operating plant this year. A 504 loan can provide a company with up to $4 million and is designed to increase small business jobs and finance fixed assets such as equipment as well as land for a company operation. The plant expansion is expected to take six to eight months to complete and will create up to 40 new jobs over the next 12 months.

4.2 Metropolitan: Purafil

Established in 1973, Purafil, Inc. is the leading manufacturer of gas-phase air filtration systems designed to eliminate corrosive, hazardous, odorous and toxic gases. Purafil manufactures a variety of dry-chemical air purification media that are the core of each air filtration system and chemically transform gases into harmless solids through an irreversible process, known as chemisorption. Purafil media are non-toxic, non-hazardous, UL Classified, landfill disposable, and life testable. Purafil is supported by 70 in-house employees with over 2,000 factory trained representatives in 70
countries. Purafil maintains nearly 30,000 installations in cleanroom, commercial, industrial, archival, and water- wastewater treatment settings worldwide.

The original Purafil product was an air filter that used their patented purple-pellet media in place of activated carbon or charcoal media in pulp and paper mills, petrochemical refineries, and other industrial applications. This media was originally developed by the research laboratories of the York Corporation in the 1950s; York is a subsidiary of Johnson Controls, an HVAC and refrigeration company. When York was purchased by the Borg-Warner Corporation in the late 1950s, the responsibility for marketing the Purafil product was assigned to the Marbon Chemical Division. During this time, Purafil was marketed by representatives to the mechanical and industrial HVAC markets.

Purafil, Inc. was founded in 1973 when it became a privately-held organization, assuming full responsibility for manufacturing and technical support. The Purafil product then began to be marketed through representatives in the United States and Canada. At this point, Purafil products had shown success in their markets so, shortly after incorporation, company leaders began aggressively pursuing export markets.

According to Dave Parsons, the Global Logistics Manager, Purafil marketed its products through trade shows and industry conventions (D. Parsons, personal communication, Nov. 23, 2010). The company reached out to its representatives and customers to inquire about foreign markets. The response was very positive. Three years after incorporation, Purafil began exporting. They initially hired logistics experts to assist them with exporting. They have also depended on their strong global network of manufacturer’s representatives to represent their product overseas. Today, almost 60% of its annual revenue comes from exports. "Exporting has not only been the major factor in our growth, but the additional profit margins have financed our research and development efforts, marketing promotions, and our technical seminars that allow Purafil to keep its leadership position," says William Weiller, CEO of Purafil.
Purafil has increased its product offerings from the original Purple-Pellet Media to seventeen other air filtration systems. While they continue to have a unique market in pulp and paper mills, they have also identified a niche market in air filtration systems for museums. Artifacts in museums can disintegrate when exposed to chemicals from cleaning, automobiles, industrial plants, and faulty ventilation; Purafil’s products mitigate this destruction. "Purafil is dedicated to the preservation of art. We are the only company that understands how to eliminate this loss and safeguard the history of art," notes Michael Osborne, President of Purafil. Their systems have been installed in the Mohamed Mahmoud Khalil Museum in Giza, Egypt, the British Museum and Windsor Castle in Great Britain, the Metropolitan Museum of Art in New York, and the Sistine Chapel at the Vatican.

Purafil manufactures machinery and chemicals in its Atlanta plants. It utilizes other Atlanta industries to manufacture some of its filters. Purafil does some manufacturing in other parts of the US, as well as China and Rotterdam. One company representative manages markets in Latin America and the Middle East, while two company representatives are in charge of Asia and the Pacific. Speaking of his experience at the 2010 Shandong Business Delegation in China, Andy Weiller, director of Purafil China, said, "As the sales volume grows, we are looking at the possibility of opening a manufacturing site [in China] to build our mechanical equipment (Purafil, 2010)." In addition to continual efforts to delve into profitable opportunities in Europe and Asia, Purafil has also welcomed several international guests this quarter, including the Estonian Counselor of Economic Affairs, Viljar Lubi.

Purafil has been recognized numerous times for its excellence in exporting. It received the U.S. Presidential “E” Award for exporting in both 1991 and 1997. In 2010, it was named Commercial News USA’s Exporter of the Year. A 1997 report by Business America cites their solid relationship with the Commerce Department's Atlanta U.S. Export Assistance Center. Through the U.S. Export Assistance Center, Purafil has participated in catalog exhibitions, used the Agent/Distributor Service, and received country market analyses.
But to maintain successful exporting on a day to day basis, Parsons stresses the importance of keeping abreast of details. He notes that all borders have different regulations, and that these regulations can change quickly. The most important source of information about different regulations is the freight and shipping companies. These companies receive updates, and pass the information on to their customers. Along with good relationships with shipping partners, Parsons says that a detail oriented staff is essential to keeping up with changing regulations. His staff regularly checks government websites for changes.

4.3 International: Daughters of Cambodia

Daughters of Cambodia (DOC) is a faith-based non-Government organization based in Phnom Penh, Cambodia that helps sex-workers leave the sex industry and teaches them skills to use in finding another profession. The organization trains clients in five small businesses, the largest of which is the Sewing Room, an apparel manufacturing business that sells its wares worldwide. DOC also provides medical care, social service programs, creative classes and church services. The organization defines long-term success as a client staying out of the sex industry for the rest of her life, supporting herself through dignified, rewarding work, and raising her own family to have a better future.

DOC was started in 2006 by Ruth Elliot, a psychologist from the UK. She had been working as an advocate for sex workers in Cambodia since 2004, and witnessed the failure of other organizations to provide lasting change in the worker’s life. Other organizations rescue the workers by force, and their results are not sustained because no alternative jobs are provided. Elliot points to Cambodia’s cultural expectation that places parents’ financial responsibility on their children, as the main pressure on workers to stay or return to the sex industry. DOC literature cites Cambodian Government figures finding that 90% of girls in the industry are knowingly sold into it by their parents.

Clients receive a salary starting on the day they join a business, and this facilitates them being able to leave the sex industry immediately. The salary is comparable to other industries in the area, but is
not as high as the compensation from the sex industry. They are required to complete a training program initially, and then graduate to a position as an employee. Clients can progress through six levels of promotion, including managers, head chef, trainers and designers. Inclusion and peer-role modeling is built into the structures, and established employees help train new clients.

The largest employer is the Sewing Room, which employs about 60 employees. Here, the employees manufacture clothing, accessories and home goods. Most of the products use eco-friendly cotton produced by Goel, a local manufacturer who uses only 100% natural dyes and pays fair trade wages. Until the recent opening of the visitor’s center, most of the products produced in the Sewing Room, were sold exported overseas to wholesale buyers in Australia, the USA, and the UK. They also sell their products through their online catalogue, and through online sources.

The other businesses are a café, a spa, a visitor’s center, and a silk-screening and jewelry-making business. In June of 2010, the organization opened a Visitor’s Center in a part of Phnom Penh heavily trafficked by tourists. The center serves two purposes. It houses an exhibit of made by the clients that educate visitors about the sex industry and the organization, and it provides space for a spa and café, as well as a crafting area, where visitors can see the clients making jewelry. Fourteen employees staff the visitor’s center, learning skills in hospitality, customer service, food preparation and cosmetics. They also are able to learn and practice English. With these skills, the clients can be placed in high end hotels or other service industry jobs, or gain the skills to start their own business.

The DOC model utilizes a strategy of sustainability: by running small businesses they aim at becoming financially self-sustaining to reduce future donor dependence. At the present, they have partnered with two Christian organizations, the Ratanak Foundation, a group committed to helping Cambodia, and the Billy Graham Evangelistic Association. DOC is staffed by 13 people and welcomes volunteers. Usually about 10-13 foreign volunteers are on staff, either training clients or working on projects that surpass the skill level of the clients. In the past, volunteers have designed a catalogue and
preformed construction on the Visitor’s Center. Volunteers are found through humanitarian organizations or religious organizations.

DOC has documented the results of their program to evaluate their effectiveness. Since the beginning of their program, approximately 200 girls have completed the program. Eighty percent of clients rated the small businesses and the medical clinic most important. A large number of girls have returned to live with their families in the province and not returned to the sex industry. Of those who have left, around 10 have entered job placements that we have referred them to. Around 10 have found alternative jobs for themselves, or set up their own small businesses. A large number of girls have returned to live with their families in the province and not returned to the sex industry. Four or five clients have returned to the sex industry.

On the organization’s blog, Elliot does cite some problems in their business model. She notes that the divide between the social support services and business model can create a dilemma for some staff as interests conflict. And, she says that they are still understaffed for the growth that has occurred, and that their organization runs on the bare minimum due to lack of funds.

Chapter 5 – Conclusion

Developing the export sector is an essential component of sustainable economic development. When President Obama set the goals of doubling exports over the next five years, he understood the importance of the export sector in an economic strategy. Exporting supports economic development not only in the generation of wealth, but it promotes sustainability through the creation of jobs, increased skill sets, small business development, entrepreneurship, and innovation. The current economic recession makes this even more crucial time to implement export sector development techniques aimed at taking advantage of the global market. By banking in on the consumption needs of foreign countries and relying
less on imported products and services, the national economy can better rebound from the economic downturn.

5.1 References


