Remarks at Briefing before Representatives of the Association of Southeast Asian Nations

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REMARKS AT BRIEFING SET-UP BY THE GEORGIA COUNCIL FOR INTERNATIONAL VISITORS (GCIV)

FOR OFFICIALS FROM BRUNEI, CAMBODIA, INDONESIA, MALAYSIA, MYANMAR, PHILIPPINES, SINGAPORE, THAILAND AND VIETNAM

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ATLANTA, GA

Welcome to Atlanta, Georgia. Thank you for the invitation to be here with you today. My colleague Mikko Lindberg and I are pleased to be here. My name is Sujit CanagaRetna and I am the Fiscal Policy Manager at The Council of State Governments’ (CSG) Southern Office, the Southern Legislative Conference (SLC) here in Atlanta.

Founded in 1933, CSG is the only organization in the nation that serves all three branches of state government. CSG is a non-partisan, non-profit organization that promotes the exchange of insights, innovative ideas and the sharing of best practices to help state officials shape public policy. CSG’s major strength is its regional focus; consequently, the SLC located here in Georgia covers 15 Southern states and the regional offices in California, Illinois and New York cover states in those parts of the country. CSG is headquartered in Kentucky and also has an office in Washington, D.C. For those of you who have spent any time reading and studying the United States, you know how different each region of the U.S. is. Hence, it is much likelier that a state policymaker in North Carolina will be interested in a piece of legislation from Tennessee than say a piece of legislation from New Jersey.

How did an organization like CSG come about? For those of you who study the United States know that the guiding light for our federalist system of government is the 10th Amendment to the United States Constitution.

“The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people.”

Now, the U.S. Constitution is very clear on the enumerated powers of the federal government and these include the power to collect taxes, issue debt, print money, maintain a military, declare war,
enter into treaties with foreign governments and several others. All other powers and responsibilities are left to the states. As a result, in our federalist system, state governments play an extraordinarily important role and CSG is honored to be a part of this effort.

What exactly do we do for state government officials? As I noted, while we work for all three branches of state government, the legislative, the executive and the judiciary, most of our work at the Southern Office involves the legislative branch. Given that most state legislatures are part time positions, there is a great need for relevant and timely information. We do research and analysis for them, we write reports, we set up meetings where we bring in experts on specific topics and promote dialogue among state legislators. We also set up delegations and organize fact-finding missions. For instance, I am currently working on taking a group of state legislators to Panama for briefings and a tour of the Panama Canal expansion project given the importance of this project to ports in the South. We organize fly-ins to a location so that small groups of legislators are briefed on an important development. For instance, the SLC is working with the Canadian government to arrange a fly-in to Alberta, Canada for briefings on Oil Sands exploration. We provide expert testimony and presentations before legislative committees on selected topics. We provide media interviews on our research related to topics that impact state government. In a sense, we act as adjunct staff to these state legislators.

Southern States and Trade with East Asia

The role of exports in spurring economic growth in every state has been a striking feature for some decades, and exports as a share of U.S. GDP in 2013 was 13.5 percent of GDP, an increase from the 12.5 percent recorded in 2008. Now, you might think a one percent increase is not significant but in a $16 trillion economy that one percent is a substantial amount (about $160 billion).

President Barack Obama has made export-led growth a key plank in his overall strategy to boost economic growth in the aftermath of the Great Recession. Exports have played an outsized role in the nation’s post-recession economic recovery and exports accounted for 54 percent of output growth in the top 100 metro areas in the United States from 2009 to 2012.

U.S. goods exports to the world totaled $1.6 trillion in 2013, a slight increase from the $1.5 trillion reached in 2012. In 2009, during the Great Recession, U.S. goods exports amounted to $1.1 trillion. The top three U.S. export markets in 2013 were Canada, Mexico and China; exports to all three countries reached record volumes in 2013. Exports to Canada amounted to $300 billion; Mexico totaled $226 billion; and China reached $122 billion. Japan ($65.1 billion), Germany ($47.4 billion) and the United Kingdom ($47.3 billion) ranked as the next three top U.S. export markets for goods.

A review of the specific goods that comprised U.S. exports in 2013 indicates that capital goods (which include industrial machines, commercial aircraft, medical equipment, telecommunications and computer equipment) were the largest category followed by industrial supplies; consumer goods; automotive vehicles and parts; foods, feeds and beverages; and other goods.

The top 12 exporting states in 2013 were Texas, California, New York, Washington, Illinois, Louisiana, Florida, Michigan, Ohio, Pennsylvania, Georgia and New Jersey. Exports from Texas amounted to $279 billion while exports from California and New York totaled $168 billion and $83 billion, respectively. For the SLC region, it is important to note that 4 of the top 12 exporting states were SLC states. Hence, exports are a huge economic driver for all the states and state policymakers go to great lengths to create an environment in which international trade flourishes.

Focusing more specifically on the states in the SLC or Southern region, export-led growth plays a significant role in the economic vitality of the region. I am going to focus very briefly on three areas
that are critically important for advancing exports in the South: (1) ports; (2) auto industry; and (3) aeronautics.

1. Ports in the South play a dominant and often unrecognized role in the national economy. For instance, in 2013, a ranking of the top 25 ports by U.S. waterborne foreign trade documented that 15 of the 25 ports were located in the SLC states.

2. With regard to the auto industry, in the last 30 years or so, about a dozen foreign automakers have established manufacturing facilities in the South. Leading the charge to the South was Nissan (in April 1980 to Tennessee), followed by Toyota (to Kentucky in December 1985) and a number of others including Mercedes in Alabama, BMW in South Carolina, Nissan in Mississippi, Kia in Georgia, Volkswagen in Tennessee and Toyota in Texas.

3. In a move that parallels this important automotive industry trend, economic analysts now are seeing another development: the increasing number of aeronautics companies that are locating, relocating or expanding their manufacturing operations in the South. From Airbus in Alabama to Boeing in South Carolina to Gulfstream in Georgia to Honda Aircraft Company in North Carolina to Embraer in Florida to Dassault Falcon in Arkansas to Rolls-Royce in Virginia, an impressive roster of manufacturers have found it profitable to either set up or expand their operations in the SLC states. Importantly, following these manufacturing operations both in the automotive and aeronautics sectors are hundreds of parts suppliers, also generating high-wage, high-tech jobs.

These three areas, ports, automotive and aeronautics contribute significantly to exports from the SLC states.

In terms of international trade with Asia, as you know, there has been a great deal written about the Obama Administration’s “pivot to Asia.” The United States realizes the rising importance of the Asian Pacific region in the contemporary global structure and this is reflected in renewed focus on furthering an array of linkages between the region and the United States. International trade is an important part of that and a review of the latest export figures from the SLC states to the 9 East Asian countries represented here indicates the following:

- Overall, SLC state exports have fared very well over the past 8 years, 2005 to 2013. In fact, between these two periods, exports from the 15 SLC states expanded by over 100 percent – more than doubled – in 6 of the 9 countries.
- In 2013, SLC states exported more goods to Singapore than any of the other countries here today. SLC state exports to Singapore cumulatively amounted to an impressive $14.5 billion followed by Thailand and Malaysia ($3.2 billion) and then Indonesia ($3 billion).
- In 2013, for the nine countries represented here today, machinery exports from the SLC states was the top export item for three countries (Brunei, Myanmar, Indonesia); computer and electronic products was the top export item for an additional three countries (Malaysia, Philippines, Thailand); transportation equipment was the top export to Cambodia; chemicals was the top export to Singapore; and, agricultural products was the top export to Vietnam.
- In 2013, among the SLC states, Texas exported more to the nine countries represented here today. As you might recall, Texas was also the top export state among all 50 states in the U.S. Exports from Texas were ranked number one to eight of the nine countries represented here. Georgia exported more to Cambodia than any other SLC state in 2013.
- In recent years, a number of major U.S. corporations headquartered in the SLC states have expanded their investments and operations in the countries represented here:
  - Shell, headquartered in the U.S. in Houston, Texas, is expanding operations in Malaysia and the Philippines;
  - Exxon-Mobil, headquartered in Irving, Texas, is expanding its chemical and oil operations in Singapore and Malaysia;
• Shipping and logistics giants, UPS and FedEx, both headquartered in SLC states (Atlanta, Georgia and Memphis, Tennessee) are expanding their operations in almost all the countries represented here;
• Food and beverage giants Coco-Cola (headquartered in Atlanta, Georgia), Kentucky Fried Chicken (headquartered in Louisville, Kentucky), Pizza Hut (headquartered in Dallas, Texas) and Burger King (headquartered in Miami, Florida) are also expanding their operations in a number of the countries represented here;
• Convenience store giant, 7-Eleven, headquartered in Dallas, Texas, recently expanded their operations in Thailand and also hopes to enhance its presence in several neighboring countries, all represented here today;
• And, finally, in the finance and banking sector, Bank of America, headquartered in Charlotte, North Carolina, has major expansion plans in a number of countries in the Asia Pacific region.

The projections are that international trade between the SLC states and these countries in Asia Pacific region will continue to grow significantly in coming years and state policymakers, from governors to state legislators, are enacting a number of measures to promote this trend. From trade delegations of policymakers and business people to setting up a number of measures to assist small to medium-sized exporters, states are working hard towards this goal. SLC state policymakers are also interested in facilitating direct investment from the Asia Pacific nations in the SLC states and there are numerous companies from the larger Asia Pacific countries that have flourishing business operations in the SLC states.

I know there has been some interest in learning more about tourism and state efforts to promote tourism. As you know, tourists coming to the U.S. are a huge economic boost to the different state economies and states have devised some interesting and fascinating ways to market tourism both to visitors from overseas and visitors from other states.

In 2013, there were nearly 70 million tourists visiting the U.S. from overseas. Compared to the previous year, this was an increase of 4 percent. A majority of these tourists were from Canada (about 23 million) with tourists from Mexico (14 million) and Western Europe (12 million) occupying the top 3 positions. From Asia, there were 3.7 million visitors from Japan, nearly 1.8 million from China and 1.3 million from Korea.

In terms of specific policies enacted by states to promote tourism, it is important to mention cultural tourism. Cultural tourism is an important tool for celebrating, preserving and promoting a state's unique heritage. It is also an effective way to stimulate a state's economy, as it increases opportunities for artists, encourages public participation in the arts and facilitates cultural commerce. Research has also shown that cultural tourists spend a considerably higher amount of money on their visits to major cultural attractions.

SLC states often collaborate to promote cultural heritage tourism and here are a few examples of these collaborations:

• Cherokee Heritage Trails (North Carolina, Tennessee, Georgia)
• Blue Ridge Music Trails (North Carolina, Virginia)
• Civil War Tourism (Several SLC states)

As mentioned, given that cultural heritage tourists and cultural tourists are considered “high-value” tourists, the SLC states (and other states across the country) have gone to extraordinary lengths to market their unique characteristics. For instance, Mississippi has done a great deal of marketing around the fact that the blues originated in the state, the Mississippi Blues Trail project; similarly, Kentucky’s Quilt Trails project, focusing on the art of quilting, is another example.