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Synchonizing U.S. States' Strategic Plans to Increase Exports To Emerging Markets

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ABSTRACT

The United States seeks to increase and expand exports to emerging markets. The majority of U.S. firms (98 percent) are small to medium sized enterprises (SMEs) with only 1 percent engaging in exporting. The Federal and State Governments encourage SMEs to expand exporting through the National Export Initiative (NEI) and NEI/NEXT initiatives. This paper examines NEI's progress and strategies by leading U.S. exporting states, export activity to BRICSA, states' alignment with NEI and the extent to which NEI has facilitated federal and state collaboration. Further, it reviews NEI/NEXT objectives and strategies to internationalize U.S. business practices.

Key Words: SME exports, U.S. exports, National Export Initiative, BRICSA, emerging markets

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INTRODUCTION

United States' exports are fundamental to growing the country's economy. Considering that 95 percent of the world's consumers are outside the United States (U.S. Department of Commerce, 2014), and with significant purchasing power beyond the U.S. shores, internationalization of U.S. businesses is vital. Still further, the emerging markets of Brazil, Russia, India, China and South Africa (BRICSA) represent 42.81 percent of the world's population (Population Reference Bureau, 2015). By 2030, the population of BRICSA is projected to account for 39.5 percent of the world's population (Population Reference Bureau, 2015). According to McKinsey Global Institute (2016), the economic foci continue to move towards the emerging markets. While the developed countries face stagnation, the income and purchasing power of the consumers in the emerging markets will continue to increase thus contributing to the economic vitality.

The size of the middle class is growing around the world and in the next 15 years, one billion more consumers will enter the middle class (U.S. Department of Commerce, 2014). According to Euromonitor International (2013), between the years 2004-2013 the BRIC countries have witnessed their economies double in size. The growth of the BRIC populations from the year 2000 to 2010 grew from 400 million to 1.3 billion. Its annual purchasing power is projected to grow from $12 billion in 2010 to $30 billion in 2025 (Ghosh, Lucy and Lepage, 2012). Further, PricewaterhouseCoopers (2014) reports that the purchasing power in emerging economies of Brazil, Russia, India and China will continue to grow. According to McKinsey Global Institute (2015), with the end of apartheid, South Africa, which is the second largest economy in Africa, has embarked on a growth path centered around its major cities. With this potential in market growth, the U.S. still has only 20 Free Trade Agreements in the world (International Trade Administration, 2015a).

Given these compelling business opportunities, it is stunning to report that only one percent of U.S. companies engage in exporting, and of the 28.4 million U.S. businesses, just over 300,000 firms exported (United States Census Bureau, 2016; SBA Office of Advocacy, 2015). Table 1 provides the number of U.S. exporting companies by firm size in the year before NEI and during NEI. These figures demonstrate that 98 percent of the U.S. export companies are consistently SMEs indicating that small to medium-sized businesses have had a profound impact on the NEI achievements. It is interesting to note that the value of SME export dollars represents one third of all U.S. exports (Small Business Administration Office of Advocacy, 2015).

Table 1. Structure of U.S. exporting companies by firm size

Year	Total U.S. Exporter Firms	# of U.S. Large Exporter Firms	# of U.S. SME Exporters	% of U.S. Exporters are SMEs
2009	276,643	6,590	270,053	97.62%
2010	293,988	6,490	287,498	97.79%
2011	303,509	6,692	296,817	97.80%
2012	305,669	6,887	298,782	97.75%
2013	304,223	6,880	297,343	97.74%
2014	301,923	6,860	295,063	97.73%

Sources: 2009-2013: Small Business Administration Office of Advocacy 2015; 2014: U.S. Census Bureau News 2015.

The sustainable growth of the United States' economy is dependent upon the internationalization of U.S. businesses. There is a need to expand the number of exporting firms and focus export activities in the world's growing economies to harvest the growth in the middle class in emerging markets. Strengthening the U.S. economy is dependent upon exporting beyond the traditional trading partners close to its borders.

Some of the theories frequently used to explain the internationalization efforts of large business include product life cycle model (Vernon, 1966), stage theory (Johanson and Vahlne, 1977), monopolistic advantage theory (Hymer, 1976), and ecletic theory (Dunning and Narula, 1998). These theories focused on the role of innovation and internationalization efforts of the firm, process of internationalization, and the locational ownership and organizational advantages that firms and host economies offer. Further research by Khanna, Palepu and Sinha (2005) shows that initially many MNCs failed to understand the importance of local customer preferences, challenges associated with infrastructure, and policy differences in developing countries. As a result they preferred to invest and conduct business in the developed countries.

This paper describes the U.S. Government's initiatives to encourage and assist U.S. businesses to join the exporter ranks and expand their markets to emerging economies. It examines the top U.S. exporting states to determine if the states' plans are synchronized with the U.S. Federal NEI national effort to expand the U.S. economy through exports, especially focused on SMEs, given 98 per cent of U.S. exporters are SME firms (International Trade Administration, 2015b). It also considers U.S. exporting to the emerging economies of Brazil, Russia, India and China and South Africa (BRICSA) since these countries account for 43 percent of the world's population (Bawa, Bohler-Muller, Fikeni, Zondi, and Naidu, 2014). The trade records of the five leading exporting U.S. states are analyzed to better understand 1) the top exporter states' contributions to the U.S export totals, and 2) the top exporter states' participation in exporting to BRICSA markets.

The paper reports on the progress of the NEI to date and describes its next phase, the NEI/NEXT initiatives. Finally, next steps in research will be addressed.

POTENTIAL OF EXPORTING TO EMERGING BRICSA MARKETS

Small and medium sized (SMEs) businesses have a strong impact on a country's economy with reference to job creation, generating wealth, and innovation. In the developed economies, such as the United States, SMEs make a substantial impact on jobs by employing nearly 50 percent of the private sector work force (United States Small Business Administration, 2009). Small and medium sized business face many barriers, which impact their growth potential some of which are related to the cyclical nature of the economy. Further, it is important to keep in mind that in the era of globalization, in order to be successful, SMEs have to integrate themselves into the global economy. However, in the global economy, SMEs continue to play a smaller role with large corporations playing a dominant role (Ghosh, Lucy and Lepage, 2012). SMEs face export barriers, including insufficient country specific policies and bureaucracies and lack of trade agreements, the need for long term financing, inadequate intellectual property rights protection, bribery and corruption, limited knowledge and experience with international trade and with e-commerce technologies, and the need for effective local partnerships.

EMERGING MARKETS: CHARACTERISTICS AND TRENDS

Emerging markets are characterized by rapid economic growth, increasing industrialization and rising income. These economies experience a movement from being agriculture based towards manufacturing and service based. To move these economies toward a path of growth and development, the governments play an active role in promoting reforms. In this paper, we focus on Brazil, Russia, India, China and South Africa (BRICSA). Based upon demographic and economic indicators, China and India account for 37 percent of the world's population, which holds a strong potential for labor supply and internal demand for goods and services. When comparing the percentage of population living in the urban areas among the BRICSA economies, India ranks lowest with only 31 percent of the population living in the cities. The cities will continue to be the home of skilled and un-skilled labor, as well as a prosperous group of consumers (Dobbs, Remes, Smit, Manyika, Woetzel, and Agyenim-Boateng, 2013). Furthermore in the future, these cities will be the center of head offices of global companies.

Unlike the advanced economies, people living in the emerging markets have lower incomes. Table 2 reveals that the Gross National Income (GNI) per capita is lower than that of the United States. However, the size of the middle class is growing which creates opportunity for further investments and trade (Court and Narasimhan, 2010; McKinsey Global Institute, 2012a). Barton, Chen, and Jin (2013) further note that the middle class in China will continue to grow in the internal parts of the country and the growth of this group will create demand for specialized goods and services thus creating investment opportunities.

The economies of China and India have experienced higher levels of growth during 2009 and 2013 than Brazil, Russia and South Africa (Table 2). According to the United Nations Statistics Division (2014), Brazil experienced a modest increase in GDP from -0.3 percent to 2.5 percent. Similarly, Russia and South Africa have shown signs of improvements (Table 2). In spite of the higher growth rates in China and India, data further illustrates that these two countries will have a drop in the Gross Domestic Product (GDP) growth rate. These trends mirror the worldwide pattern of slowing of the global economy. In spite of the lower GDP growth rate, with the exception of Russia, the two emerging economies of China and India experienced higher growth rates compared to the United States over the same time frame, while growth in Brazil and South Africa was close to the growth rate in the United States (Table 2). These economies continue to offer export opportunities for U.S. business growth.

Table 2. Demographic and economic indicators in selected emerging economies

Country	Population mid-2014 (in millions)	Urban Population (in percent)	GDP Growth (in percent)		Per Capita GNI (in US $)
			2009	2013	2013
Brazil	203	85	-0.3	2.5	2.5
China	1,364	54	9.2	7.7	7.7
India	1,296	31	8.5	5.0	5.0
Russia	144	74	-7.8	1.3	1.3
South Africa	53.7	62	-1.5	2.2	2.2
United States	317.7	81	-2.8	2.2	2.2

Source: United Nations Statistics Division (2014), Population Reference Bureau (2014)

OPPORTUNITIES AND CHALLENGES OF CONDUCTING BUSINESS IN BRICSA

Brazil is the largest economy in the South America continent. According to HSBC (2013) by late 1990s the majority of the state-owned companies were privatized. Since 2003, the country experienced economic stability, but by the end of 2008 the country was impacted by the global financial crisis. According to CIA World Factbook (2013), in 2010 the investor and consumer confidence levels were revived and the GDP growth rate was about 7.5 percent, which was highest since 1985. In spite of the progress, it is important to note that lack of sound infrastructure is a major challenge for the country. Improvements in this sector will bring about an increase in production and faster economic growth and development.

With the collapse of communism in 1991, the Russian economy experienced a decline in output. In 1995 with the intervention of the International Monetary Fund (IMF), the economy was stabilized for a few years. The lack of a tax base and declining price of oil, the economy faced a setback again in 1998. In the following decade the economy, which is second largest producer of oil in the world, experienced growth (Grafe, 2012). Subsequently, because of weak consumption and declining exports in 2013, the economic growth showed signs of slowing down (Economist Intelligence Unit, 2015a). It is expected that in Russia the GDP growth rate over 2015-2019 will grow from 0.6 percent in 2014 to about 1.6 percent in 2019. The impact of international sanctions and declining price of oil will be a major concern for the Russian economy. According to the Corruption Perception Index (2015), Russia ranked 119 out of 167 countries, scoring 29 out of 100. This indicates two thirds of the world's ranked countries were perceived as less corrupt. In future, the country has to place greater emphasis on diversification of the economy and create investment opportunities and curb corruption.

In India, the large internal markets, availability of un-skilled to skilled labor, and pro-reform policies have helped to make this country an important venue for exports and investment. The reforms have accelerated the rate of investment and trade and brought about a decline in the poverty level. The country also experienced growth in domestic demand. According to Poddar (2012), the country will continue to add over 110 million workers to the labor force, which will create additional demand for goods and services. The future of this emerging market will depend on promoting additional reforms, investment in improving the physical and social infrastructure, and integrating the rural areas in growth policies (Economist Intelligence Unit, 2013a). With nearly 70 percent of the population living in rural areas the extension of economic growth into these areas will generate greater demand and bring about a rise in productivity. In 2014, the GDP growth rate was 7.3 percent, estimated to increase to 7.7 percent in 2016 followed by declined to 7.3 percent in 2019 (Economist Intelligence Unit, 2015b).

Economic reforms in China have created an unprecedented growth and investment opportunities for foreign investors. According to Zhu (2012), China has 400 to 500 million consumers who have benefitted from social housing, health care, unemployment benefits, and education. This group has the potential of spending more and creating opportunities for further investments. In the urban areas, the consumers have higher disposable income, moving their consumption pattern from household items to items such as cars, personal computers, smart-phones, and spending of international travel (Economist Intelligence Unit, 2013b). These will continue to create greater potential for investments as the Chinese economy and its consumers continue to demand high value added goods and services. It is important to note, in spite of the economic slowdown consumers between 15-59 years of age with higher education than previous generations, will experience rising disposable income and spending power, thus will continue to be the engine for economic growth (McKinsey Global Institute, 2016).

Currently, South Africa is one of the large economies in sub-Saharan Africa. The country has an abundant supply of resources and a strong financial and manufacturing sector (Economist Intelligence Unit, 2015c). The rate of foreign direct investments has increased especially from the emerging economies of China and India as well as from the countries in the Gulf region (Kaberuka, 2010). In 2014, South Africa reported a GDP growth of 1.5 percent, which is projected to increase to 3.6 percent in 2019 (Economist Intelligence Unit, 2015c). Although the country is one of the leading economies of the African continent, the income inequality is high, with a Gini Index of 63, where 100 represents total inequality. According to the United Nations Development Programme (2014), the unemployment rate is about 25 percent with 14 percent of the population living below $1.25 per day. According to McKinsey Global Institute (2012b), the unemployment among youth is staggeringly high and estimated to be about 50 percent. The study further reports that the lack of employable skills can be attributed to an education system that is not preparing students for the workforce.

In summary, these economies are trending toward increasing the world's middle class markets. The U.S. Government's economic growth strategy includes support to U.S. firms, especially SMEs, to go global to these emerging markets.

U.S. NATIONAL EXPORT INITIATIVE SPANNED 2010 THROUGH 2014

In early 2010, United States' White House created the National Export Initiative (NEI) to drive United States' businesses to enhance their internationalization efforts with the goal of doubling the number of exports by the end of 2014 by removing trade barriers, which would assist U.S. based firms to access new markets, especially SMEs (The White House, 2010). The NEI metrics focused on three key components: 1) double export dollars by the end of 2014, 2) increase the number of U.S. export companies, and 3) increase U.S. jobs through international trade (U.S. Department of Commerce, 2013). To achieve these goals, the U.S. Department of Commerce's Commercial Service has provided support to state and local governments to expand U.S. exports (U.S. Department of Commerce, 2014). Table 3 provides a snapshot of the achievement of these NEI goals with the NEI export dollar goal achieving half of its goal. U.S. total exports in 2009, before the NEI launch totaled 1.583 trillion US dollars compared to 2014 at the end of the NEI, where total U.S. exports reach 2.343 trillion US dollars, a 48.02 percent increase (U.S. Department of Commerce Bureau of Economic Analysis, 2015). The NEI goal to increase jobs from exporting increased over 20 percent (U.S. Department of Commerce Economics and Statistics Administration, 2014). The number of exporting U.S. firms also increased almost 9.5 percent (International Trade Administration, 2015b). Technically, the NEI goals to increase jobs and exporting firms were achieved, even though the NEI plan did not set numerical goals.

Table 3. NEI benchmark goals

U.S. NEI Benchmarks (millions)	2009	2010	2011	2012	2013
Export dollars	1,583,053	1,853,606	2,127,021	2,218,989	2,279,937
Export jobs	9.7	10.2	10.9	11.1	11.3
Export firms	275,843	293,131	302,261	304,867	304,223
Export dollars	1,583,053	1,853,606	2,127,021	2,218,989	2,279,937
Export jobs	9.7	10.2	10.9	11.1	11.3
Export firms	275,843	293,131	302,261	304,867	304,223
Export dollars	1,583,053	1,853,606	2,127,021	2,218,989	2,279,937

Sources: U.S. Exports: U.S. Department of Commerce Bureau of Economic Analysis (2015); U.S. Jobs: U.S. Department of Commerce Economics and Statistics Administration (2014); U.S. Exporting Firms: U.S. Department of Commerce (2015)

TOP FIVE EXPORTER U.S. STATES CONTRIBUTED TO NEI ACHIEVEMENT

The national goals are expressed in the NEI/NEXT initiatives. Individual U.S. states are developing various export promotion initiatives expressed in respective states' export strategic plans. The five leading export states ranked one through five in 2014 were Texas, California, Washington, New York and Illinois (U.S. Department of Commerce Bureau of Economic Analysis, 2015; United States Census Bureau, 2015). The top five U.S. export states continue on their upward export trajectory reflecting their respective export generation and promotion strategies (United States Census Bureau, 2015). Table 4 illustrates the export dollars before NEI in 2009 and compares the five years of the NEI term for the U.S. overall exports compared to the top five U.S. exporting states.

Table 4. U.S. and state export dollars: Comparing before NEI and during NEI years

	2009 Before NEI	2010	2011	2012	2013	Percent Change 2009-2014	Share of US Exports
U.S. overall	1,583,053	1,853,606	2,127,021	2,218,989	2,279,937	48.02	
Texas	162,995	206,992	251,104	264,665	279,371	76.72	12.29%
California	120,080	143,208	159,421	161,757	168,129	44.75	7.42%
New York	58,743	69,685	84,999	81,338	86,312	50.54	3.77%
Washington	51,851	53,345	64,800	75,654	81,631	74.63	3.86%
Illinois	41,626	50,061	64,903	68,158	66,157	63.95	2.91%

Sources: U.S. Exports – U.S. Department of Commerce Bureau of Economic Analysis (2015); U.S. State Exports – United States Census Bureau (2015)

At the state level, New York and California increased their exports comparably to the U.S. overall exports, with New York at 50 percent increase in export dollars, and California at just under 45 percent. Illinois expanded its exports considerably more at nearly a 64 percent growth. However, the states of Washington and Texas performed considerably higher at nearly 75 percent and 77 percent respectively. Texas contributed the most percentage to the U.S. export dollars at just over 12 percent of the U.S. total export dollars. California had the lowest percent of change in exports since NEI's launch and contributed the second largest amount of 2014 export dollars to the U.S. total in 2014, the last year of the NEI. The top five exporting U.S. states contributed close to one third of all U.S. exports in 2014.

To better understand the top five U.S. exporting states' reach to emerging markets of BRICSA, and the corresponding goal of the NEI to reach key emerging markets, Table 5 provides total exports to BRICSA by each of these top five U.S. states during the NEI years. Table 5 also offers the percent of each top state's exports to each BRICSA country.

Table 5. 2014 Export dollars to BRICSA markets from top 5 U.S. exporting states (in millions)

Export Dollars and % of Top States' Exports to BRICSA	Texas	California	Washington	New York	Illinois
Total Exports By State	288,049	173,812	90,547	88,434	68,247
Exports to Brazil	11,832	1,953	665	740	2,315
% of state to Brazil	4.11%	1.12%	0.73%	0.84%	3.39%
Exports to Russia	1,558	756	2,135	388	448
% of state to Russia	0.54%	.39%	2.36%	0.44%	0.66%
Exports to India	1,957	5,270	2,134	2,520	647
% of state to India	0.68%	3.03%	2.36%	2.85%	0.95%
Exports to China	10,947	16,050	16,050	4,291	4,714
% of state to China	3.80%	9.23%	17.73%	4.85%	6.91%
Exports to S. Africa	760	335	65	350	1,043
% of state to S. Africa	0.26%	0.19%	0.07%	0.40%	1.53%
Total export to BRICSA	27,054	24,364	21,049	8,289	9,167
% to BRICSA	9.39%	14.02%	23.25%	9.37%	13.43%

Sources: United States Census Bureau (2015); U.S. Department of Commerce Bureau of Economic Analysis (2015)

In 2014, the State of Washington led with exporting 23.25 percent to BRICSA countries, followed by California with almost 10 percent fewer exports with 14 percent of that state's trade. Illinois is a close third at close to 13.5 percent. Washington's top BRICSA market is China (17.73 percent), with India and Russia in the 2 percent range. California's exports to BRICSA ranks second at 14 percent of its state's total exports, with China as its top BRICSA market at just over 9 percent of its total state exports, followed by India at 3 percent. Illinois was comparable to California with 13.43 percent of its states' exports going to BRICSA. Texas and New York were tied at 9.3 percent of their states' exports to BRICSA. For Texas, Brazil (4 percent) and China (3.8 percent) were their top two BRICSA markets.

Overall, China and India were most often in the number one and two export locations, respectively. Russia was the fourth for all except Illinois, which exported more to South Africa than to Russia. As described in the introduction, the emerging markets of BRICSA are strategically key countries to which U.S. exports may find market opportunities. In that context, it is interesting to identify to which countries the top five U.S. states do the most business. Table 6 lists the first five exporting locations for the United States top five export states.

Table 6. First five export destinations of 5 Top U.S. exporting states in 2014 (in millions)

U.S. State	1st	2nd	3rd	4th	5th	Total of Top 5 Export Locations	Percent Exports of Top 5 Locations
Texas 288,049	Mexico 102,556	Canada 31,295	Brazil 11,832	China 10,948	S. Korea 8,918	165,549	57.47%
California 173,812	Mexico 25,420	Canada 18,343	China 16,050	Japan 12,212	S. Korea 8,594	80,619	46.38%
Washington 90,547	China 20,690	Canada 9,291	Japan 7,364	UAE 3,272	UK 2,951	43,568	48.12%
New York 88,434	Canada 17,064	H.Kong 10,790	Switzerland 8,744	Israel 6,367	UK 6,217	49,182	55.61%
Illinois 68,247	Canada 22,082	Mexico 7,918	China 4,714	Germany 2,855	Japan 2,564	40,133	58.81%

Source for State Export Totals: United States Census Bureau, Foreign Trade by State (2015); Source for Top Five Export States: International Trade Administration (2015b).

This study sought to determine if BRICSA countries would be featured in the states' priority market locations. The State of Washington is the only state that exported to China as its number one destination. For Texas and California, Mexico and Canada were the number one and two export locations. China came in a close third for California. For New York and Illinois, Canada was the top export market, with Mexico number two for Illinois and Hong Kong number two for New York. For each of these top U.S. states, the leading five export locations accounted for around half of all of their exports, ranging from 46 percent to 58 percent of exports going to only five countries. As noted in Table 6, China was in the top five export locations in four of these five states; New York did not include BRICSA in its top five export locations. Brazil was only in Texas' top five locations. None of the other BRICSA countries were in the top five locations of the five most active exporting states in the U.S. Given the major potential of these BRICSA markets, it is clear the U.S. has a long way to go to leverage these opportunities. And even though there has been a slow-down in these emerging market economies, the opportunities continue to be viable (McKinsey Global Institute, 2016). Based on these prospects, the synchronization of the Federal and State export strategies could promote the advancement of the NEI goals.

SYNCHRONIZING FEDERAL AND STATE EXPORT PLANS IMPORTANT TO EXPORTING

A review of the top five exporting U.S. exporting states was conducted to determine if theses top exporting states' strategic plans included internationalization plans, as well as whether these plans were synchronized with the NEI's goals. A snapshot of the top five exporting U.S. states' contributions to NEI and the extent to which states' plans are synchronized with achieving NEI goals is described below.

Texas has been ranked the number one exporting state in 2014 and for the past twelve years. The leading commodities exported from Texas are petroleum and petroleum based products, as well as machinery parts (United States Census Bureau, 2015). Texas has a steady trajectory of increased exports dollars, growing from $163 billion, before NEI in 2009, to $288 billion closing the year in 2014. This represents a 77 percent increase during NEI years. That represents 29 percent more exports than compared to the U.S. export growth. Texas increased the number of jobs produced by exports and the increased role of SMEs in export trade. Texas' percent increase exceeded the U.S. However, Texas does not have a formal export strategic business plan, and consequently it does not have a plan to synchronize with the NEI. The state appears to be outside the realm of intentional planning although the outcome is a positive contributor to the NEI goals.

California ranked second in exports in 2014. The leading commodities exported from the California included aircraft engines, diamond, electronics, and almonds (United State Census Bureau, 2015). California's exports have been gradually increasing each year, increasing export dollars by 44.75 percent since 2009, and contributing $288 billion to the U.S. $2.3 trillion export totals ins 2014. California contributed to the NEI strategy by increasing jobs from exporting by 775,320 in 2014 (International Trade Administration, 2015b). California's 2014 international trade and investment plan includes strategic objectives, timelines and measurable outcomes associated with NEI goals, namely the expansion of exports, creation of new jobs, and assistance to SMEs.

Washington has moved into third place in 2014, increasing exports by 74.82 percent since 2009, reaching $90.6 billion in 2014 exports (International Trade Administration, 2015b). The state's leading export commodities included aircraft, soybean, wheat and engines (United States Census Bureau, 2015). Washington supported 390,690 U.S. jobs in 2014. Washington launched a comprehensive export promotion strategic plan in 2010. Washington State was the first state to respond formally to President Obama's NEI. A plan was developed, including metrics and timelines. Reports were issued on the progress of the plan and website materials on the state's exports were linked to federal initiatives and supporting federal agencies. The plan projected to export $94.6 billion by 2014 (Washington State Department of Commerce, 2012), achieving 96 percent of its goal.

New York is fourth in U.S. exports, increasing its exports 50.5 percent from 2009 to 2014. The leading export commodities from the state of New York included diamonds, precious metals, jewelry, aircrafts, engine and parts (United States Census Bureau, 2015). New York launched the "Global NY" initiative in 2014 designed to support SMEs internationalization to develop or increase export capacity, developing five new trade missions to enhance trade and inward investments, including Mexico, Canada, Italy, China and Israel (New York Governor's Office, 2014). The Governor's "Global NY" initiative is in its early stages of development and cannot yet be assessed for its efficacy or for its synchronization with federal programs. However, the "Global NY" initiative appears to be focused on several elements of the federal NEI, namely programs to assist SMEs in enhancing their global entry and competitiveness once they have become exporters.

Illinois ranks number five in the nation in the amount of export dollars generated in 2014. The leading export commodities included agricultural products, light oils, and machinery and parts used in transportation vehicles. The Illinois Office of Trade and Investment is responsible for supporting exports and is an important NEI partner, increasing its pre-NEI exports by 63.8 percent from 2009 to 2014 (United States Census Bureau, 2015). The Illinois State Trade and Export Program, ISTEP, is partially federally funded and offers support systems to companies that want to increase their exports (Illinois Department of Commerce & Economic Opportunity, 2015). The Department of Commerce and Economic Opportunity issued The Illinois Economic Development Plan (Illinois Department of Commerce & Economic Opportunity, 2014). Even though the export dollars increased significantly during the NEI term, the plan does not mention exports and international strategies for competitiveness. The need for synchronization with federal programs is inherent in ISTEP program, a positive beginning.

Brookings-Rockefeller (2011) reported on a project related to state and metropolitan innovation. In general, the report concluded that U.S. states suffer from three basic weaknesses in their export efforts. First, they do not have an understanding of where their strengths are and fail to assess the effectiveness of their export promotion programs. Second, states' export promotion programs are more reactive than strategic, disjointed and often are not sufficiently funded. And third, states do not engage with other groups in their state who are involved in exports resulting in a fragmentation of effort. Three of the five leading export states reflect the weaknesses described by the Brookings-Rockefeller report. The state of Washington has addressed all three of areas and continues to assess and revise its international strategy. California has developed an international export strategy with metrics to assess its efficacy. Texas, New York and Illinois still do not have an intentional export strategy although they appear to all acknowledge the need for such an effort.

It would seem reasonable to expect these initiatives to focus on the synchronization of federal and state export programs. A review of the five leading U.S. exporting states suggests that coordination between the federal and states levels were not a priority. However, the State Trade Expansion Program (STEP) at the U.S. Small Business Administration (SBA) provides grants to states for export promotion (Small Business Administration, 2016).

NEI/NEXT LAUNCHED AS FOLLOW-UP TO NEI

With the outcomes of the NEI as its foundation, coupled with the feedback from country-wide customer surveys and focus groups conducted by the Department of Commerce, the "NEI/NEXT" was launched as an overall strategy intended to bridge the gaps of the lack of synchronization of federal and state plans, while building on the achievements of the NEI. Included in the 2014-18 strategic plan of the U.S. Department of Commerce (U.S. Department of Commerce, 2014), NEI/NEXT was launched to assist additional American companies to go and grow globally. The synchronization of individual states' export plans, with the overall national plan to increase exports is a component of NEI/NEXT.

The key areas of foci to support more companies to increase exports included the following objectives: 1) connecting more U.S. businesses with their global partners by providing better industry-related information and assistance in the promotion of exports, 2) improving export-related domestic infrastructure that will enable American goods to get to global markets easier, 3) reducing risk of exporting to global markets by providing financing, 4) developing foreign direct investment (FDI) opportunities as a stage to further economic development by educating local and regional leaders, and 5) assisting emerging markets to develop sustainable business environments including reduction and removal of trade barriers (U.S. Trade Promotion Coordinating Committee & Export Promotion Cabinet, 2014).

The NEI/NEXT Initiative: Taking Export Assistance to the Next Level is offering U.S. states the opportunity to partner further in their internationalization efforts through intentional coordinated programs such as the Brooking Institution's Metropolitan Export Initiative, designed to ensure that cities and states can participate in export promotion planning (Brookings, 2016). Other state–level initiatives, especially the development of strategic export promotion plans with metrics, offer further promise of partnerships between the federal, state and local levels are needed to make progress toward synchronization in export promotion between the U.S. federal and state offices.

CONCLUSION

The NEI was a bold project with high expectations to propel the U.S based firms toward the potential of leveraging the emerging markets' growth of the middle class. The NEI did not reach its goal of doubling export dollars, but achieved half that goal. The NEI did not set specific quantifiable goals for increasing exporting firms and jobs from exports, but there was, indeed, an increase. Yet, with this progress, there remains a considerable need to increase exports and to emerging market consumers. Given that the majority of U.S. firms are small, barriers to exporting by these firms continues to be impediments. While the NEI offered support to export initiatives at the state level encouraging SMEs to go or grow globally, U.S. Federal and State Governments are minimally synchronized to assist SMEs to leverage the world's growing middle class consumption demand in developing economies.

In examining the top five exporting U.S. states' reach to BRICSA countries, NAFTA countries continue to be the primary export sites, even though China and India are in the top five locations for four the five top U.S. exporting states. The State of Washington's export strategic plan has made progress, with China in its number one export site. With California's proximity to the Pacific Rim, and South America, it is surprising that its export to BRICSA markets is comparable to that of Illinois.

Of the five U.S. states reviewed in this paper, it is apparent that there is minimal alignment with the U.S. NEI and state export plans. One of the key goals of NEI/NEXT is to develop improved data infrastructures for tracking progress of the U.S. states' contributions to the overall federal initiative to increase exports. Also, the federal government is providing a plethora of data in a user-friendly format. So, the NEI/NEXT initiative seeks to take the NEI to a new level. But, there remains considerable need for U.S. Federal and State Governments to coordinate to achieve the goal of doubling U.S.

exports, most especially by SMEs and to emerging markets. Even though a third of all U.S. exports have been generated by only five states, it would be important to better understand the contribution of each of the remaining U.S. states. A future study will explore the status of all 50 U.S. states' export promotion initiatives and determine if the presence of state planning has yielded improved export performance. Also, the impact of Free Trade Agreements on export outcomes will also be studied.

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