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VIRGINIA--MAJOR FORCE IN WORLD TRADE

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The importance of world trade has long been recognized in the Commonwealth of Virginia (VA). Indeed, one of the major reasons for establishing the original colony at Jamestown was to provide a base from which the New World "treasures" could be shipped to the mother country—England. As a result, since colonial days VA has been one of the world's major exporters of tobacco. Even today the volume of VA's tobacco exports is second only to her exports of bituminous coal.

This world trade orientation so deeply imprinted in the thinking of the early leaders of the infant colony still prevails today, as VA is a pioneer in seeking out new products for export and new global trading partners. To operationalize its world trade interest, VA has three state agencies involved in international trade and its development. These three state agencies are:

1. Virginia Department of Agriculture and Consumer Services (VDACS)
2. Division of Industrial Development (DID)
3. Virginia Port Authority (VPA)

VDACS

The VDACS recognized in the 1960's the need to educate the agricultural producers as to the desirability of exporting their products abroad and to help these producers locate such markets. Their first significant success of expanding these markets beyond the traditional farm products came in the area of livestock. In 1964 the first load of feeder cattle from the United States (U.S.) in fifty years was sent to Italy. A major shipment of 191 head of breeding stock was made to
Portugal in 1966, followed by 65 head to Chile in 1967. Dairy cattle were exported to Mexico and Puerto Rico, and lambs were exported to Canada.

Another milestone for VA was the official opening of a new trade office in Brussels, Belgium, in 1968 by Governor Mills E. Godwin, Jr. Working in this office was the first full-time overseas agricultural representative for any state. Now representatives of VDACS, DID, AND VPA would work together "seeking new markets and new opportunities for VA businessmen." In 1969 the livestock loading facility was completed in Richmond; and a shipment of dairy cattle went to Mexico, followed by shipments to Europe and Africa. In 1970 state personnel assisted VA exporters in generating some $2.5 million worth of new exports.

Breeding swine were exported to Brazil, Peru, Chile, Europe, Southeast Asia and Hawaii.

In 1971, 72 head of VA angus breed stock were in a 350 animal shipment to Russia. This same year, the "largest single swine shipment ever made from Virginia . . . was air shipped to Brazil. This was followed by an even larger shipment with over 186 head of five different breeds flown to Lima, Peru. This activity resulted in a name change for the Richmond Airport which now became Byrd International Airport." A trade mission headed by Governor Holton in 1972 resulted in the sale of 800,000 pounds of poultry to Japan.

The International Trade Section of VDACS helped form the Atlantic International Marketing Association (AIM), which includes the states of Pennsylvania, Maryland, North Carolina, South Carolina, Georgia, Florida, and Virginia. "The objective of AIM is to see that the cost of
individual state export market promotion and development programs will be reduced through the creation of joint programs and activities, the sharing of export market information and trade leads, and the pooling of market supplies when economically feasible and/or advantageous. 

State personnel were also instrumental in the formation in 1973 of the Southern United States Trade Association (SUSTA), whereby fifteen state departments of agriculture would work together to promote the sale of products abroad.

In the 1973-74 year, "eighty-three representatives from sixteen countries visited VA with an interest in purchasing VA agricultural products. State personnel assisted VA exporters in generating sales and coordinating shipments to foreign countries valued in excess of $6,750,000." In 1974 VDACS received the President's "E" Award for Excellence in Exporting. In receiving the award the Department became one of the first state agencies in the nation to receive such recognition.

The list of trading countries expanded with the first large scale shipment of swine to Russia. Still seeking the expansion of foreign markets, Governor John Dalton headed a trade mission to the Far East in 1979. As a result of this mission's stop in Japan, almost $3 million of exports in VA poultry and peanuts was generated. The Chinese expressed a desire to purchase feed grains, fertilizers and farm equipment and requested technical assistance in production practices. Later that year, nineteen representatives of Taiwan visited Richmond to sign several contracts, the largest of which was a $10 million tobacco purchasing agreement; and the following year representatives again
visited Richmond and purchased about $30 million of VA produced industrial and agricultural items.\textsuperscript{24} It should be noted that in 1979, VA exported $250 million in farm products, about one-fourth of the state's total farm income.\textsuperscript{25}

Further possibilities for expansion of world markets resulted in the official opening of an office in Japan by Governor John Dalton in April, 1981.\textsuperscript{26} Japan, Hong Kong, Taiwan, and other areas are served by this office.

In 1982, Taiwan (now the Republic of China) replaced France as the seventh largest trading partner with the U.S., with a two-way volume exceeding $13 billion.\textsuperscript{27} She is a major buyer of VA tobacco and makes purchases of agricultural products including breeding swine, logs, and lumber.\textsuperscript{28} Total purchases with VA companies totaled $11 million in 1982.\textsuperscript{29} VA's total agricultural exports amounted to $384 million, with some 90,000-95,000 jobs provided by these exports.\textsuperscript{30}

**DID**

The second agency involved in world trade is the Division of Industrial Development, whose primary objectives are to increase VA's exports and to increase foreign development in the state. Since the opening of the Brussels' office, $1 billion of foreign capital (excluding real estate) has been invested in VA by 233 companies.\textsuperscript{31} VA's major trading partners are shown below in Table I.

The first thrust toward international trade by previous governors was to increase production in the state which would increase employment opportunities. The new drive by Governor Charles Robb is to organize companies who manufacture in VA to export their products. The state is also trying to make sure that there is a flow of new technology into the
Table I

FOREIGN COUNTRIES ENGAGED IN BUYING GOODS FROM VIRGINIA COMPANIES AND ENGAGED IN SELLING GOODS TO VIRGINIA COMPANIES LISTED IN TIERS ACCORDING TO THE DOLLAR VOLUME OF SALES

TIER 1  CANADA (Canada is the largest trading partner of the U.S. and of Virginia.)

TIER 2  MEXICO, JAPAN, TAIWAN, THE UNITED KINGDOM, AND GERMANY

TIER 3  FRANCE, ITALY, and SWITZERLAND

TIER 4  EGYPT, BRAZIL, VENEZUELA, COLOMBIA, HONG KONG, SCANDINAVIA, BELGIUM, LUXEMBOURG, THE NETHERLANDS, SPAIN, and PORTUGAL

TIER 5  NIGERIA, REPUBLIC OF SOUTH AFRICA, ARGENTINA, CHILI, PERU, ZAIRE, ALL OF THE REST OF THE ARAB NATIONS--KUWAIT, SAUDIA ARABIA, LIBYA, ZAMBIA, MOROCCO, MAINLAND CHINA, and AUSTRALIA

TIER 6  SINGAPORE, MALAYSIA, THAILAND, PHILIPPINES, ISRAEL, and the SOVIET UNION

TIER 7  the REST OF LATIN AMERICA--URUGUAY AND CENTRAL AMERICA (NOT COUNTING MEXICO), CARIBBEAN AND PARAGUAY (Do not count Honduras because of military aid.)

TIER 8  IRAN, NEW ZEALAND, INDIA, PAKISTAN, KENYA, HUNGARY, POLAND, ROMANIA, and CZECHOSLOVAKIA

TIER 9  the rest of the countries

This list was furnished by Mr. John Lenkey, III, Director of International Marketing, Division of Industrial Development, and is based on his experience over the last five years.

An article in The Wall Street Journal indicated that VA proposes to spend $750,000 on industrial development advertising in 1984, a 37 percent increase from 1983. The advertising is to be aimed at high technology and service.
The 1984-1985 Industrial Directory, published by the VA Chamber of Commerce lists over 4,000 VA companies engaged in manufacturing and mining. Approximately 13 percent are engaged in exporting, 3 percent in importing, and 8 percent in a combination of both. In 1983 Anheuser Busch International announced that their Williamsburg brewery, one of the companies included above, would become the corporation's sole exporter of beer to Europe, Africa, and the Middle East. The Industrial Directory lists twenty foreign countries that have consular officers in VA and lists 131 known VA manufacturing firms from fifteen countries that are affiliates of foreign companies.

There is no way to adequately estimate the value of services exported. There are many high technology industries in the Northern Virginia area. The Fairfax County Economic Development Authority would have a listing of these firms. The County has a one-year grant from the Department of Commerce for a Small Business Export Development Program. The purpose of the grant is to identify companies in Fairfax which are currently exporting and to increase the number.

The VA Department of Tourism was unable to furnish the volume of foreign tourist business produced. There are figures available for regions of the U.S. but not for states. VA did attract more Canadian visitors in 1983. Another potential source of information concerning international trade is an International Trade Directory, being prepared by the VA Chamber of Commerce, to be published shortly.

The internationally known Hampton Roads Harbor, with terminals in Newport News, Norfolk, and Portsmouth, is the number one port in the Nation. "More than 81 steamship lines link Hampton Roads with 397
ports in 133 foreign countries." \(^{38}\) The movement of cargo through the Port of Hampton Roads generated over $1.8 billion in 1982. \(^{39}\)

"Throughout the Commonwealth, port activity created 155,000 jobs, $3 billion in wages and $307.5 million in personal and corporate taxes." \(^{40}\)

VPA

The third state agency, the VPA, involved in port activities, is the major source of statistics for VA and her trading partners since it acts as a clearinghouse for this information. In the spring of 1983, the VPA began purchasing import and export tapes directly from the Bureau of the Census. \(^{41}\) It also has over 600 "Journal of Commerce" computer reports. Its on-line capability makes the VPA a vital source of information. \(^{42}\)

Mr. John Hunter, Director of Research, has many statistics at his fingertips and is most cooperative to public requests for information. He pointed out, as every state and federal government official had indicated earlier, that there is no way to tell exactly how much of the export traffic really comes from VA. The Office of International Economic Research of the Industry and Trade Administration, Department of Commerce, did a series of 50 reports in 1976 whereby exports from individual states were presented. Unfortunately, the study, an informative and interesting twelve-page booklet, has not been updated or repeated. Mr. Hunter was willing to provide some ballpark estimates for the goods moving through the Port of Hampton Roads. He estimated that 40 percent of the general merchandise is manufactured in VA. In the large-bulk category, he estimated coal, 20 to 25 percent; grains, including corn, wheat and soybeans, 20 percent; and fertilizer, 100 percent from Allied Chemical, as coming from VA.
Dr. John Parkany, of the College of William and Mary, prepared a report entitled, "The Importance of Exports to the United States, Virginia and North Carolina," dated December 1983 for United Virginia Bank. The following 1981 data are from his report.

"Merchandise exports (exports of all goods except services) amounted to $6 billion in Virginia . . . in 1981, up from $1.3 billion in 1971. The breakdown for the total exports was 87 percent in manufactured goods, 10 percent in coal, and 3 percent in agricultural products. VA exported 15 percent of her total output from these sectors. It is interesting to note that over 11 percent of the people working in the manufacturing sector were producing for export. The impact of the number of workers involved in export can be appreciated when those working in the coal mines, in the transportation areas, particularly the ports, and in other related service jobs are added.

"Virginia's exports of manufacturers amounted to $5.2 billion (14.3 percent of Virginia's manufacturing production). Virginia's exports of manufacturers amounted to 3.2 percent of total U.S. exports of manufacturers."

Dr. Parkany in his report indicated that $3.8 billion or 63 percent of the total exports was to Industrial Countries with the remaining $2.2 billion or 37 percent to Developing Countries. Of the $5.2 billion in manufactured goods, $2.1 billion was for Developing Countries. "Additionally $81 million of agricultural exports (29 percent of agricultural products) . . . were exported to Developing Countries in 1981."

Tobacco is VA's most important agricultural product and also her largest agricultural export. "In 1981, the value of Virginia's
unmanufactured tobacco exports amounted to $91 million (just over one-third of production). This represented 32 percent of Virginia's total agricultural exports which registered $281 million in 1981.  

VA exports of bituminous coal amounted to 11 million short tons (24 percent by volume and 11 percent by value of the U.S. bituminous coal exports of 114 million short tons in 1981. Mr. Parkany listed the Industrialized Countries that VA exported coal to as follows: Japan, Italy, France, Netherlands, Spain, Federal Republic of Germany, Belgium, Denmark, United Kingdom, Sweden, Switzerland, Finland, Turkey, Iceland, Norway, and Portugal. The Developing countries were listed as follows: Brazil, Taiwan, Republic of Korea, Algeria, Egypt, Argentina, Mexico, Chile, and India.

In 1982 coal exports through Hampton Roads were 53 million tons; in 1983, 35.5 million tons. The decrease was the result of serious competition from Poland and Canada in the European market and Australia and South Africa in the important Japanese market. Coal did so well in 1980, 1981, and 1982, because the world was afraid that oil supplies would not be available and also that there might be an increase in the price. In 1983, there was a glut in the world market and prices decreased. The price and the availability of oil will affect the export of coal. Exports of coal are predicted to rise in 1984 but will not reach the previous high of earlier years.

Mr. Hunter stated that the 53 million short tons of coal exported in 1982 may be broken down as follows: VA, 12.1 million tons or 22.8 percent; West Virginia, 31 million tons or 58.5 percent; and Kentucky 9.9 million tons or 18.7 percent. Leading countries receiving coal from Hampton Roads in 1982 were Japan, Italy and France.
There are three main river ports in VA—Alexandria, Hopewell, and Richmond. Some statistics furnished by Mr. Hunter for 1982 concerning the Richmond Deepwater Terminal are of interest. He pointed out that there was a good mix in the export of 116,000 tons and import of 110,000 tons of tobacco, the major commodity passing through the terminal. Philip Morris imported 41,000 tons of unmanufactured tobacco. Other items and tonnage reported were as follows: iron and steel, 16,000 tons; wood pulp, 6,500 tons; lumber, 6,500 tons; inorganic chemicals, 4,000 tons; rubber and plastics, 5,500 tons; yarns and thread, 3,900 tons; and parts of motor vehicles, 1,900 tons. Imports included the following: sand for construction purposes from the Caribbean, 16,000 tons; wine and beer from Amsterdam or Germany, 6,000 tons; newsprint paper from Canada, 3,400 tons; parts of motor vehicles, 3,700 tons; and lumber 2,600 tons. No livestock left through this facility in 1982; however, Mr. Ligon, Director, VDACS, stated that a decrease in the cost of shipping has caused exporters to resume use of the facility.

In a further effort to educate and assist small and medium sized businesses in the state who are interested in exporting, the Virginia Export Trading Company (VEXTRAC) was incorporated in 1983 by the VPA. Officials of VEXTRAC talk to local companies and identify products that companies desire to export. The next step is to determine if a demand exists for the products and if the products are price competitive. VEXTRAC offers transportation and financial advice and acts as the middleman with the banking institutions. It does not take title to the goods nor is it directly involved in financing. It acts in an advisory position through the VPA.
The VPA also sponsors VA's first active foreign trade zone, Free Port USA in Suffolk, operated by Atlantic Warehousing and Distribution Corp. The 22 acre site has 97,000 square feet of warehouse space. 60

No duty rate is paid on imported goods held within the zone until the goods are entered into the U.S. domestic territory for consumption. If imported merchandise is reexported, no duty is ever paid. The zone user has the choice of paying the duty on the original imported components or the finished product, depending on which has the lower rate.

Within the enclosed policed and U.S. Customs supervised area, goods may be examined, sampled, assembled, repackaged, exhibited, manufactured or stored. There is unlimited storage time and goods are not normally subject to import quotas. Importers may sort or process within the zone, leaving behind excess and waste material, and damaged or substandard goods, paying duty only on processed goods entering U.S. territory. 61

In 1982 the zone handled coffee beans from China, cigarettes and yarn from Brazil, auto parts from Finland, printing machinery from Germany, Kerosun heaters and a huge electron microscope from Japan. A British firm is considering establishing plants in the zone to manufacture chemical additives for the food industry. 62

CONCLUSION

It appears that the Commonwealth of Virginia has been a forerunner of the individual states in seeking new markets for exports and in encouraging VA firms to export goods and services to international markets. Assistance to these firms has been provided in numerous ways. Dedicated state and private sector personnel seem to be making every effort to see that VA does her share to decrease the U.S. trade deficit. Virginia's superb natural harbor, the Port of Hampton Roads, her river seaports, and her international airports make her a natural for international trade.
In total there are approximately 170 countries recognized as independent nations. Statistics published by the VPA indicate that in 1982, VA engaged in some form of trading activity with all but 22 of these countries.

Indication of VA's continued success in world trade expansion is the announcement by the Neptune Orient Line and the Orient Overseas Container Line of plans to move their operations from Maryland to Virginia in 1985. These two companies shipped approximately 75,000 tons of cargo last year through Maryland ports and contributed about $5.5 million to Maryland's economy. Why did these two companies decide to switch their operations to VA? According to company representatives the decision was made because VA has lower port fees and VA ports are closer to the open sea. Furthermore, a VPA official indicated the switch was made because VA has good facilities, good labor relations and has been actively seeking to make inroads into the "Mid-Western Market."

In other words, VA appears to have effectively implemented a formula designed to achieve success in international trade--good ports, dedicated government encouragement and involvement, good products, and finally a broad base of support from VA private sector financial institutions.

2. Ibid, p. 4.

3. Ibid, p. 5.

4. Ibid, p. 5.


15. Ibid, p. 12.

16. Ibid, pp. 11-12.


22. Ibid, p. 17.

29. Ibid, p. 4.
31. Information obtained from an interview with Mr. Mark R. Kilduff, Director of Marketing Services and Chief Economist, Division of Industrial Development, Richmond, Virginia.
32. Ibid.
34. Rough estimate made by counting companies thus engaged.
39. VPA Annual Report, p. 15.
40. Ibid, p. 15.


45. Ibid, p. 20.

46. Ibid, p. 6.

47. Ibid, p. 6.


49. Ibid, p. 22.

50. Ibid, p. 28.

51. Ibid, pp. 6-7

52. Ibid, pp. 6-7.


54. Ibid, p. 43.

55. Ibid, p. 44.

56. Ibid, p. 45.


58. VFA Annual Report, p. 15.


64. Ibid, p. 51.

