



FEDERAL vs. STATE TRADE POLICY

International trade, or the buying and selling of goods and services between countries, is an activity controlled by the U.S. federal government. While states do not have a role in regulating international trade, they can encourage positive foreign relations to benefit their economic development. Many states, including Virginia, have economic development agencies that focus in part on promoting international investment in their territories, and on assisting companies within the state to grow their international sales. This Fast Fact provides further detail on the differences between the state and federal governments' roles in international trade.

GENERAL LAWS AND PRACTICES

The Constitution of the United States delegates certain powers to the federal government and reserves all other powers for the separate states, or commonwealths (Virginia, Kentucky, Massachusetts, and Pennsylvania). Foreign policy, treaties, and the regulation of international trade are exclusive powers of the federal government and its designated representatives. While some government powers are shared, like courts, road construction, etc., others are clearly separated. The following chart outlines the different key responsibilities of federal and state governments.

| EXCLUSIVE POWERS OF GOVERNMENT | |
|--|---|
| FEDERAL GOVERNMENT | STATE GOVERNMENTS |
| • Conduct foreign policy and make treaties | • Regulate intrastate trade on businesses |
| • Regulate international trade | • Issue business licenses and incorporation |
| • Regulate interstate trade | • Conduct elections |
| • Print money | • Establish local governments |
| • Maintain the military and declare war | • Administer public health and safety |
| • Establish post offices | • Ratify amendments to the Constitution |
| • Make laws to carry out its power | • Exert all other powers not given to, or prohibited by, the Federal government |

(Source: Ben's Guide to Government)

FEDERAL TRADE NEGOTIATION ACTIVITIES

In simple terms, the President's representatives (executive branch) negotiate directly with their counterparts from foreign countries, while Congress (legislative branch) acts as the check-and-balance in that it must approve international trade agreements.

The United States participates in the World Trade Organization (WTO) and World Customs Organization (WCO), which establish many trade guidelines to improve the flow of goods and services between nations. Many of these guidelines are based on U.S. practice.



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The Office of the U.S. Trade Representative (USTR) negotiates directly with foreign governments to create trade agreements, resolve disputes, and participates in global trade policy organizations such as the WTO. The USTR is a representative of the President and meets with governments, business groups, legislators, and public interest groups for input on trade issues and to explain the President's trade policy positions.

The Department of Commerce International Trade Administration develops national export strategy, negotiates trade agreements, enforces trade laws, and resolves international disputes.

If you believe your company has been put at a disadvantage due to unfair trade practices, including foreign trade barriers such as unfair pricing or foreign government subsidies, you can submit a complaint to ITA's Trade Compliance Center (http://tcc.export.gov/Report_a_Barrier/index.asp). You may also contact your U.S. Senator or Representative. To find their contact information, see the following websites:

U.S. Senate: www.senate.gov/general/contact_information/senators_cfm.cfm

U.S. House of Representatives: www.house.gov/writerep/

The U.S. International Trade Commission is an independent, nonpartisan, quasi-judicial, federal agency that serves the people through five major operations:

- Trade policy support (not policy making)
- Industry and economic analysis
- Tariff and trade information services
- Import injury investigations
- Intellectual property-based import investigations

STATE POWER AND TRADE ACTIVITIES

Consisting of 50 states over a large geographic area, our nation produces and consumes many diverse products and services. Several states have economic output in excess of most countries of the world (see Gross State Product on page 4). This means as Governor of Texas, California, or New York, your state would be in the top ranking, in terms of GDP, if it were a country. Despite the fiscal power of our biggest states, they are not permitted to sign treaties or other trade agreements with foreign governments. Furthermore, states do not have the authority to collect duties on foreign or domestic trade. Only the federal government can impose duties on international trade or negotiate trade agreements with other nations through its representatives. State Governors can lead trade missions to sell their states' products and services and attract foreign investment with the hope of creating jobs and generating revenue. As the state's Chief Executive, the Governor has the ability to influence foreign trade relations for the sake of economic development, but cannot act in place of the U.S. Trade Representative.



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The National Governors Association identified four ways that Governors can lead their states into the global marketplace:

- Advocates of international trade: Ensure the federal government appreciates states' needs and opportunities when setting international trade frameworks.
- Economic ambassadors: Develop relationships with foreign national and state governments that lead to long-term trade, investment, and partnerships among businesses.
- Constituency conveners: Bring together state and multinational groups to work on high-priority issues and cooperate for mutual economic benefit.
- Resource brokers: Maximize federal, state, and private resources to allow businesses to organize and engage in international markets more effectively.

The table below lists the top 25 exporting states and shows the share of each state's annual economic output (or Gross State Product) that is generated by international exports. It is not surprising that the country's biggest exporters tend to be located next to an international border and/or are the largest states, as measured by population and geographical size.

| 2008 Top 25 Exporting States Ranked by Value Gross State Product and Ratio of State Exports (U.S.\$ billions except where noted) | | | | | | | | | |
|--|---------------|-----------|------------------|--------|------|----------------|----------|-----------|--------|
| Rank | State | Exports | GSP | Ratio | Rank | State | Exports | GSP | Ratio |
| 1 | Texas | \$ 192.14 | \$ 925.51 | 20.76% | 14 | Indiana | \$ 26.51 | \$ 209.90 | 12.63% |
| 2 | California | \$ 144.81 | \$ 1.55 trillion | 9.37% | 15 | North Carolina | \$ 25.08 | \$ 329.42 | 7.61% |
| 3 | New York | \$ 79.6 | \$ 964.76 | 8.25% | 16 | Tennessee | \$ 23.24 | \$ 210.22 | 11.05% |
| 4 | Washington | \$ 66.88 | \$ 264.63 | 25.27% | 17 | Wisconsin | \$ 20.55 | \$ 198.32 | 10.36% |
| 5 | Florida | \$ 54.27 | \$ 603.46 | 8.99% | 18 | South Carolina | \$ 19.83 | \$ 127.07 | 15.61% |
| 6 | Illinois | \$ 53.44 | \$ 516.14 | 10.35% | 19 | Arizona | \$ 19.74 | \$ 210.24 | 9.39% |
| 7 | Ohio | \$ 45.49 | \$ 385.56 | 11.80% | 20 | Oregon | \$ 19.36 | \$ 147.06 | 13.17% |
| 8 | Michigan | \$ 44.87 | \$ 326.12 | 13.76% | 21 | Minnesota | \$ 19.16 | \$ 217.03 | 8.83% |
| 9 | Louisiana | \$ 41.93 | \$ 144.86 | 28.94% | 22 | Kentucky | \$ 19.09 | \$ 126.97 | 15.03% |
| 10 | New Jersey | \$ 35.48 | \$ 390.35 | 9.09% | 23 | Virginia | \$ 18.93 | \$ 324.51 | 5.83% |
| 11 | Pennsylvania | \$ 34.45 | \$ 443.67 | 7.76% | 24 | Alabama | \$ 15.85 | \$ 137.11 | 11.56% |
| 12 | Massachusetts | \$ 28.29 | \$ 312.48 | 9.05% | 25 | Connecticut | \$ 15.31 | \$ 177.72 | 8.62% |
| 13 | Georgia | \$ 27.51 | \$ 329.48 | 8.35% | | U.S. Total | \$1.3 T | \$11.5 T | 11.28% |

(Source: U.S. Bureau of Economic Analysis)



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VEDP TRADE EVENTS

The VEDP participates in many international trade events and hosts a number of international market visits. All Virginia companies are welcome to attend. For a complete listing of the VEDP's international trade events, please visit the "Events" tab on our website: www.ExportVirginia.org

VEDP CONTACT INFORMATION

Virginia Economic Development Partnership- Division of International Trade

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Tel: (804) 545-5764

Fax: (804) 545-5751

E-mail: clientservices@yesvirginia.org

Website: www.ExportVirginia.org

ADDITIONAL RESOURCES

- Constitution of the United States of America. U.S. Government Printing Office: <http://www.gpoaccess.gov/constitution/index.html>
- Export Assistance. U.S. Department of Commerce: <http://www.export.gov>
- U.S. Commercial Service. Department of Commerce: <http://www.buyusa.gov>
- U.S. Senate Website: <http://www.senate.gov>
- World Customs Organization: <http://www.wcoomd.org/ie/En/en.html>
- World Trade Organization: <http://www.wto.org>

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National Governors' Association. A Governors Guide to Trade and Global Competitiveness.
<<http://www.nga.org>>

Office of the U.S. Trade Representative. Executive Office of the President. <www.ustr.gov>

United States Department of Commerce. Bureau of Economic Analysis. Regional Economic Accounts. <http://www.bea.gov/newsreleases/regional/gdp_state/gsp_newsrelease.htm>

United States Department of Commerce. International Trade Administration. <www.trade.gov>

United States Department of Commerce. International Trade Commission. <www.usitc.gov>

Last Updated: June 2009

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