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FOCUS: GLOBAL TRADE

R.I. firms' exports surge 21% in '06

By Marion Davis,
PBN Managing Editor

Rhode Island companies last year exported \$1.53 billion worth of goods, growing their foreign sales by 20.7 percent – including a big boost from the scrap metal and recycled materials industries, which have a major presence at the Port of Providence.

Exports in the latter category grew by a whopping 75.9 percent to \$278.14 million, accounting for almost half the total increase in exports for the year. But exports of machinery, metal products, electrical equipment and several other product categories also increased.

U.S. exports overall grew by 14.7 percent in 2006, according to the Foreign Trade Division of the U.S. Census Bureau, which also provides the state-by-state data. Part of this is due to the weak dollar, experts say – because U.S. goods are now cheaper for foreign buyers. In addition, there's been a concerted effort to grow exports, which suffered after the Sept. 11 attacks.

In New England, Connecticut did best last year, growing exports by 26.3 percent, while Vermont's exports dropped by nearly 10 percent. Massachusetts' grew by 9.1 percent.

For Rhode Island, whose manufacturing sector has struggled for decades, making the most of foreign markets for local companies is increasingly seen as crucial for economic growth. Large corporations typically see themselves as global players already, but smaller firms are also looking for niches abroad.

"The market outside the United States is clearly much larger than the domestic market," said Maureen Mezei, international trade director at the R.I. Economic Development Corporation. "There are tremendous opportunities," she added, "but it has to be done in a very thoughtful and planned manner."

Of course, not everyone is a good candidate for the export market, and even those who are often stay close to home. Last year, 35.8 percent of Rhode Island exports went to Canada, and another 6.8 percent to Mexico – and sales to both markets grew dramatically, by 28.5 and 52.2 percent, respectively.

In keeping with tradition, the United Kingdom remains the Ocean State's biggest overseas market – and it, too, saw major growth last year. Next, not surprisingly, are Hong Kong and China (which, combined, exceed the U.K. figures), and Germany.

But then, at No. 7 for 2006, there's Turkey, which tripled its purchases from Rhode Island companies last year, to \$54.99 million. And working with individual companies, the EDC has found opportunities in places ranging from Costa Rica to the United Arab Emirates.

"Everyone does become fixated with China because of the size of the market," said Mezei, "but sometimes very small markets can be quite profitable for companies."

One market with particular promise for Rhode Island businesses, Mezei said, is the Bahamas, with which the R.I. Army National Guard has a partnership. Already, law enforcement officials and others have gone on exchanges there, she said, and now the University of Rhode Island has a partnership with the College of The Bahamas.

"There are some really good opportunities there," Mezei said. And as the state partner for the Bahamas, Rhode Island should get "some really good entree into various sectors there," she added, including construction, food and other manufacturing products.

And while the Bahamas is a small market, Mezei said, "it's quite worthwhile for companies to be a bigger fish in a small pond."

Raymond Fogarty, director of Bryant University's John H. Chafee Center for

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Exporting is inherently challenging, Mezei and Fogarty said, so it's essential to do your homework and avail yourself of resources such as the Chafee Center and the EDC. And the culture in-house matters as well.

"I think a lot of it relates to the innovation of the company and the management," Mezei said.

"I think for those companies that have good technologies, good products, good services, there certainly are markets somewhere in the world that could probably work for them," she added. "And while there are many external barriers ... some of the biggest barriers are really internal to the company – that they either do not want to pursue this because they are concerned about the risks, or they're just content with their domestic markets."

The EDC and the Chafee Center have been aggressive in encouraging Rhode Island companies to export, so the 20.7-percent increase last year was great news.

Fogarty said he's "very pleased" with last year's figures, and he attributed some of the growth to strong performance by technology companies in particular. Yet the low value of the dollar also played a role, he noted, and to some extent, exports will fluctuate anyway and could drop again.

Mezei was more optimistic. Sure, there's some uncertainty, she acknowledged, and currency issues played a role, but she also saw successes that had been years in the making. And the EDC continues to make growing exports a priority.

"I think we could quite optimistically expect growth in this year," she said, "as long as we continue outreach efforts and produce the kinds of goods and services the world is looking for. The dollar is not expected to change dramatically. I don't know if it will be 20 percent, but I certainly would expect that we would have growth again this year."

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