

EXECUTIVE SUMMARY

U.S. Export Adaptability at the State Level



About the Author

Nalitra Thaiprasert, Ph.D., is a research economist in the Center for Business and Economic Research and the Office of Building Better Communities at Ball State University. Her research interests include applied macroeconomics, structural change, economic development, international and regional economics, and input-output and CGE analyses.

Thaiprasert earned her doctoral and master's degrees in international development (development economics) from Nagoya University (Japan). She received a bachelor's degree in international relations from Chulalongkorn University (Thailand).

Contact

Nalitra Thaiprasert, Ph.D.

Research Economist, Ball State University

Phone: 765-285-1613

Email: nthaiprasert@bsu.edu

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Contact

Center for Business and Economic Research

Whitinger Business Building, room 149

2000 W. University Ave.

Muncie, IN 47306

Hours: 8 a.m. - 5 p.m. Phone: 765-285-5926

Email: cber@bsu.edu Online: www.bsu.edu/cber

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The structure of demand for goods and services is rapidly changing in world markets. This feature of international trade raises the issue of the need for firms in exporting countries to become more flexible in adapting their exports to the ever-changing pattern of international demand. This study examines the adaptability of the 50 U.S. states' exports to the changing demand from OECD countries during the period of 1999 – 2009. The approach used for the study is the “demand-adaptability index.” The index is constructed using the ratio of a state’s market share in demand-dynamic sectors to that of its market share in non-demand-dynamic sectors. The study finds that:

- The OECD market import share of primary commodity, wood (including paper), textile, and footwear/headgear products has continually declined. In contrast, the demand for chemical, machinery, and electrical equipment products has grown over the years.
- Compared with other developed countries, the U.S. trails behind in terms of ratio of international trade over its GDP.
- The top five states with the highest index in 2009 are Nevada, West Virginia, Delaware, Utah, and Indiana. These states export substantial amounts of demand-dynamic products, such as machinery, pharmaceutical, chemical, electrical, and medical products (except West Virginia).
- There are twelve states which had an index less than 1.0 in 2009, meaning these states were less able to adapt their exports to the changing structure of OECD imports during the study period.
- In comparison, the demand-adaptability index for the U.S. as a whole was at 1.06 in 1999, 0.98 in 2004, and 0.85 in 2009, suggesting the U.S. has experienced a decline in its export adaptability in the past decade.

Figure A: Demand Adaptability Index—U.S. States

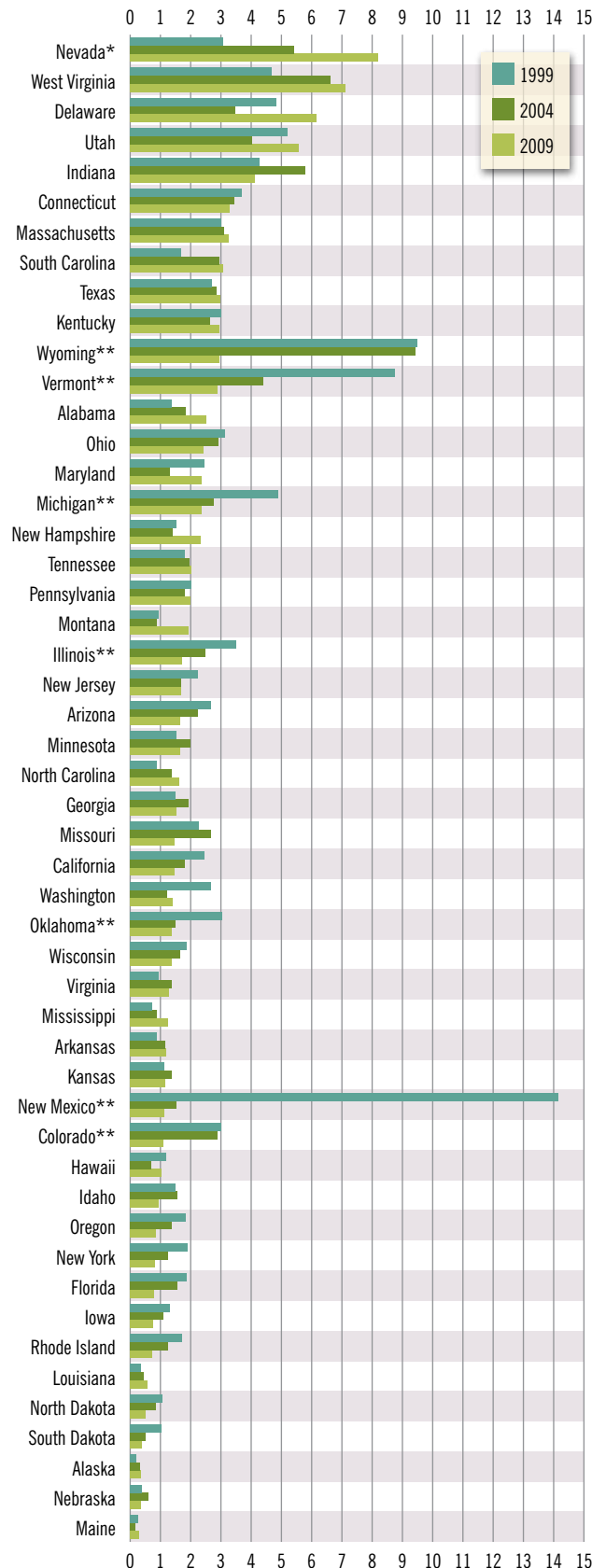


FIGURE A »

NOTE: * Nevada’s high index in 2009 was prompted by the large exports of primary metal manufacturing and mining.

** These states’ exports of some demand-dynamic products declined substantially in 2009. These exports were high in 1999 or 2004. Wyoming’s high indices in 1999 and 2004 were due to the large exports of chemicals and mining, respectively. Vermont, New Mexico, and Colorado’s high indices in 1999 were due to the large exports of computer and electronic products. Colorado’s high index in 2004 was also due to the large exports of computer and electronic products. Michigan’s high index in 1999 was due to the large exports of machinery and transportation equipment. Illinois’s high index in 1999 was due to computer and electronic products and transportation equipment. Oklahoma’s high index in 1999 was due to the large exports of transportation equipment.

SOURCE: The author, using data from the International Trade Administration, U.S. Department of Commerce, <http://www.trade.gov>



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