

INTERNATIONAL MARKETING - BACKGROUND MEMORANDUM

INTRODUCTION

Section 17 of Senate Bill No. 2019 (2001), a copy of which is attached as an appendix, provides for a Legislative Council study of the feasibility and desirability of expanding the state's economic development marketing efforts to include international markets and establishing a global marketing division within the Department of Commerce.

PREVIOUS STUDIES

House Bill No. 1019 (1999-2000) - Study the economic development efforts in the state, including the provision of economic development services state-wide and the related effectiveness, the potential for the privatization of the Department of Economic Development and Finance, and the appropriate location of the North Dakota Development Fund, Inc., including the potential transfer of the fund to the Bank of North Dakota (Legislative Council's interim Commerce and Labor Committee).

Senate Bill No. 2356 (1999-2000) - Study the feasibility and desirability of forming a multistate agricultural marketing commission for the purpose of marketing agricultural products on behalf of agricultural producers (Legislative Council's interim Agriculture Committee).

Senate Bill No. 2019 (1997-98) - Study the economic development functions in this state, including the Bank of North Dakota programs, Technology Transfer, Inc., the North Dakota Development Fund, Inc., the Department of Economic Development and Finance, and other related state agencies (Legislative Council's interim Commerce and Agriculture Committee).

Senate Bill No. 2021 (1993-94) - Study the methods to initiate and sustain new economic development in this state (Legislative Council's interim Jobs Development Commission).

LEGISLATION

Senate Bill No. 2032 (2001) consolidated the Department of Economic Development and Finance, Department of Tourism, and the Division of Community Services to create a Department of Commerce, headed by the Commissioner of Commerce; created the North Dakota Economic Development Foundation; and created the North Dakota Commerce Cabinet. This bill was recommended by the Legislative Council's interim Commerce and Labor Committee. As introduced, the bill would have required that the Department of Commerce include a division of international trade;

however, this provision was removed from the bill during the legislative session.

Senate Bill No. 2021 (1993) removed the requirement that the Department of Economic Development and Finance include a division of marketing and technical assistance.

STATE'S EXPORTS AND MARKETING EFFORTS

Exported goods from the state in 1999 were valued at approximately \$746 million. Approximately 50 percent of these exports were shipped to Canada, and the second largest export destination was Europe. The state's four largest export products, which comprise almost 85 percent of the state's exports, are:

- Machinery - North Dakota exported \$300 million worth of machinery in 1999.
- Export crops - North Dakota exported at least \$131 million worth of crops in 1999.
- Food and kindred products - North Dakota exported \$99 million worth of food and kindred products in 1999.
- Transportation equipment - North Dakota exported \$93 million worth of transportation equipment in 1999.

According to the Massachusetts Institute for Social and Economic Research, between 1992 and 1999, the state's exports nearly doubled, which is consistent with the United States average export growth during this same period. North Dakota accounts for approximately 0.1 percent of the total United States exports.

During the 1999-2000 interim, the Legislative Council's Commerce and Labor Committee compiled a list of economic development functions provided by the state. The list classified economic development functions, including international trade and investment. The only responding agencies that listed functions in the international trade and investment classification were the Department of Agriculture and the North Dakota Wheat Commission.

Although neither the Department of Commerce nor the Department of Commerce Division of Economic Development and Finance are statutorily required to include an international marketing component, under its existing structure, the Department of Commerce Division of Economic Development and Finance does appear to offer some basic international trade services. The division's web page indicates the international trade program provides export education, export counseling, international market research, international market planning, trade promotion, trade finance, and referrals.

Additionally, the Commissioner of Commerce is authorized to create any division the commissioner determines is necessary, and the director of the Division of Economic Development and Finance is authorized to create any office the director determines is necessary.

STUDY APPROACH

A possible approach to the study of international marketing is:

- Receiving testimony from the Department of Commerce regarding international marketing services provided by the department and

regarding the international marketing service needs of the state.

- Receiving testimony from businesses, the Greater North Dakota Association, North Dakota Economic Development Association, and commodity boards regarding international marketing efforts and needs.
- Receiving information regarding international marketing efforts of other states from national organizations such as the National Association of State Development Agencies.

ATTACH:1