GlobalCommerce

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Special Issue: Keynote Speeches of the 1996 East West Trade Conference

MTSU is pleased to have cosponsored the 1996 East West Conference, 'Effective International Managing and Marketing,' this past spring. The conference was an exciting event, offering a plethora of advice and information on how to better compete in the global economy. In this issue, *Global Commerce* presents the conference keynote speeches of Ron Marston, President of HCA International and Wiley Bourne, Vice Chairman of Eastman Chemical. Each offers the insights of one of Tennessee's most innovative and successful global firms on the challenges and opportunities of "going global."

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Old Lessons, New Perspectives : Moving Toward A Global Mindset
by Wiley Bourne, Vice-Chairman, Eastman Chemical

I would like to offer some of the lessons we at Eastman Chemical are learning as we put new plants and people around the world. You'll note that I the present-tense - we are relatively new at this and, for us, doing business on a global scale is very much of a "learn-as-you-go" proposition. We are currently in the midst of rapidly expanding outside the U.S., and I may be able to bring a fresh perspective to the subject of moving from a domestic mindset to a global one. So far, the lessons that we are learning are:

- That talk is not cheap; it can be costly in terms of credibility.
- Contrary to the widely held belief that female employees can't handle foreign assignments, we are finding that they do very well
- You need a good, workable process for replacing American expatriate employees with a domestic workforce, for reasons which will be discussed later.

Communication, or miscommunication, is at the root of many of the difficulties in moving from domestic business into the global marketplace. One area of potential miscommunication is in the differences between initial plans and what turns out to be feasible. While this is often only a matter of things taking longer than you had hoped, until you actually do what you appear to have promised, your credibility is open to question. This reminds me of the story you have all heard of the fellow who came to work one day with a black eye. His friend asked, "What happened to you?" And the fellow said, "I misunderstood my wife. I stood up when she said "Shut up!" That's what can happen when you misunderstand or misread a situation: you can end up with a "black eye." In a real sense, that's what was happening to our credibility, both with our employees and in certain influential circles abroad, when we first started our globalization efforts.

In order that you fully appreciate this point, it's important that you understand that for the vast majority of our 75 year history, we simply did not see ourselves as a global player. We were, for the better part of that time, what I would call an "opportunistic exporter." We simply shipped overseas whatever we were unable to sell here in the U.S. That strategy worked fairly well for us as a rather small, and somewhat obscure, division of Eastman Kodak. But during the late 70s and early 80s, our understanding of the importance and potential continuity of our international customers began to change, and we became aware of the great potential for continue growth outside the U.S. In the late 1980s, we formulated some very ambitious globalization plans for the first time, and rolled out these expectations to our business managers with great fanfare. But nothing happened. Our managers continued to locate their new plants in Tennessee, Texas, South Carolina, or Arkansas, where there was wonderful existing infrastructure and Southern hospitality made them feel very comfortable indeed.

But we in senior management became increasingly convinced that we could not maximize our participation in the growing marrets of Asia, Latin America, and Europe if we remained primarily an exporter. So we pushed our business managers to make some substantial investments outside the United States. They enthusiastically agreed with us and just as enthusiastically continued to invest in Sullivan County, Tennessee. We had simply not been able to change a deeply embedded, 75-year-old mindset.

In the meantime, we were not only failing to accomplish what we intellectually knew we must eventually do, but we were beginning to create a credibility problem, both inside and outside the company. We had done a fair amount of talking, both with our employees and with some rather influential people in Europe and Asia, about our plans for locating manufacturing facilities around the world. We talked about how we would decentralize our asset base and place people and systems around the world in support of these assets.

Our employees were very excited at first, but after a few years of inaction. Many of them began to discount what management said, believing that our intentions were good, but that either our resolve or our ability to implement were weak. It got worse as we got the further we got away from Kingsport, Tennessee the epicenter of our universe. (At least in Kingsport, they humored us.) We had acquired a large, highly visible piece of land in the Rotterdam harbor complex, and had made some pretty aggressive statements about the investments we expected to make there. When several years elapsed and we had not moved any dirt, we found ourselves on the receiving end of public criticism in the Netherlands. The economic development authority for the port even suggested that we return the property if we weren't going to use it. At this point, I began feeling somewhat like the woman from the hills of East Tennessee who went to a judge to plead for the release of her husband, who had been thrown in jail for stealing hams.

The judge said, "He must be very good to you for you to come down here and plead for his release." She said. "No, he runs around on me and treats me real bad."

"Well, he must be very good to the kids, then" the judge said. And she replied, "No. He's really mean to the kids."

"Well, you must miss his paycheck every week." She said, "No. He doesn't work half the time."

The judge looked at her and said, "If he runs around on you, and he's mean to the kids, and he doesn't work half the time, why do you want to get him out of jail?" She said, "Because we're almost out of ham!"

Well, we were almost out of credibility and it was clear we had to find some way to break out of that comfortable "do-it-at-home" mentality if we were going to be able to accomplish any of the things we had promised.

Over the years, we had learned that in our culture, if you really want something done, you pick a very strong, influential person and then stand back and let that person go at it. So we decided to apply this principle to our globalization problem. We chose three special people -- one for Europe, one for Asia, and one for Latin America and said, "Go get it!"

These were very senior people whose careers were in good shape, who knew where all the bodies were buried, and who weren't afraid to shake things up. Complimenting their efforts, I took on the overall leadership of this globalization thrust, for whatever I could contribute, but partially also for the signal sent by making the No. 2 person in the company responsible for this job. Fortunately, this has worked. We now have plants in various stages of completion in Spain, in the Netherlands, Mexico, Malaysia, Argentina and Singapore. Although our timing was off, our credibility with employees is now back to whatever is the normal level of senior management's believability among that stakeholder group. And we now have some concrete successes to point to when we talk with folks outside the U.S., including those in Rotterdam.

Looking back, our early experience in globalization was, in the words of Yogi Berra, "the kind of experience that keeps you from making the wrong mistakes." We learned the hard way that we had to do a better job, up front, of managing the expectations of our employees, of potential foreign/international associates and of our own senior management. Events rarely move as quickly and in as straight a line as you hope they will. Now, I am not suggesting that the objective is to simply hold down expectations. Saying nothing can be just as damaging as saying too much. But I am suggesting that one must be sensitive both to one's own culture and to the value systems that drive other cultures and, within that context, strive for realism in public statements. Now, to my second point, which is the important role that female expatriates can, and do, play in globalization of businesses.

In the past women haven't played much of a role in Eastman's overseas operations, but that is changing. In the words of one consultant, "no company can afford to waste brainpower simply because it's wearing a dress." We are striving at Eastman to challenge some of the traditional beliefs about the success of women in foreign assignments. Globally, there are certainly some cultures in which women, foreign or native, are virtually excluded from professional work. However, this, is the exception, not the rule. We have done some informal research on this subject. A study conducted by McGill University (Montreal) in the late 1980s surveyed approximately 700 major U.S. and Canadian companies and found that about 6% of all international management positions were held by women, and that the percentage was growing. At present, Eastman is in line with these statistics. We currently have 99 employees in foreign assignments, of whom six are women. Each of these women serves in a responsible position in functions like financial services, sales, or material management in places like Singapore, Mexico, and the Netherlands. Like their male counterparts, some are fluently bilingual; some are married; some are single parents. We have some husband and wife teams in foreign assignments serving together as expats. For example, one couple is Mexico (he in manufacturing, she in cost analysis) and another couple is in Singapore (he in raw materials purchasing and she in staff support). What we are finding is that females are equally successful in foreign assignments as males and I expect that this experience will cause us to move beyond the 6% level for females in management positions outside the U.S.

The success of females in our company is helping dispel the misconceptions at Eastman, that women (1) don't want to serve in foreign assignments; (2) don't have the stamina of their male counterparts and (3), that dual career marriages are poor candidates for overseas assignments. The presence of females in foreign assignments has helped us realize that our expatriate employees are not judge primarily by gender in the host culture, but are usually seen first as foreigners. The cultural norms that might limit native women from reaching certain levels in management seem to be suspended for foreign women. We're finding that acceptance of women expatriates hinges more on nationality than on gender. Our current, positive experiences in no way to suggest that we are "experts" in placing female employees in positions that guarantee success. To paraphrase the popular investment house TV commercial, "we measure success one expat at a time." Of course, the ideal situation is to be far enough along the path of globalization that the need for employees did not exist. The reality of the present is that we are in the early stages of the globalization process and still have a great need to send senior and mid-level managers overseas to jump-start our international facilities.

We do have a plan for replacing our employees, which brings me to my third and final point. Through our selection process, we hire foreign nationals who we believe have the potential to take on leadership positions in their respective countries. They first work for a year or so in their home country, under the tutelage of American management and then, as one of our senior managers likes to put it, we bring them to Kingsport to "cure them in the smokehouse" with our own unique set of corporate values. We believe this is a critical element in our globalization process because as important as it is to develop good relationships with your host country, it is equally important that the local managers you have in any country understand your company. We have to understand local culture to operate effectively, but by the same token, those local managers must understand our corporate values, our corporate culture, and our brand of management so that we continue to portray a consistent corporate image around the world, with our employees and our customers.

This "curing" process for newly hired foreign employees might last as long as two or three years, but we feel that it's extremely important that these potential managers from outside the U.S. develop good working relationships with key decision makers here in the U.S., in order to increase their probability of success when they return home. We now have 13 foreign nationals on assignment in the U.S. Each has an executive sponsor who acts as a mentor and who helps guide them through various assignments. For example, Joe Iamizumi from Japan is now serving as staff assistant to our senior sales officer; Eric Lim from Singapore is serving in our coatings, inks, and resins business organization; and Harish Davey from India is being trained to return to India as our general manager there. It is our hope that within the next five years, we will have nationals in the key leadership roles in most countries. We believe that in order to become a truly global chemical company, you have to become an integral part of your plant site community -- not as a visitor, or a foreign company -- but as a real contributing factor to the success of that town and that region much as we are regarded in Kingsport or Longview, Texas or Batesville, Arkansas. One way to gain acceptance is by hiring local managers who will also become community leaders.

The second reason for replacing employees with nationals is that, in the short-term, expats are very expensive. The care and support of an Eastman manager in our foreign markets is three to five times greater than it is here in the U.S. Housing costs are staggering. An appropriate three or four bedroom apartment in Hong Kong or Tokyo rents for as much as $20,000 a month. There are also educational allowances for children and travel back and forth to the U.S. sometimes several times a year over the course of their stay. The sooner we can replace an expat, the better off we are in terms of reducing short-term expense.

In closing, let me leave you with these words by Will Rogers, "Even if you're on the right track, you can still get run over if you just sit there."

- Don't just sit there when it comes to communicating your global ambitions to employees and others, but be realistic and don't let expectations get too far ahead of actual performance.
- Don't just sit there and overlook extraordinarily competent female managers.
- Don't just sit there with an expensive crop of expats when you should be working on a process to replace these folks with local managers who will ultimately better lead you toward becoming a truly global company.

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Managing in a Global Environment
by Ron Marston, President & CEO, HCA International

I grew up together in a small town, Lawrenceburg, Tennessee. During that time, meeting someone from Ohio or New York was a multicultural experience. While growing up in Lawrenceburg, I had an interest in exploring new environments and learning from people of different cultures. Something my parents never did and that they still do not understand. You often find the same attitudes among CEOs and business leaders in America. Why seek new markets when we have a good business here, where we have a stable government, where the costs are reasonable, where there is no risk of currency translation gains or losses, and where we generally understand each other? A reasonable perspective, in times past, but not one with which I can agree at this point in time.

My company, HCA International, is a small but global company. We have been working abroad for nearly a quarter of a century, and have owned and managed hospitals, large and small, in such diverse areas as Australia, Singapore, Malaysia, Saudi Arabia, Brazil, Panama, Russia, and the United Kingdom. I would like to share with you why I believe global business is important to each of us and how we should begin to evaluate it in terms of each our business strategies.

One of the first lessons we learn in business school is that to be successful in business over the long term, it is essential that a company avoid dependence upon one market, one niche service, one product, or one client. Yet many American companies do just that. Many have been successful but if we look at a roster of the 100 largest U.S. Companies at the beginning of the 1900s - you'll find that only 16 are now in existence. If we then consider Fortune magazine's first list (published in 1956) of America's 500 biggest companies, only 29 out of the 100 firms topping that first "Fortune 500" could still be found in the top 100 by 1992. During the decade of the 1980s, a total of 230 companies (46%) disappeared from the "Fortune 500." Obviously, size does not guarantee continued success. Neither does a good reputation.

Communication technology is radically changing the speed, direction, and amount of information flow even as it alters work roles all across organizations. Technology has made it challenging, if not impossible, for American companies to remain insular and maintain a "stay at home" attitude. Since 1987, homes and offices have added 10,000,000 fax machines, while email addressees have increased by over 26,000,000. Today's average consumers wear more computing power on their wrists than existed in the entire world before 1961.

These innovations have made the world a much smaller place. In my own experience of the last 25 years, working globally has changed significantly. It never ceases to amaze me that I can eat breakfast in Paris or even Shanghai and have dinner in Nashville. Today, I can talk to my foreign partners from Nashville while they drive their car in Kuwait. While it used to take weeks to receive contractual documents from Saudi Arabia, I can receive them almost instantaneously via fax or e mail. While technology allows us to conduct business better and faster, it also allows our competitors greater access via these inexpensive and swift technologies. While there is tremendous room for improvement in the global perspective of U.S. companies, I am encouraged at the rate of globalization of American companies. The Vice Chairman of Goldman Sachs, Robert Hormats, who held positions in the Nixon, Ford, Reagan and Carter administrations, recently wrote in the Washington Post: "With American exports growing at twice the rate of imports, this is hardly the time to undermine the global trading system." I heartily agree. U.S. export growth has been a steadily rising curve, with exports expanding at a strong 13 percent in the first half of 1995. Tennessee alone accounted for exports totaling some $2 billion in 1995. The government anticipates that American exports will increase to $1.2 trillion by the year 2000, which translates into 16 million jobs by the turn of the century.

To quote Peter Lynch's and John Rothchild's book, Learn To Earn, "in spite of everything you hear about the United States getting weak in the knees and long in the tooth and old in the hat and losing its place in the world, we are leading the world in new ideas...we ship steel to Seoul, transistors to Tokyo, cars to Cologne, spandex to Sienna, and bike parts to Bombay. Men on six continents shave their whiskers with Gillette."

Let us take a moment to look at Gillette a truly global company. Their products are sold and distributed in 200 countries, seventy to seventy-five percent of their sales, profits and employees are located outside the U.S. All senior managers have worked in an international setting. The company has 360 expatriates, the majority of whom are not Americans. When Gillette launched the company's Sensor Excel razor, they did it first in Europe.

A global company produces locally and markets locally around the world. Diversity of management is crucial in developing a global company. Why would Gillette have the majority of its operations outside the United States managed by nonAmericans? Because they believe that to be a "global" company, they must have a global work force - and they do. In a genuinely global company there is no "international division". Other global companies such as Coke, Pepsi, McDonalds, GE, and Shell are very much committed to this global arena rather than solely to the U.S. market.

Today's global marketplace is marked by triumph of capitalism over socialism, the strengthening of economies, and the establishment of English as the most accepted language for business dealings around the globe. Yet, those of us who do global business know full well that U.S. companies no longer send expatriates abroad with an expectation that early reports to the home front will model "I came, I saw, I conquered." In fact, experience seems to confirm that the expectation of easy triumphs overseas declines in proportion to the amount of business conducted by expatriates. Failure rate of up to 25% is well documented. By "failure" we mean an early return home before an assignment is completed and its goals are attained. It is also interesting to note that a significant number of returning expatriates leave their company within two years after returning to the states.

As one executive was recently stated, the United States is the only country "that makes a distinction between business and international business." This lack of understanding, combined with a serious dose of ethonocentrism, has cost U.S. companies millions of dollars. The stories of marketing blunders are legion. General Motors testmarketed the Chevrolet Nova in Latin American markets, not considering the fact that in Spanish "no va" means "it doesn't go." The campaign bombed spectacularly. Less wellknown blunders include Pillsbury's Jolly Green Giant which was originally promoted in Saudi Arabia as the "intimidating green ogre." Later, a more liberal translation produced the "Giant of the Valley," which no doubt sold more vegetables.

When competing overseas, bigger does not necessarily mean better. It is my experience that the executives of smaller companies are "closer to the ground." Because they are aware of their inexperience, they are far more realistic when recruiting and managing a global work force. They quickly understand that expatriates need to be culturally diverse while, at the same time, being responsive to the directions coming from U.S. based headquarters. Hence, they tend to encourage entrepreneurial attitudes and creative flexibility that are key ingredients for global success. Bigger companies very often are bogged down by their huge, cumbersome, inflexible bureaucracies.

It occurs to me that in smaller companies, the chief executive officer is more involved in human resources and in the global development of the business. Some recent studies suggest that organizations whose senior officers play active roles in career development are more successful with global staffing than those whose CEOs are not involved. Indeed, smaller organizations often embody the traits of flexibility, agility, and receptivity that are indispensable when competing in the global market.

However, the companies we cited previously are exceptional for companies in the global marketplace. The majority of U.S. service companies, like HCA International, are small and medium sized businesses which employ fewer than 500 people each. These small companies, however, account for more than one half of all U.S. jobs, one half of American GDP, and one half of all sales in the U.S. They were responsible for onethird of total merchandise exported in 1994US$ 150 billion. Small companies are critical to our country both within and outside of it.

I am often asked why I chose a career in international healthcare, particularly given the vibrant U.S. healthcare market. Firstly, while U.S. healthcare is perceived to be the most expensive, it is also perceived by the rest of the world as the best. Therefore, it a service commodity that, with modifications, is desired and needed throughout the world. The challenge lies in the modifications needed to make the service affordable and culturally acceptable to each market of introduction and penetration.

You will recall when Mr. Clinton assumed his presidential responsibilities almost four years ago, one of his priorities was make our healthcare system more affordable and accessible to the American people. Mrs. Clinton and others of her team cited the national health service NHS- in the United Kingdom as a model to be emulated. While the NHS does provide greater affordability to the masses, it also requires extensive waiting times and the rationing of care (aspects not acceptable to Americans and increasingly to no one). Additionally the government cannot afford the new equipment, procedures, and the rising demands and expectations of a growing middle class.

We began our international operations in the late 70s and early 80s. One of our first successes was in the United Kingdom with private hospitals, as an alternative to the NHS. Those hospitals continue to prosper and grow in the United Kingdom. Was this American ingenuity or simply recognizing a need, a niche in a market and adapting it to meet the local culture? I believe we provided an option for those with the means and willingness to pay for private care while complementing the government's effort of caring for those who did not have other resources. The system marked for both groups and in turn created a better health service for all citizens of the United Kingdom. In fact, competition from private sector improved the quality and levels of care and service from the NHS. What we didn't export from our U.S. healthcare system was the high incidence of malpractice claims, high administrative costs of meeting government and insurance regulations, and the high costs of care in certain treatment modalities whereby few benefit but all absorb the costs. Today, private healthcare business continues to thrive in the UK, partnering services with the NHS.

I believe this illustration characterizes that modification is fundamental to establishing a service or selling a product in a global environment. And while modification and flexibility are indispensable in this arena, patience and ingenuity are just as critical. The global marketplace is full of opportunities but equally has challenges which must be managed and overcome.

Challenges

There are major challenges in the global market places that have similarities but also significant differences. For example, if you have trouble collecting on some of your debts in the U.S., there are legal remedies and procedures. In some countries, however, there are no legal remedies. Some countries (govt.) solve their cash flow and financial problems by not paying vendors and yet requiring them to continue to perform and provide services. If you do not, the government has the right to contract with others and charge you for the services performed by the new contractor. If you sue the government (never easy) they then do not consider you for future jobs and even slow payments further or do not pay at all. In such countries disagreements can also result in your senior executive having his passport taken and not being allowed to leave the country until the conflict is resolved. Normally "resolved" means in their favor.

In the U.S., we generally look an agreement or a contract being signed as the conclusion of the negotiation. However, in many countries of the world, this may be only the beginning of the negotiation. You may have only agreed to the foundation of the scope of work and conditions and the building blocks will continue to be added. Contracts to us are legal agreements that specify the scope of work, the terms, conditions, payments, penalties, parties, and remedies. However, often these are agreed in the other parties mind as applying to you but not to them.

In many instances, this may be the style and the manner or approach of your partner. However, it also may be typical of the culture. Indeed, there are significant cultural differences in the process of doing business and one needs to understand the role of the agreement and the purpose of the contract. I generally look at an agreement as one that is nonbinding upon my client but will be used to bind me. If I can accept this, then I know many of the hurdles that I will face in doing business in the country. I know my down side. In the Middle East, certain countries in the Far East, and the former eastern block, you may face significant problems in resolving contractual issues in law, and equally you may face significant and entrenched bureaucracy.

Bureaucracy is a nightmare for all of us and not unique to any country. You need to plan, consider, evaluate, and expect to experience bureaucracies in any and all of your plans generally in the global environment. You need to be aware of relationships and networks which are both similar to and different than those you have here in the states. Global business in general, and certainly in many specific countries, is done with family and intimate friends. However, we may perceive it much differently when we experience it and feel its affect. Networks, relationships, friendships, contacts, old boy ties - all exist in America, as in other countries, but perhaps in more subtle or extreme ways. This is why it may be very valuable to have local partners or joint venture companies to help in these situations. However, the local partner should bring something to the table other than contacts. Contacts often change, government officials move or are removed. The partner should have a commitment to the business, product, or service. They should have an infrastructure, financial strength, and/or value that they can add if you are seeking a long term relationship. When you select a partner, you are often doing so for life. These joint ventures or agency relationships are difficult to end or change and thus you are seeking a reliable business partner. Value added is a must and is critical as competition becomes as keen globally as it is locally.

The cardinal error that reflects adversely upon the success of American businesses it is that U.S. businesses in global partnerships and markets is the intention of imposing U.S. business systems and practices on other countries. They assume that successful American practices will work in another country. Historically, the locals are very sensitive to outside influences, and are anxious about managerial practices that they feel are being imposed on them. There are three popular notions that Americans take as part of their cultural baggage on an international trip or assignment:

- Everyone should speak English
- American products should be available everywhere
- American knowhow can rescue the world (or "if we were in charge, we wouldn't have these problems and things would work.")

To overcome this, U.S. companies need to modify and adjust their policies within the context of greater cultural understanding. Successful companies will allow their local partners and personnel to adapt gradually to American or international standards and will encourage their expatriate employees to become familiar with the local culture and customs.

In the March/April 1996 issue of World Business there is an interesting article entitled The Local Angle regarding the initial failure of Enron, an energy company, and its venture to build a power plant in India recently. Prime Minister Rao concludes that mistakes made by the United States firms have impeded India's liberalization program. He states Enron hired a PR company, they changed companies again and again and they didn't listen to what they were told. If I had been with Enron, I would have gone into a joint partnership with someone in India, at least someone who knew the ropes who would restrain me from doing silly things. Jay Dubashi, a local economist, said that Enron's problem was arrogance. Americans should be more humble. The Hindu doesn't believe in a single god. Americans don't go for a single philosophy or single market philosophy - why should we have a single key for economic development? Americans need to respect the Indian culture and their way of life. Needless to say, Americans and American firms are not always respected or wanted by many countries and their people. Our style, approach, and/or values and culture are not always valued by others. We need to be aware of and accept this as we look at markets and our involvement in those markets.

In summary, the world in which we conduct business is smaller and ever changing. To successfully guide a company into the 2lst century, American business leaders must embrace a global market mentality. Through flexibility, product and service innovation and modification, patience, an appreciation of cultural differences, and a continuous curiosity about what works best in a variety of markets, we can truly embrace globalization as a business community.

There is no easy entry into the global market unless you have a very unique product, required by all but only available through your company, and this situation rarely exists. However, given the nature of the competition coming into your market from both inside and outside the U.S. and the squeeze that has or will develop, you have no real option in the future but to enter and compete in the global market place. It can be risky, it can cause anxiety, it is difficult, and in many ways it is different and strange. It can also be one of the most rewarding, exciting, challenging, interesting, and enjoyable opportunities you have ever had or experienced. You will learn and grow as never before and you will add value, perhaps as you have never ever done. It can be one of the greatest learning and growing experiences of your lifetime. Try it and enjoy it!

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1994 Tennessee Exports by Metro Area

A recently released study by the International Trade Administration offers more evidence of the breadth of Tennessee's recent export growth. International sales are not limited to one city or one area of the state; all parts of Tennessee are reporting rising exports. As the accompanying table shows, exports are becoming an increasingly important part of the economy in every one of the state's metropolitan areas. In fact it may surprise many to note that it is the Johnson City-Kingsport-Bristol area which may actually be the most export intensive part of the state: 1994 exports amounted to over $3500 per person in the Tri-Cities.

Tennessee Exports by Metro Area

	Metropolitan Area	1993	1994	%Change	Exports per Capita
38	Memphis	$2,055,082,048	$2,729,489,440	32.8%	$2,586
60	Tri-Cities	$1,356,660,383	$1,580,777,613	16.5%	$3,511
67	Nashville	$1,104,100,985	$1,310,492,235	18.7%	$1,224
97	Knoxville	$580,408,061	$689,179,313	18.7%	$1,093
155	Chattanooga	$218,309,555	$237,266,538	8.7%	$540
198	Jackson	$108,016,037	$132,547,246	22.7%	$1,603
*	Clarksville (estimate)	$104,170,141	$116,488,320	11.8%	$629
	TOTAL STATE (unadj.)	$5,942,100,000	$7,307,000,000	23.0%	$1,412

Note: Data is from the Census Bureau's Location of Exporter series, this series likely overstates exports from major ports and understates exports from other areas. Data for Clarksville is not available from the ITA, it is a BERC estimate.

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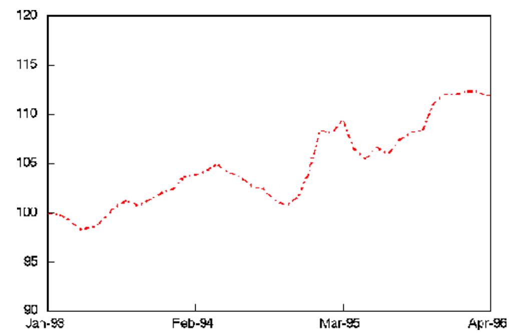
Tennessee Trade Weighted Dollar Index

Tennessee's trade-weighted dollar index has been holding steady through the first months of 1996. The increase in the dollar that began in mid-95 actually did not crest until March of this year, but there has been little real movement since last November. The index took a slight dip, to 111.85, in April. Twelve of the twenty-two currencies composing the index, including most of the European currencies, fell against the dollar over the course of the first quarter. The Japanese yen fell about 1.5 percent. But these declines were small, and were outweighed by advances in the remaining currencies. Australia posted the single biggest rise: 6 percent. More significantly for Tennessee traders, the Mexican peso gained about 2.5 percent against the dollar, breaking its relentless fall of recent quarters. Changes in the trade-weighted dollar index have predicted changes in Tennessee's rate of export growth about six months in advance. So, if it is sustained, the peaking of the index signals good news for the state's exporters.

(January 1993=100)



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Tennessee International Trade Report - 1st Quarter 1996

At $2.303 billion, this quarter's Tennessee exports fell just short of their highest level ever.Yet the state's growth in exports has markedly decelerated. Sales grew less than one percent from 1995's first quarter. This compares unfavorably with the nine percent growth in total U.S. exports, but probably reflects Tennessee's difficulty in topping its own dramatic gains of a year ago rather than any structural problems with the state's exports. About half of Tennessee industries, including the two largest exporters Transportation and Chemicals, actually saw their exports decline. However a number of other sectors, such as industrial machinery, the processed food industry, and the instrument industry, continued to make healthy gains. The apparel industry reversed its recent difficulties with a ten percent growth in exports.

Perhaps the most important change of the first quarter was the revival of the Mexican market. Exports to Mexico were up over 40% percent from a year ago. Sales to Europe and the rest of Latin America generally remained strong. However Asia was a different story. Excepting Japan and the Phillipines, virtually every east and southeast Asian market posted a double digit decline in sales. China was off more than 14 percent, while exports to Taiwan dropped by almost a half. Southern Asia was even worse. Last year's huge growth in exports to that region has come to a sudden halt, as sales to Pakistan (down 95 percent) and India (off 62%) have collapsed. But Tennessee exports to Russia and South Africa continued last quarter's turnaround, with solid gains in each of these markets.

The second quarter has not opened well, with April's exports off 4.3 percent from a year ago.

Tennessee's Largest Export Sectors - 1st Quarter, 1996

	Exports	Change from Last Year
Transportation Equipment	$429,024,757	-2.56%
Chemicals	$364,580,575	-6.60%
Industrial Machinery	$327,207,152	12.72%
Agricultural Crops	$226,243,616	2.54%
Electronics & Electrical Equip.	$162,717,419	-0.53%
Instruments & Related Products	$115,992,837	29.71%
Food & Food Products	$103,678,378	12.46%

Tennessee's Ten Largest Trade Partners

	Exports	Change from Last Year
Transportation Equipment	$429,024,757	-2.56%
Chemicals	$364,580,575	-6.60%
Industrial Machinery	$327,207,152	12.72%
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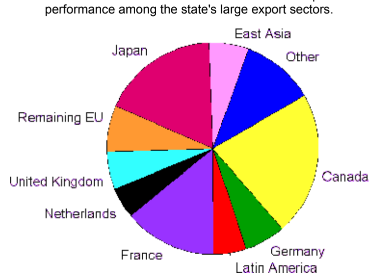
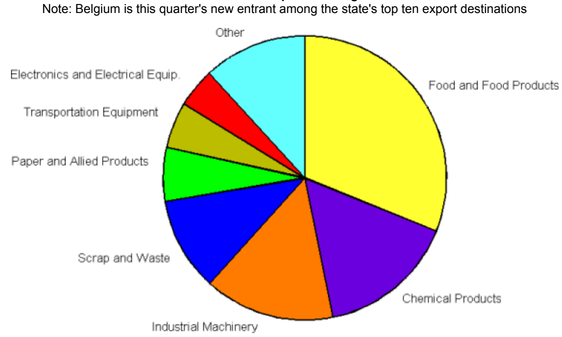
Food & Food Products	$103,678,378	12.46%

Tennessee's Exports of Scientific, Medical, and Industrial Instruments
Note: The instrument sector turned in the best 1st quarter performance among the state's large export sectors.



Tennessee's Exports to Belgium
Note: Belgium is this quarter's new entrant among the state's top ten export destinations



Growth and Decline of Exports by Industry - 1st Quarter, 1996

	Value of Exports	Growth%	Decline%
SECTORS WITH THE GREATEST GROWTH			
Forestry	$480,461	1602.86%	
Coal & Lignite Mining	$1,208,393	622.16%	
Livestock	$205,499	179.91%	
Scrap & Waste	$16,574,683	85.77%	
Scientific, Medical, & Industrial Instruments	$115,992,837	29.71%	
SECTORS WITH THE GREATEST DECLINE			
Tobacco Manufactures	$83,061		-95.48%
Fishing, Hunting, & Trapping	$1,778,677		-41.90%
Primary Metal Industry	$63,605,765		-39.10%
Petroleum & Coal Products	$864,772		-24.18%
Metal Mining	$209,207		-21.73%

Fastest Changing Export Destinations - 1st Quarter, 1996
(among countries with more than $2 million in sales per quarter)

	Value of Exports	Gain %	Decline %
COUNTRIES WITH THE GREATEST GROWTH			
Nigeria	$7,442,581	1418.84%	
Ghana	$5,322,968	311.95%	
Bangladesh	$2,281,932	256.87%	
Philippines	$17,941,098	136.31%	
Turkey	$9,901,796	127.71%	
COUNTRIES WITH THE GREATEST DECLINE			
Pakistan	$1,448,628		-95.71%
Ecuador	$2,066,199		-78.10%
India	$7,662,740		-61.94%
Taiwan	$2,709,221		-48.40%
Ireland	$8,472,575		-37.15%

Tennessee's Monthly Exports
(Seasonally adjusted, expressed in 1993 dollars)