



U.S. State Trade Office Association with International Trade and Foreign Direct Investment

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Introduction/Motivation

- Trade and foreign direct investment are of high importance to state economies
- Averages 17% contribution to state GDP
- Ranges from 5% to 39%
- State trade offices are established in effort to strengthen international trade and investment relationships

Method

- Utilized OLS regression to analyze relationship between established state trade offices and trade/jobs supported/greenfield investment projects at state and national level

Data Sources

- SelectUSA 2019 state FDI reports
 - Details jobs supported, greenfield investment projects, and largest industries
- U.S. Census 2019 state level trade data
 - Details value of imports and exports
- Council of State Governments 2015 report
 - Details state overseas trade offices
- American Enterprise Institute 2017 state trade shares of GDP
- Lowy Institute Global Diplomacy Index 2017
- Centre d'Etudes Prospectives et d'Informations Internationales Gravity Dataset 2015

Research Question

- Are state trade offices associated with greater levels of trade, jobs supported, or greenfield investment projects?

Results

Regression Result for Percentage of U.S. Trade with a Specific Country - National Level			
Explanatory Variables	(1)	(2)	(3)
Number of Trade Offices in Country	0.413*** (<0.001)		
Number of Diplomacy Offices		0.830*** (<0.001)	
Percentage Share of World Trade for Specific Country			0.961*** (<0.001)
Distance (Population Weighted)	-5.31e^-5* (0.018)	-7.25e^-5** (<0.001)	-7.65e^-5** (0.009)
Common Language Spoken	6.78e^-3 (0.965)	5.27e^-2 (0.784)	0.311 (0.127)
Population	5.59e^-4 (0.369)	2.86e^-3** (<0.001)	5.24e^-4 (0.559)
Constant	0.580* (0.019)	-4.64e^-2 (0.886)	0.614 (0.060)
Observations	186	186	186
Adjusted R-squared	0.73	0.58	0.54
(1) Regression Results for Number of Jobs Supported Per Capita and (2) Number of Greenfield Investment Projects Per Capita - Both State Level			
Explanatory Variables	(1)	(2)	
Number of Trade Offices	-6.03e^-5 (0.818)	-7.74e^-8 (0.910)	
Coast Distinction	2.64e^-3 (0.223)	1.48e^-5* (0.011)	
U.S. State Trade as Percentage Share of U.S. State GDP	3.15e^-2* (0.014)	9.28e^-5** (0.006)	
Constant	1.54e^-2*** (<0.001)	1.77e^-5* (0.011)	
Observations	50	50	
Adjusted R-squared	0.11	0.24	
Regression Result for State Exports Per Capita to Mexico - State Level			
Explanatory Variables			
Trade Office in Mexico	324.87* (0.039)		
Coast Distinction	11.25 (0.943)		
U.S. State Trade as Percentage Share of U.S. State GDP	3036.11** (0.001)		
Constant	-201.91 (0.281)		
Observations	50		
Adjusted R-squared	0.23		

Conclusion

- At state level: established state trade offices are not associated with higher levels of trade, jobs supported, or greenfield investment projects – across states and countries
- At national level: strong relationship between number of trade offices and trade with country of established offices
- Exports to Mexico: significant positive relationship with established trade office

Limitations

- Not able to conclude that the addition of a trade office results in strengthened international relationships in the years following its establishment
- Lack data detailing number of trade offices and foreign direct investment for each state over time
- Lack data detailing the size/ability of trade offices

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