



**INTERNATIONAL TRADE CENTERS AND NAFTA OPPORTUNITY CENTERS:
A COST- BENEFIT ANALYSIS
1996 – 1998
EXECUTIVE SUMMARY**

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Small Business Development Division

**Kelly Hall and Avisheh Mohsenin
Applied Social Research Unit
ILLINOIS STATE UNIVERSITY
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The Illinois Department of Commerce and Community Affairs (DCCA) commissioned the Applied Social Research Unit (ASRU) of Illinois State University (ISU) to evaluate the costs and benefits of services provided by the International Trade Centers and NAFTA Opportunity Centers (ITC/NOCs) in Illinois for years 1996, 1997, and 1998. The ITCs provide information, counseling, and training to new-to-export Illinois companies interested in pursuing international trade opportunities. The NOCs provide specialized assistance to firms seeking to take advantage of the trade opportunities in Mexico and Canada made possible by the North American Free Trade Agreement (NAFTA). There are five ITCs in Illinois, two of which are also NOC Centers.

Data maintained by ITC/NOCs are used for the cost-benefit analysis. Benefits to the State including an increase in export sales, employment, and improved foreign relations are reviewed. The experience of companies that have used the services of the Centers indicates that firms have improved through development and entrance into new foreign markets, fruitful research outcomes, and help with export procedures and financing. In return the State has generated taxes and promoted the export industry that has resulted in overall economic growth.

ITC/NOC programs are cost-effective. For a total average annual expenditure of about \$357,000 between 1996 and 1998, Illinois reaped the following benefits.

- Between 1996 and 1998, almost 1% of Illinois' exports were by companies using ITC/NOC assistance;
- During the study period, corporate profits generated through ITC/NOC export services yielded a benefit-to-cost ratio that averages 26:1 over the three years.
- Corporate profits resulting from ITC/NOC program support yielded significant State and Federal taxes averaging about \$900,000 per year.
- ITC/NOC services created an estimated 900 new jobs, on average, in 1996, 1997, and 1998.
- Job creation attributed to ITC/NOC services generated significant State and Federal income tax revenues of almost 8 million per year between 1996 and 1998.
- ITC/NOC is cost-effective in the creation of new jobs. The percentage of costs for the creation of jobs is six percentage points lower than the established benchmark.

ITC/NOC programs also generated other benefits:

- Reduced psychological and financial costs associated with understanding and penetrating a foreign market to exporters
- Increased competitiveness of small businesses in both domestic and foreign markets
- Increased production for both domestic and foreign consumption
- Increased deposits in State, national, and international banks
- Transfer of value from sector to sector—for example, the required purchase of export insurance from State-based and Federally-based insurance companies such as the Export-Import Bank
- Accumulation of capital in foreign countries
- Exchange rate appreciation
- General *modernization* of the State
- Increased participation in the global economy
- Promotion of international relations and goodwill
- Improved flow of technology and information resulting in more efficient business performance throughout the State
- Improved community-based infrastructure for services such as police and fire protection and utilities services that enhance public services provision and improved business opportunities thereby bettering the general quality of life for citizens in communities
- Increased research and development (R&D) improves future prospects for Illinois businesses
- Goodwill between government and business: Satisfying customers through ITC/NOC service provision improves the State's ability to compete for international opportunities. Satisfied customers will benefit from and endorse the use of ITC/NOCs, and increase the likelihood that other businesses will be encouraged to seek ITC/NOC assistance.