

IMPORT SUBSTITUTION AT THE REGIONAL LEVEL: APPLICATION IN THE UNITED STATES

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OUTLINE

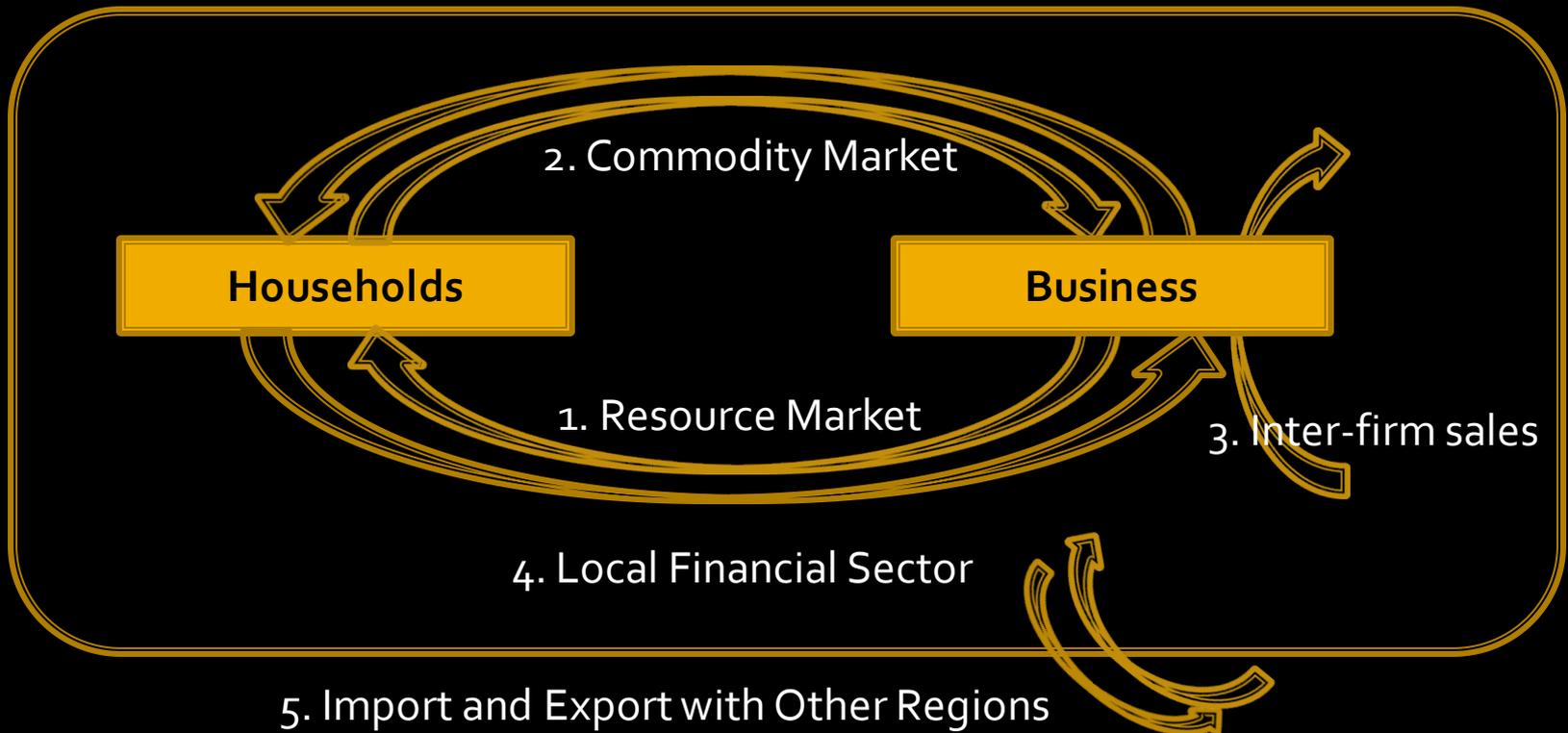
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INTRODUCTION

- *Import substitution* refers to local production and consumption of goods and services, as opposed to importing products for local consumption from other regions.
- Is this strategy *applicable in the United States?*
- Is this strategy *applicable on a regional level?*
- Is this strategy *applicable in the contemporary globalized economy?*

THEORETICAL BACKGROUND

- Local economy consists of five categories:



THEORETICAL BACKGROUND

- The export base theory claims that exports drive a local economy.
- *The consumption base theory* argues that local-serving economic activities generate as much economic impact on the local economy as export base economic activities.
- These two theories have been advanced as conflicting, and most economists have preferred the export base theory.

HISTORY

- 1850 – 1890: first adopted in Europe and the United States.
- 1950 – 1960: widely applied in Latin American, Asian, and African countries.
- 1970 – 1980: faced internal and external hurdles in the late 1960s and thus has received less attention since the 1970s.
- 1990 – 2000: regain attention due to doubts about the export base economy.

REASONS FOR CONSIDERATION

- *Sustainability*: import substitution creates local jobs, *increases resilience in global economic dynamics*, reduces delivery traffic, and is environmentally friendly.
- *Effectiveness*: the *multiplier effect* that import substitution can be higher than that of export expansion.
- *Equity*: import substitution encourages diversified society by *empowering small businesses*.

POLICY IMPLICATIONS

- Candidate regions: is more effective in *small towns and rural areas*, where capital investments are relatively small.
- Candidate industries: has been proven to be effective in some industries including *agriculture, foods, health care and culture*.
- Financial resources: organizations such as *credit unions and development banks* bridge the needs of capital and the needs of enfranchised cities.

POLICY IMPLICATIONS

- *A local government should*
 - Help establish an organization that brings local businesses together through *financial, administrative, and legal support*.
 - Maintain *a consistent policy direction*.
 - Promotes *innovative milieu* among producers.
 - Create a supportive environment between and among producers and consumers.

CASES IN THE UNITED STATES

- *Community Supported Agriculture*
- Introduced in New England in 1986.
- Enables local producers to sell their products directly to local consumers.
- Has more than 2,500 farms and 10,000 families as its members.
- Enables farmers to have a financial source in advance of production and reduce expenses by reducing packing and transportation costs.

CASES IN THE UNITED STATES

- *Economic Gardening*
- Initiated in City of Littleton, CO, in 1989.
- Promotes existing local businesses through business consulting, improved infrastructure, industrial clusters, instead of recruiting outside firms through incentives and tax breaks.
- Experienced job creation (from 15,000 to 30,000), an increase in sales tax revenues (from \$6.8 million to \$19.6 million), and an increase in population (by 30%), from 1989 through 2004.

CASES IN THE UNITED STATES

- *Oregon Marketplace*
- Initiated in Oregon in 1983.
- Links local buyers and suppliers through the program.
- Generated \$2.5 million and created 100 jobs within its first year.
- Attempts to match suppliers in Oregon with buyers from regional , national, and international markets.

CONCLUSION

- The research indicates that import substitution can
 - *increase regional resiliency* (sustainability), which helps regions overcome current and future economic crises,
 - be *at least as effective as export base economic activities* (efficiency),
 - and *promote small businesses* (equity).
- *It is now the local government's turn to bring this future to its region.*