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

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**IMPORT SUBSTITUTION**

- *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*?
Local economy consists of five categories:

1. Resource Market
2. Commodity Market
3. Inter-firm sales
4. Local Financial Sector
5. Import and Export with Other Regions
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.


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*. 
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.
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.
Community Supported Agriculture

- 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 in 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.
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.
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.*