



ECONOMIC DEVELOPMENT SERIES
INSTALLMENT #10:
“Imports, Exports and Economic Development”
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A key characteristic of a healthy economy is that it exports more than it imports. This is especially important for an island community with no land-based contiguous markets. These goods arrive each day in containers at Sand Island and at the airport via cargo planes from global suppliers in other parts of the world.

We pay for all of these overseas shipments -- groceries, clothing, pharmacy, computers, electronics, autos, etc. -- with the money available to us. Imagine if we had to pay for all these products with hard cash, and that no cash was coming into the state. How long would it take before we had no money left in the islands?

In order to pay for the things we import, we need a flow of exports to keep refilling our coffers. And the flow of payments for the goods and services we import should be at least balanced by the flow of goods and services we export. **If payments for imports exceed payments for exports, we have a "trade deficit"**. Just like a negative balance in your checking account impacts your household, if a trade deficit continues too long, a region's quality of life begins a downward slide.

So how are we doing? According to the State's Department of Business, Economic Development and Tourism (DBEDT), not so well:

Imports (goods & services):	\$14.954 billion
<u>Exports (goods and services)</u>	<u>\$ 2.194 billion</u>
<u>Deficit (goods and services)</u>	<u>- \$12.760 billion</u>

This massive deficit could bankrupt us in no time. Fortunately, tourism overshadows Hawaii's export business and greatly reduces the trade deficit:

Deficit (goods and services)	- \$12.760 billion
<u>Tourism (goods & services)</u>	<u>\$10.033 billion</u>
<u>Net Deficit (goods & services)</u>	<u>-\$ 2.727 billion</u>

Federal Expenditures of over \$9 billion per year also keeps us from hitting bottom. However, the fragility of the tourism industry combined with dependence upon the federal government makes our whole economy fragile. To overcome these challenges, Hawaii must design new strategies which will result in sustainable prosperity for our state.

NEXT INSTALLMENT: EXPORT ENHANCEMENT AND IMPORT SUBSTITUTION – KEY STRATEGIES FOR HAWAII'S PROSPERITY

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HAWAII FACT: In 2002, Hawaii was ranked 20th in U.S. for its export focus in manufacturing. This indicator is computed using the manufacturing export sales per manufacturing worker. (Source: Progressive Policy Institute).