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International Trade Between Latin America and the Southern Legislative Conference States

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Recently in the United States, international trade has emerged as a critical component in the economic development strategies of all levels of government: federal, state and local. While officials at these different government entities have realized the enormous potential of international trade to stimulate sales and job growth within their jurisdictions, an increasing number of U.S. corporations, both large and small, have embraced exports and export-led growth as the route to greater profit margins and diversification into new markets as well.

Even though the economic performance of the U.S. economy in the last decade or so has been superior to any other era in the nation's history (despite the marked setbacks in the last few months), the significant contribution of international trade in this stellar expansion has been only marginally acknowledged. According to the U.S. Trade Representative's Office, U.S. trade (the export and import of goods and services, and the receipt and payment of earnings on foreign investment) has appreciated 25-fold since 1970 and nearly 120 percent since 1990. In fact, in 2000, the value of U.S. trade reached a staggering \$3.4 trillion. Even in terms of the proportion of international trade in the nation's GDP, the boom has been most potent: the ratio leapt from 14 percent in 1980 to about 29 percent in 1998 to a record 33.7 percent in 2000. In addition, the contribution of exports to the formidable U.S. growth since 1989, 20 percent, has been twice as large as their 10 percent contribution to the level of U.S. national income. All these facets help establish the increasingly valuable role played by international trade in both stimulating and sustaining economic expansion across the country.

In probing the importance of international trade to the U.S., exports to Latin America remain a critical component. In

fact, U.S. exports to Latin America (which includes Mexico, the Caribbean, Central America and South America)—as a percentage of total exports—climbed from about 17 percent of total exports in 1993 to 19 percent in 1997 to almost 22 percent in 2000, a reflection of the significant importance of the region to overall U.S. trade policy. In addition, a review of the top 50 U.S. trading partners quickly reveals the mushrooming importance of Latin America as a trade region. Not only were 12 Latin American countries ranked among the top 50 U.S. trading partners, total trade with these 12 countries has steadily increased in the last decade. In fact, trade with these 12 countries amounted to 13 percent of total U.S. trade in 1991, more than 14 percent in 1995 and almost 19 percent in 2000. Similarly, total U.S. trade with these 12 countries expanded by over 218 percent during the period 1991 to 2000, an annual average of approximately 22 percent.

In this growing reliance on international trade, a number of the 16 states in The Council of State Governments' Southern Legislative Conference (SLC) remain in the forefront and have focused intensely on expanding their economic potential via exports to Latin America. Specifically, while the SLC states cumulatively exported \$67.8 billion in exports to the Latin American region in 2000, they exported \$41 billion to Mexico, \$14.9 billion to South America and \$5.9 billion each to

Central America and the Caribbean. Furthermore, not only did the value of exports for the SLC region as a whole increase by a striking 105.4 percent between 1993 and 2000, they increased in every single state. While certain SLC states displayed higher export growth rates than others, cumulatively, the SLC states achieved a formidable 254.9 percent increase during the review period. Another indication of the accelerating importance of the Latin American region to the SLC state economies lies in a review of exports to the region relative to other regions of the world. In this instance, while in 1993 exports to Latin America from the SLC states constituted almost 32 percent of total exports (31.9 percent), in 2000, this amount escalated to nearly 36 percent of total exports (35.8 percent). Not only did the relative importance of exports to Latin America between 1993 and 2000 rise in the SLC states, it ranked significantly higher than the level for the United States as a whole, which was 22 percent in 2000.

The record of a number of SLC states in exporting a substantial amount of exports (in terms of both value and quantity) to Latin America remains worthy of further elaboration. These numbers have been increasing steadily in the last few years as the SLC states continue to rely more and more on the enormous potential of exports to create jobs, spur innovation, generate income and raise living standards for their

citizens. In this connection, the record of Florida, Georgia, North Carolina and Texas in exporting goods and services to Latin America in 2000 deserves special mention. Specifically, Florida's exports to Latin America amounted to an imposing \$13.3 billion (including \$2 billion in exports just to Brazil) while Georgia and North Carolina exports to the region comprised \$3.8 billion and \$4.3 billion, respectively. Texas exports to Latin America totaled an impressive \$30.7 billion, including \$24.6 billion to Mexico and \$1.5 billion to Brazil.

In addition to all the SLC states operating international trade and/or marketing offices in a number of overseas locations, including several in Latin America, they continue to foster links with foreign countries under the 'sister-city' program. Furthermore, several major American corporations that are scattered throughout the SLC region maintain successful business operations and alliances with a number of Latin American countries. Some of these corporations include SCI Systems (Huntsville, Alabama); Wal-Mart Stores, Inc. (Bentonville, Arkansas); Citrix Systems, Inc. (Fort Lauderdale, Florida); The Home Depot, The Coca-Cola Company and BellSouth Corporation (Atlanta, Georgia); OMNI Energy Services Corporation (Carencro, Louisiana); Lockheed Martin (Bethesda, Maryland); WorldCom (Clinton, Mississippi); and Emerson Electric Company (St. Louis, Missouri).

Notwithstanding the formidable gains demonstrated by the increasing linkages between the economies of the world, certain segments of society have experienced serious displacement as a result of this growing reliance on globalization. In fact, opponents of globalization span the political spectrum and have made their presence felt most vociferously, and sometimes violently, in a number of global settings. Yet, a trade environment that permits the relatively unimpeded flow of goods and services between countries offers, in the long-term, substantial economic advantages to the economies concerned. In the short-term, even though certain sectors of the economy inevitably suf-

fer, if governments and businesses facilitate educational reforms and offer technical training and re-training programs, the potential for sustained and systemic economic growth is considerably enhanced.

Regardless of one's stance on the issue, globalization is a vital element in the economic affairs of the entire world, and it is impossible for any part of this global economy to insulate itself and still expect to continuously raise the living standard of its populace. The SLC states are abundantly aware of this emerging trend and have made forging trade alliances with Latin America an important part of their overall economic strategy. Bolstering this emerging trade relationship is an important demographic trend, i.e., the rapidly burgeoning Hispanic population across the South. Specifically, the Hispanic population in the SLC states increased significantly in the last decade, from 6.8 million in 1990 to 11.6 million in 2000, an increase of 4.8 million, or more than 71 percent.

Policy-makers in the SLC states are an essential variable in the complex equation of international trade since they play the pivotal role in creating the required environment. Using the power of appropriating and legislating, SLC policy-makers set the stage for a state's particular international trade strategy including extending tax incentives for foreign investment in the state, facilitating the required infrastructure needs to attract, maintain and retain this investment, leading and participating in trade delegations and missions to promote a state's exports, providing technical assistance to enhance the export potential of entrepreneurs within the state and a host of related goals. In this connection, a number of SLC state policy-makers remain in the forefront in moving aggressively to take advantage of globalization and the interconnected global economy. These policy-makers realize that by promoting their state's international trade potential, they will have access to profitable and unexplored markets overseas; similarly, they realize that by attracting foreign investment, they can stake claim to fresh

injections of capital. Furthermore, engaging in technical cooperation with other countries enhances relations and goodwill that may eventually be transformed into greater economic opportunities for local businesses. All these forces have coalesced to foster the importance of promoting international trade in the SLC states with trade with Latin America emerging as a vital element in overall economic strategy.

(This article is a summary of the latest Southern Legislative Conference Special Series Report entitled *Forging New Trade Relationships: Latin America and the Southern Legislative Conference States* published in July 2001. There are 16 states in The Council of State Governments' Southern Office, the Southern Legislative Conference - Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, Missouri, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia and West Virginia.)

Bio

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