

SECTION B

INTERNATIONAL TRADE AND ECONOMIC DEVELOPMENT OPPORTUNITIES

A major undertaking of LATTs was the performance of a macro-scale study regarding the characteristics of existing trade patterns, particularly as they relate to Latin America and the members of the Southeastern Transportation Alliance. This was followed by another major undertaking which produced forecasts of future international trade volumes. Additionally, analyses were performed regarding tourism, business and service travel. Analyses also were undertaken to identify the economic impact upon the Alliance resulting from increased trade opportunities with Latin America.

HISTORICAL AND CURRENT TRADE PATTERNS

In response to a number of factors, Latin America is experiencing unprecedented economic growth. Study analyses revealed that:

- ▶ There is a sustained pattern of growth in trade between Latin America and the United States.
 - B In recent times, the growth rate in trade has escalated above historical patterns.

- ▶ For a number of reasons, including its advantageous geographical relationship to Latin America, trade between the United States and Latin America tends to gateway in the Alliance Region (i.e., enter or leave the United States through the Region).
 - B 86 percent of Latin America imports into the United States enter through the Alliance Region.
 - B 71 percent of all U.S. exports to Latin America depart through the Alliance Region.

- ▶ Of the total Latin American trade gatewaying in the Region, 80 percent of the tonnage and 60 percent of the commodity value was seaborne trade.

- ▶ Trade crossing the Texas/Mexico border accounts for 20 percent of the tonnage and 38 percent of the value of gateway traffic.

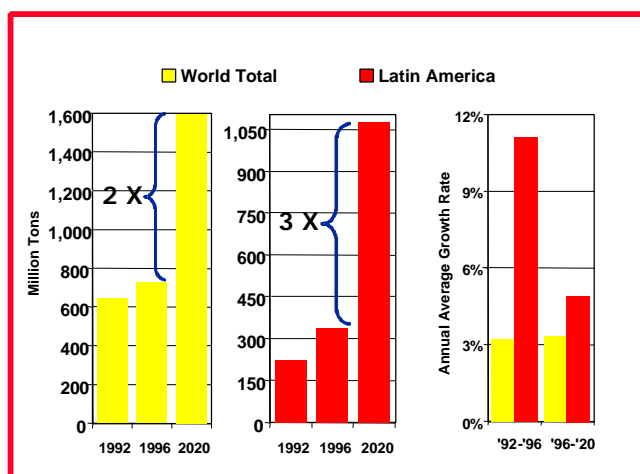
- ▶ In relative terms, the smallest component of trade with Latin America enters or leaves the United States by air. Nevertheless, airborne freight is a very important element for certain commodities.

Trade Forecasts

Forecasts developed by the study clearly show that trade with Latin America will be even greater in the future, in both relative and absolute terms.

- ▶ As noted in **Exhibit B-1**, total international trade by the Alliance Region is expected to double by the year 2020.
- ▶ The Latin American component of total international trade is expected to triple during this time span.

Exhibit B-1
ALLIANCE TRADE GROWTH TRENDS: FORECASTS



These “Base Case” forecasts assume a continuation of recent trends and conditions until 2020. Nevertheless, there are significant events which could result in a “High Case” scenario. These events could include:

- ▶ Increased liberalization of trade, e.g. a Western Hemisphere Free Trade Agreement,
- ▶ Higher economic growth trends for Latin America and/or the United States, and
- ▶ Changes in U. S. policies regarding Cuba.

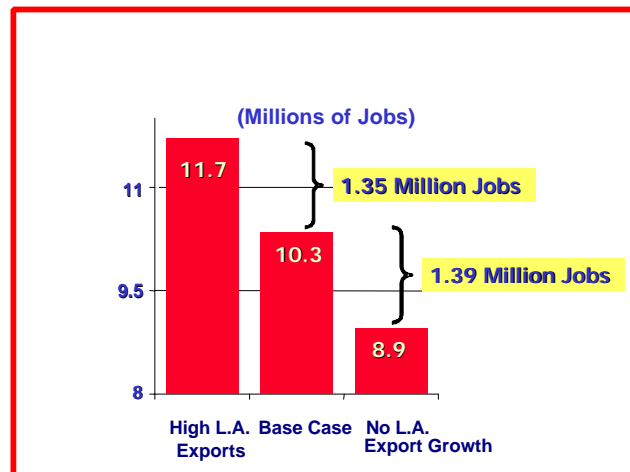
Under a “High Case” scenario, the volume of trade with Latin America through Southeast Alliance gateways is forecast to increase to 1.1 billion metric tons, more than 22 percent higher than the “Base Case” forecast for 2020.

Economic Development Impacts

Trade with Latin America leads to additional jobs for the people of the Southeast Alliance. Given the region’s position in the Western Hemisphere’s economy, these jobs are likely to be created in value-added industries and in the higher wage occupations within those industries. Using a system of

macroeconomic models, simulations have been undertaken to predict the impact of Latin American trade on the Alliance. Levels of Alliance employment were compared for the “Base Case” and the “High Case.” To demonstrate the importance of Latin American trade upon job formation in the Alliance Region, these analyses also produced an estimate of employment levels if there were no growth in trade with Latin America. Results of these analyses are depicted in **Exhibit B-2**.

Exhibit B-2
CHANGE IN ALLIANCE EMPLOYMENT FROM 2000 TO 2020



- ▶ The “Base Case” growth scenario will result in 1.39 million additional jobs, i.e. jobs that are created through increased trade with Latin America under the “Base Case” assumptions.
- ▶ If the “High Case” growth scenario is realized, an additional 1.35 million jobs will be created in the Alliance Region.
 - B That is, under the “High Case” growth scenario, there will be an additional 2.74 million jobs in the Alliance Region which are attributable to increased trade with Latin America.