



**THE POTENTIAL FOR DOUBLING INTERNATIONAL
TRADE ACTIVITY TO ACCELERATE THE
ECONOMIC DEVELOPMENT OF FLORIDA**



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BACKGROUND

The international sector of Florida is a critical foundation of the State's economy, and offers significant potential to enhance the Economic Development of the State in the global economy of the 21st Century.

This position paper argues that it should be a State priority to significantly enhance Florida's market share in the growing global economy, with the potential existing to double Florida-origin exports of goods and services in the medium term (5-7 years). The global economy is likely to expand at a faster rate than the U.S. economy over the medium term. Florida already enjoys a world-class trade infrastructure and a strong global brand. Export industries, as a specialized activity, pay an average wage that is higher than the State-average wage. Thus, a doubling of Florida exports as a goal over the medium term, is a critical component of the Statewide Strategic Plan for Economic Development.

THE INTERNATIONAL SECTOR OF FLORIDA: AN IMPORTANT COMPONENT OF THE STATE'S ECONOMY IS POSITIONED FOR SIGNIFICANT EXPANSION

The international sector of the State is large and growing, demonstrating that Florida has a competitive advantage in the production and delivery of goods and services on a global basis. This is shown in the following statistics that highlight the breadth and depth of the sector:

- International activities accounted for an estimated 1.3 million jobs in the State at the end of 2008 (close to 1 in 6 jobs); about 275,000 of these jobs were at foreign-owned firms.
- 42,000 firms are classified as exporters in Florida (2nd among U.S. states).
- 2,500 foreign-owned subsidiaries operate in Florida; the largest concentration of multinational headquarters for Latin America activities in the U.S. and second largest number of foreign-owned banking institutions in the U.S. after New York City.
- The estimated value of Foreign Direct Investment (FDI) reached \$39 billion in 2008 (#1 among U.S. states in the Southeast).
- **Florida-origin exports** of goods reached a record \$84 billion in 2008.

- Exports of knowledge-based services were estimated by Enterprise Florida at \$30 billion in the same year.

GROWTH OF FOREIGN MARKETS TO EXPAND AT A FASTER RATE THAN THE NATIONAL ECONOMY: SIGNIFICANT OPPORTUNITIES AVAILABLE TO FLORIDA COMPANIES OVER THE MEDIUM TERM

The previous section showed that the State is well-positioned to expand market share over the next several years. Furthermore, the global markets are likely to expand faster than the national economy. In the next five years, U.S. economic growth is likely to average between 3% and 3.5%. During this period, 2010-2015, key emerging trade markets of Florida are forecast to grow faster than the U.S., providing the State a unique opportunity to support a significant expansion of international trade activity. The expected growth rates among key and emerging export-import partners of the State are presented below:

Economic Output Growth (GDP) by Specific Large Markets of Florida	
<i>Country</i>	<i>Expected GDP Average Growth Rate 2010-2015</i>
Brazil	4% - 5%
Colombia	3% - 4%
Dominican Republic	4% - 5%
Chile	5% - 6%
Peru	5% - 6%
Mexico	4% - 5%
China	8% - 10%
India	7% - 8%

Source: The Washington Economics Group (WEG) from International Monetary Fund and World Bank Projections.

In addition to the growth of these markets, there are specific opportunities and challenges that the State must meet to continue expanding market share. The analysis on the following page discusses the key opportunities and challenges for Florida.

International Sector: Maximizing Opportunities and Minimizing Challenges Require Increased State Funding and Policy Prioritization	
Opportunities	Challenges
<i>Brazil and Free Trade Agreements (FTAs)</i>	<i>State Fiscal Resources</i>
<ul style="list-style-type: none"> • Brazil – The growing “China” of Florida • NAFTA Mexico looking to Florida for expansion • US-CHILE • US-DR-CAFTA • US-PERU <div style="border: 1px solid black; padding: 2px; display: inline-block; margin-left: 20px;"> Maturing FTAs with growing opportunities </div> <p>These three FTA’s hold market share growth potential</p>	<ul style="list-style-type: none"> • A steady increase in resources required to expand international trade activity through global-marketing, trade capacity grants and counseling for new-to-market companies is critical.
<i>Knowledge-Based Exports: A Growing Area of Expansion</i>	<i>Federal Issues</i>
<ul style="list-style-type: none"> • Business Services • Higher Education • Healthcare • Software 	<ul style="list-style-type: none"> • Cargo Security • Visas • Financial oversight (Patriot Act) • Ratification of Free Trade Agreements
<i>Potential New Markets: Requires Increased Support for EFI’s International Services</i>	<i>Critical Economic Development Foundations Need Strengthening</i>
<ul style="list-style-type: none"> • China • India • Emerging Europe • South Africa 	<ul style="list-style-type: none"> • Globally competitive workforce • Logistics bottlenecks

Significant and growing business opportunities are available in Brazil, Colombia, Dominican Republic, Chile, Peru, Mexico, China, Spain, India and emerging European economies. A major funding and support effort by the State would facilitate increasing sharply over the next five years, Florida-origin exports to these growing markets.

The majority of Florida’s main trading partners are in the Americas. However, the region is also gaining in importance as a recipient of Foreign Direct Investment (FDI), with emerging multinational companies from countries such as Brazil, Mexico, Chile and China among other countries. It is also an area where Florida has inherent geographic, transportation, cultural and linguistic competitive advantages.

Enterprise Florida, Inc. (EFI) prepared an excellent analysis entitled “Global Economic Update” in November 2009. The study highlights important trends in Florida’s key markets. Parts of this study are presented below:

Brazil: Florida’s top export market and important FDI partner, enjoys one of the world’s most resilient economies. The Brazilian economy emerged from recession in Q2-2009, expanding at a rate of 1.9% quarter-on-quarter. In addition to being a magnet for companies from all over the world eager to capitalize on its tremendous growth opportunities, Brazil is emerging as an increasingly important source of Foreign Direct Investment. The country is also an important source of international visitors to Florida. Brazil is likely to grow 4%-5% in 2010-2015.

Mexico: There are growing medium-term business opportunities in Mexico by Florida’s companies. GDP will grow in 2010 by 4.0%. Output should reach pre-recession levels by late 2011, and the longer term growth prospects for the Mexican economy are strong. In addition, Mexican companies continue to aggressively expand abroad, including in Florida. Key regions such as the Gulf Coast states offer opportunities for Florida.

Colombia: Is an important export market of Florida. While the Colombia-US Free Trade Agreement has yet to be ratified by the U.S. Congress, the country enjoys preferential U.S. market access for many of its products through the Andean Trade Preference Act. Colombia has a sophisticated agro-industry, mining and energy sector that fits well with Florida’s corporate structure and has traditionally been favored for business relationships.

China: The large economy is already an important trade partner of the State. GDP is estimated to grow by 10.0% in 2010 and 9.7% in 2011. Florida is well-positioned as a springboard for Chinese companies eager to tap Latin American markets. Chinese individuals and companies are visiting key State regions in increasing numbers to set up business.

India: Is a key emerging market for Florida, yet for the State, India is largely an untapped market except for fertilizer exports. After three years of GDP growth exceeding 9%, India’s economy is expected to expand by a strong 7%-8% in 2010 and 2011. The nation is a very promising market for Florida’s global businesses. India’s excellence in sectors such as IT, biopharma, aerospace/defense, and emerging areas such as tourism/hospitality hold much promise for collaboration with Florida institutions, including investment in Florida by India’s rising multinational firms eager to tap into growth opportunities throughout Latin America.

RECOMMENDATIONS TO DOUBLE FLORIDA-ORIGIN EXPORTS AT END OF FIVE YEARS

The preceding sections demonstrated that Florida already enjoys the international infrastructure, growing trade partners and brand to potentially double Florida-origin exports on a medium-term basis. Furthermore, top international markets are expected to grow at a faster rate than the U.S. economy, suggesting expanding opportunities for Florida's exports of both goods and services. The following recommendations are based on the previous analysis, and on the goal of doubling Florida exports in the medium term:

- Create, fund and implement a comprehensive policy agenda that emphasizes the fundamentals of global competitiveness (global hub concept) as described in the State's Strategic Plan.
- Develop a comprehensive federal policy agenda for Florida and invest the necessary resources to accomplish it. Washington policies impact Florida more than most U.S. states. Free Trade Agreements are critical to the State's economy.
- Develop a comprehensive communications program to inform Florida residents and the business community of the importance of market-opening agreements (like Colombia) to their economic well-being.
- Create a broad and comprehensive FDI strategy, including a significant increase in State marketing budgets to expand FDI flows in targeted industry clusters of Florida. In essence, strengthen funding of the International Division of EFI to accomplish this goal.
- Improve collection and analysis of exports in knowledge-based services.
- Fund, at growing levels on a multi-year basis, trade capacity grants and other counseling and international support services of EFI.