# *The Economy of Florida*

*Edited by J.F. (Dick) Scoggins and Ann C. Pierce*
*1995*
*University of Florida Bureau of Economic & Business Research*
*Gainesville, FL*

# Chapter 16

## International Trade and Investment

Thomas M. Fullerton, Jr.
Senior Economist
Bureau of Economic & Business Research

**Introduction**

Many changes have occurred in international trade practices and volumes since the publication of the 1990 edition of **The Economy of Florida**. The most interesting involve trade agreements, both regional and global. Florida trade flows have also been impacted by international economic performance, with the latter responding to cyclical as well as structural factors. As pointed out by Ramsey (1990), the world economy is present in nearly every aspect of the average Floridian's daily existence, from the food we consume, to the clothes we wear, to the cars we drive, to the jobs where many of us work. Recognition of the benefits provided by trade and international investment is sometimes absent, but the overall economic welfare of the state is undeniably enhanced by their presence.

International trade brings two major gains. First, trade simply provides goods and services to consumers at lower prices. This may occur due to lower production costs abroad or it may result from increased competition. For example, home electronics and automobile prices are lower in the United States due to imports from Europe and Japan, generating significant consumer savings on these types of purchases. Second, trade helps create and is driven by new goods, information, and technology flows. The latter ultimately result in additional welfare enhancements plus higher real growth rates (for a brief, nontechnical summary, readers are referred to a magazine article published in the 16 July 1994 issue of **The Economist**). A well-known modern example is provided computer chip technology in the 1980s. Each successive chip generation helped increase computer speed and capacity, as well as lower machine prices. These eventually led to productivity improvements in other segments of the economy.

To identify some of these factors, this chapter surveys recent trends in international trade, tracing business patterns, local and international, which have affected export flows or benefitted from them. It also summarizes some of the highlights associated with trade agreements signed by Florida's principal trading partners, most of which are in Latin America. Given the looming importance of Cuba, prospects for change spurred by international diplomacy are briefly considered. Recent developments in state trade flows and direct foreign investment are also reviewed using data compiled by the Florida Department of Commerce.

**Realignment in the Global Marketplace**

Few policy issues have generated controversy and headlines in recent years such as those associated with international trade agreements. The most highly publicized trade treaty went into effect on 1 January 1994 and is called the North American Free Trade Agreement, or NAFTA. Other agreements important to Florida include the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) of 1994, the new Andean Pact of the late 1980s, the Southern Cone trade treaty (MERCOSUR) of the early 1990s, and the recently renegotiated Central American common market treaty.

NAFTA is an extension of an earlier trade treaty negotiated between Canada and the United States by the Mulroney and Reagan administrations. The previous agreement, which went into effect in the late 1980s, now includes Mexico. Going well beyond merchandise trade to cover areas such as services, copyrights, and foreign investment, NAFTA represents a huge turnabout in international relations between the United States and Mexico. During most of its 75-year post-Revolution history, Mexican foreign policy was dominated by efforts to minimize trade and investment flows with the United States. Signaling a reversal of this stance, NAFTA is also the first trade agreement of this magnitude to directly link industrialized economies like the U.S. and Canada with a developing economy such as Mexico. As such, NAFTA represents a watershed event in global politics and diplomacy.

Adoption of market-oriented economic measures in Eastern Europe spurred the 180-degree change in Mexican policy goals, first by the Salinas administration, and later by the Zedillo government. While most of the increased trade to and from Mexico will flow through California and Texas, history and geography also bring Florida into the NAFTA ballgame. As shown in Table 1, Mexico is the seventh largest export market for goods produced in the Sunshine State and sold abroad. Greater volumes of Florida merchandise were shipped to Mexico in 1993 and 1994 than to larger trading partners such as Japan, or traditional trading partners such as Costa Rica or Honduras.

When negotiations for NAFTA intensified, one of the more interesting responses was Banco Nacional de Mexico's (Banamex) application to open a representative office in Miami. One of Mexico's largest banking groups, its goal is to service growing trade not only between Mexico and Florida, but also between Mexico and the rest of Latin America. Banamex selected Miami due to its status as a major transportation and communications hub for the entire region from the Petén jungles in Guatemala to the wind swept hills of Patagonia in Argentina. This was not just a symbolic act on the part of Banamex. Mexico has also negotiated lower trade barriers with its "Group of Three" trading partners, Colombia and Venezuela.

Other interesting aspects of the Florida-Mexico trade nexus include centuries old shipping routes from Pensacola and Tampa to Veracruz. Merida, the capital of what is sometimes referred to as "the independent and autonomous state of Yucatan," is closer to Miami than to Mexico City. In fact, one Tampa bakery ships its finest products daily to premier Mexican hotels and resorts on the Caribbean. Florida export sectors which are expected to benefit from expanding sales on the western perimeter of the Gulf of Mexico include processed foods, transportation equipment, electronic machines and parts, telecommunications equipment, clothing apparel, and medical equipment (see Hufbauer and Schott, 1992).

Despite existing and potentially profitable new business linkages between Florida and Mexico, residents on this side of the Gulf are somewhat ambivalent with respect to the new treaty. At the height of the NAFTA debate in Congress, the Bureau of Economic and Business Research conducted a survey on popular attitudes toward the proposed treaty. Most survey respondents expressed indifference toward the treaty or did not know whether they favored it. Because this complex piece of legislation, negotiated on a "fast-track" basis off and on over the course of two presidential administrations, dealt with an arcane subject, it is perhaps not surprising that fully 30 percent of the survey respondents had not even heard of NAFTA (Denslow, Fullerton, and McCarty, 1993).

Responses among those who did express an opinion regarding NAFTA were fairly evenly divided, with 49 percent in favor of the agreement and 51 percent opposed. Econometric analysis of the survey results indicate that education, perceptions regarding future financial prospects, and familiarity with foreign affairs are among the factors influencing opinions regarding NAFTA (Denslow and Fullerton, 1995). For example, the most significant factor behind opposition to the treaty was uncertainty with respect to U.S. economic performance. Support for NAFTA was bolstered by consumer confidence, educational attainment, and experience. Ethnicity also played a role, with Hispanic respondents more to support NAFTA, perhaps reflecting familiarity Latin America in general.

One source of the divided public opinion over NAFTA in Florida is concern regarding import competition from Mexico, especially in agriculture. Speculation exists that Mexico may soon challenge Florida citrus producers for dominance in the domestic juice market and supersede Florida farmers in winter markets for fresh vegetables. Both scenarios are implausible. Historically, segments of the state's vast agricultural sector which come under competitive pressure respond by increasing productivity (see Cook, et al, 1991). If this continues to be the case, NAFTA may prove beneficial for the entire state economy, even Florida agriculture.

Fears regarding farm import competition from Mexico may be overstated for other reasons. Given the size of Mexico's domestic food markets, as incomes there rise, it is not clear that production will always outstrip consumption. It is possible that Mexico could eventually become an importer of fruits and vegetables as incomes and diets improve (Cook, et al., 1991; Barkema and Drabenstott, 1994). Mexican production also faces potential hydrologic constraints that could hinder export capacity in the long run.

Of course, during periods when U.S. fall, winter, or spring harvests are unexpectedly below normal, Mexican imports help moderate the resulting price increases faced by consumers throughout the nation. Examples of such occurrences include the weather-related supply disruptions in Florida in 1993 and California in 1995. Ultimately, it is not clear that Florida fresh vegetables will ever face one-to-one overlapping harvests with Mexican output. If that eventuality ever arises, however, it is likely that the Mississippi River valley will still serve as the general line of demarcation for output from the two regions. State of Florida output would likely predominate along the eastern seaboard, while State of Sinaloa exports would reach markets west of the Rocky Mountains. This geographic market division is not new, dating back at least to the 1930s.

There are other reasons that NAFTA, in spite of the potential for increased competition in citrus crops and winter vegetables and fruits, may ultimately benefit Florida agriculture. In 1986, Mexico accounted for just over 4 percent of all U.S. agricultural exports. By 1992, its share of this important category of international sales had more than doubled to nearly 9 percent (Barkema and Drabenstott, 1994). Although the volume of farm output sold to Mexico varies, consumers there represent a vast market for manufactured food items. Since 1986, consumer food items have been the most largest segment of the world agricultural market. Florida is well-positioned to take advantage of growing demand for processed foods in Mexico and throughout the globe.

This is not to say that all farm and nonfarm producers will benefit from expanding trade with Mexico and the world. Increased competition can drive less efficient companies out of particular markets. When this occurs, workers lose their jobs and may find that their skills do not match new labor market requirements. To mitigate these types of impacts, the U.S. Labor Department created the NAFTA Transitional Adjustment Assistance Program. Designed to facilitate retraining efforts for workers displaced by Canadian and Mexican imports, it also provides extended unemployment benefits (Narisetti, 1994). By late 1994, more than 9 thousand participants were enrolled nationwide in this program's multiple training programs.

Trade negotiations have also occurred on a global scale in recent years. In a rare, post-election, lame duck session of Congress held in December 1994, the Clinton administration gained legislative approval for the Uruguay round of GATT. This round of negotiations was the most ambitious ever, extending GATT into previously untouched arenas such as agricultural products, services trade, and intellectual property protection via copyright and patent enforcement. The new global trade agreement also attempts to strengthen member participation and rules observance by creating a new governing body, the World Trade Organization (WTO).

Extending WTO coverage to include agriculture, services, and copyrights helps Florida in two manners, directly and indirectly. Most importantly, all three areas play significant roles in the state economy and will enable the business community to obtain greater market shares abroad. Examples include orange juice and citrus sales in Western Europe and Japan, export/import trade financing provided to clients in developing countries, and health services diagnostic software for usage with new medical practices.

Broader GATT/WTO coverage to farm output helps Florida indirectly, as well. First, this decision encouraged many of our most important trading partners to become signatories to the agreement since it affords some protection to the commodities they produce. In becoming parties to the agreement, these nations must liberalize their own import restrictions, thus benefitting Florida exporters. Second, external market disruptions caused by OECD government impediments to farm products should eventually be reduced. The latter should help our southern hemisphere trading partners improve their overall economic growth performances and lead to more stable conditions in these important target markets for Florida exports.

**Latin American Realignments**

The historical roots of the Andean Pact date back more than 25 years to the signing of the Agreement of Cartagena in 1969 under the auspices of the Lleras administration in Colombia. Reflective of the general mistrust of multinational business activity then prevailing in Latin America, the original agreement did virtually nothing to encourage international trade among its members. It did, however, actively discourage direct foreign investment. That practice which would eventually hamstring member country efforts to extricate themselves from the international debt crisis in the 1980s and caused Chile to withdraw from the group in the mid-1970s.

Venezuela and, more recently, Bolivia joined the remaining original members, Colombia, Ecuador, and Perú, to give the Pact its current line-up. Following the inward-looking development scheme period of the 1970s, the Andean Pact has haltingly come to embrace market oriented trade and investment policies. Member nations have worked hard to lower import barriers and deregulate international trade among themselves. In fact, the Andean Pact was the first regional trading bloc in the world to open commercial air traffic to international competition on a wide-scale basis.

Of particular interest to Florida companies doing business in this region of Latin America are ongoing efforts to adopt a universal code of trade regulations governing imports from nonmember nations. Adoption of common import codes throughout the 5-member trade area would greatly simplify the tasks faced by local businesses that export goods to more than one country in the Pact. Further progress in this direction depends on the policy orientation of member governments. Venezuela, in particular, has wavered in recent years and has reversed previously implented market oriented trade and investment measures. Examples include freely operating retail merchandise, foreign currency, and financial markets.

Other important regional trade associations in Latin America include MERCOSUR and CACM. MERCOSUR, an acronym that stands for "common market of the south," includes Argentina, Brazil, Paraguay, and Uruguay, and has a combined regional income in excess of $400 billion. Negotiations are underway which may bring Chile into the agreement. Doing so would further reduce member nation import barriers since Chile has freer trade than any other country in the region (Inter-American Development Bank, 1991). Of course, the future of MERCOSUR will be influenced by business cycle fluctuations and face ongoing risks associated with sometimes volatile Latin American nationalism. The importance of MERCOSUR is underscored by the fact that prior to 1990, Brazil traded more with the Netherlands than with Argentina (Moffett, 1994).

CACM stands for the Central American Common Market, an organization whose negotiations paralleled those for NAFTA. Ironically, business groups in Panamá voiced the same concerns as many in Florida and other parts of the United States with respect to cheap labor availability resulting in unfair trade advantages and investment losses to other CACM member nations. Florida trade with this region has historically been high and was boosted by the Caribbean Basin Initiative. Similar to other regions of the hemisphere, however, Florida marketing inroads there will be influenced more by structural adjustment policies and future economic performance than by trade agreements (for more on this topic, see Williamson, 1990).

Of course, no Latin American economy is more in need of market-oriented adjustments than the "centrally planned" recession- plagued island of Cuba. Although Cuban economic performance is hampered by the ongoing trade embargo imposed by the United States, the greatest source of stagnation arises out of self-inflicted policy errors. The risks implied by disastrous economic practices in Cuba became fairly obvious yet again in 1994 when approximately 35 thousand "balseros" left the island and roughly 3 thousand made landfall in Monroe County.

Adoption of market-oriented policies are the only long term methods for reducing pressures for widespread migration from the island. If Cuba ever enacts political and economic reforms, and rejoins the world economy, there will be opportunities for immense flows of trade and investment to and from Miami. The latter will probably trigger a similar trade boom throughout the rest of the Caribbean basin (for discussion, see Economist Intelligence Unit, 1994).

Although the timing remains uncertain, negotiated diplomatic agreements between Washington and Havana may eventually lift the current economic embargo. If (or when) this occurs, huge quantities of Florida-produced goods and services will be in demand. Potential merchandise exports include computers and peripherals, telecommunications equipment, medical machinery, engineering and laboratory devices, automobile parts, and fertilizers. The market for service exports to Cuba is also expected to be very large. Examples include accounting, advertising, banking, educational, health care, insurance, legal, and franchising. Of course, some Florida businesses can expect Cuban competition in world export markets for items produced in both regions. Agricultural products such as sugar, cigars and tobacco, fresh fruits, and vegetables are historical examples. In the service arena, winter tourism is probably the primary area of overlap.

**Florida Trade Flows**

Common methods for classifying regional trade flows include countries of origin, product destination, and product categories. Analyzing Florida's export-import mix in this manner underscores the diversity of the state's international business sector. Although Florida is known throughout the world for its high quality citrus output, food and kindred product exports ranked only sixth in total trade volume among state merchandise exports in 1993. Despite growing to more than $1 billion in 1994, this category's ranking fell one spot to seventh, overcome by surging international apparel sales (see Table 2). It comes as a surprise to most casual observers of the Sunshine State that the top export category is industrial machinery and computer equipment.

In fact, industrial machinery and computer equipment exports (Standard Industrial Classification, or SIC, 35) make up a larger proportion of Florida exports than they do of overall U.S. exports. Other top 5 export categories include electronic equipment (SIC 36), transportation equipment (SIC 37), chemical products such as phosphatic fertilizers (SIC 28), and scientific instruments (SIC 38). For a region of the nation which is not located near major domestic markets for manufactured goods, international trade is one means by which Florida can compete in these high value-added segments of the national industrial sector. More than half of all Florida origin exports in 1993 and 1994 were high-tech manufactured products.

An interesting characteristic of U.S. trade not shown in Tables 1 or 2 is that Florida accounts for more than 15 percent of the nation's exports in both apparel and forestry products (Evans, et al., 1995). Other items of note include the fact that six of our top ten export markets (and ten of our top fourteen) are in Latin America. One of the most contentious aspects of the NAFTA treaty was that it dismantled trade barriers between industrial and developing economies, a step that had never been attempted by any previous agreement of this nature and was consequently viewed with suspicion. As seen in Table 1, this type of arrangement seems eminently logical from a Florida sales perspective.

As it is for the rest of the United States, Canada is the largest destination market for export goods made by Florida manufacturers and primary commodity producers. Ranking next in order of magnitude are Brazil, Colombia, Argentina, the Dominican Republic, and Venezuela. Colombia and Argentina have removed many tariff and nontariff barriers to imported goods during the 1990s, directly benefitting many Florida companies. Venezuela and Brazil have more checkered trade practices and growth patterns, but still represent large markets. Cracking the top ten list for exports for the first time in 1994 was mainland China, a potentially huge market with nearly 1.1 billion consumers.

Size is not the only factor that determines which region becomes an important export market. For example, proximity is probably the principal reason that the relatively small island economy of the Dominican Republic is among Florida's top ten export markets. Mexico may eventually work its way up on future versions of this list as NAFTA and other trade efforts help strengthen economic links across both the Gulf of Mexico and the Rio Grande. The presence of Japan in Table 1 is not surprising since it represents an important target market for the entire country. Another small nation, Paraguay, was Florida's tenth largest export destination in 1994. Other economies ranking among the top fifteen export markets but not appearing in Table 1 include Chile, Great Britain, Guatemala, Panamá, and Ecuador.

International business is not without risks, especially when important overseas markets are subject to severe business cycle volatility. For example, Florida merchandise exports fell by more than $500 million in 1993. The decline was attributable to a number of different causes. Some of the principal complicating factors include an intense recession brought about by self-imposed congressional economic policy mistakes in Venezuela; output collapses in the agricultural sectors of Eastern Europe and mainland China leading to lower global demand for phosphatic fertilizers; and generally weak demands for imports in advanced markets such as the United Kingdom and Japan. Events such as those of 1993 underscore why Florida firms engaged in international marketing must be nimble.

From a strictly regional perspective, international trade contributes to the economic well-being of the state through demands for financial, port, warehouse, freight, and distribution services. Demand for these nontradable services is associated with both exports and imports. This translates into business and job opportunity benefits that go beyond the standard output and welfare improvements normally analyzed in theoretical studies. Florida firms are actively engaged in providing financing, insurance, and freight services to support export and import flows to and from the United States. As shown in Tables 3 and 4, huge volumes of goods are involved and servicing them generates immense earnings.

Table 3 also illustrates an important point with respect to U.S. (and Florida) export volumes to Latin America and the Caribbean: economic performance matters more than negotiated trade agreements. Although Florida goods are marketed throughout the world, the principal destinations of merchandise which departs the nation via the Tampa and Miami customs districts are generally located in points south (see Evans, et al., 1995). Figure 1 shows the impact of the 1980s international debt crisis on U.S. trade, as real exports remained below their 1981 level for six consecutive years. Economic stagnation combined with debt servicing difficulties to severely constrain the demand for imports throughout the region.

Income performance in Latin America finally stabilized as country after country began adopting structural reform measures in the late 1980s (Fullerton, 1993). This trend accelerated following the introduction of the Brady Initiative for debt restructuring in 1989 and the emergence of market oriented policy reforms in Eastern Europe in the early 1990s (Cline, 1995). The upsurge in Florida exit exports accompanied these developments even though they predated NAFTA and any future North-South trade agreements which will result from the Summit of the Americas. While treaties of this nature will undoubtedly have important implications for business trends and practices, international sales volumes will continue to be determined primarily by economic performance patterns abroad. The change in the respective rankings in Table 1 for Brazil and Venezuela underscore this point.

One final note with respect to the importance of international exports for the economy of modern-day Florida warrants mention. Much of the state's rapid economic growth over the past 50 years has been related to defense spending, space exploration, and retiree relocation. These sources of growth are expected to taper off and remain below their levels attained during the 1980s for the foreseeable future. In the year 2000, the depression-era birth-dearth will effectively cap the pool of potential retirees nationwide. The latter is expected to cause net migration to be approximately 25 percent below its level in 1987 (see West, Lenze, and Tracy, 1994). Separately, lower defense spending is projected to contribute to an ongoing decline in durable manufacturing employment in Florida over the 1995 - 1997 period, in addition to that caused by technological improvements (West and Fullerton, 1994).

As a result, state industries must find new markets in which to compete if the local standard of living is to continue to rise. For high-tech manufacturing and service firms that formerly served the defense industry and aerospace activities associated with NASA, seeking new markets abroad in this era of global technological investment is a natural response to the changes occurring domestically. Given the international policy trends described above, the timing for this type of market diversification effort is probably the best that it will ever be. International trade is thus likely to remain one of the major engines of growth in the Florida economy for years to come.

Import entry points also enjoy benefits associated with trade flows. These disembarkation areas include cities with seaports and airports, and occasionally cities with airports only. Anecdotal evidence regarding the advantages provided by international commerce was reported by the construction sector in

Florida during the early 1990s. Excess capacity in the form of empty space combined with the 1990-1991 recession to force statewide industrial construction to a virtual standstill. With the exception of Lakeland and Ocala, and to a lesser degree Daytona Beach, the only metropolitan economies in Florida to observe any serious volumes of industrial construction were those in which international trade was increasing (Moss and Kessel, 1992). Types of industrial construction occurring included seaport and airport cargo units, warehouse sites, and distribution facilities.

The import product mix entering the United States via Florida continues to diversify and expand. In 1993, Miami International Airport replaced JFK in New York as the nation's top international cargo airport (Stumpfl, 1994). Chilean fresh fruit such as table grapes and apples traditionally has entered the country via the Philadelphia customs district. Winter produce from this South American country is now unloaded in Jacksonville, too, for distribution among southeastern U.S. retail points of sale. Miami and Port Everglades (Ft. Lauderdale) have been designated as coffee exchange ports, meaning that coffee can be imported and stored for later sale. More than simply import merchandise already purchased by manufacturers, coffee trading centers serve as commodity exchange markets for brokerage deals. This type of activity goes well beyond serving as a transshipment facility and will foster new business opportunities in Broward and Dade Counties.

**Direct Foreign Investment in Florida**

Trade in goods and services enhances consumer welfare by allowing these items to be acquired in excess of the levels at which they are produced within a given economy. Direct foreign investment (DFI) also improves social welfare in a given region by expanding the total volumes of goods and services produced there. When capital investment occurs, it raises the productive capacity of the area in which it takes place. The capacity expansion is realized irrespective of where the funding for the investment originates. In that sense, DFI is doubly beneficial because it makes available financial resources in excess of the savings pool already present in a regional economy. As output rises subsequent to the new investment, employment and incomes increase in a parallel fashion.

Table 5 lists the primary sources of DFI in Florida. Not surprisingly, nearly all of the capital inflows to Florida come from industrialized regions of the world such as Western Europe, Japan, Australia, and Canada. That is because DFI occurs when excess savings in one country are invested in another. In order to invest abroad, surplus capital resources must be available. This is obviously not the case in capital starved regions of the world where industrial development lags behind that of the OECD nations. It should be pointed out that prior to 1981, the United States was a net creditor to the global financial system. Due to ongoing federal budget deficits which increased enormously during the past 14 years, this nation is now a net debtor similar to Florida's neighbors to the south.

In 1992, Florida's most important source of foreign investment was the United Kingdom. In second place was Canada, which was closely followed by Japan. Similar to the country trade rankings in Table 1, the volumes of DFI arriving from source countries varies annually and can change the ordering from year-to-year. Within the manufacturing sector, electrical and electronic equipment is the segment receiving the highest level of DFI (Ondrich and Wasylenko, 1993). Nearly all DFI flows are predicated on the basis of business criteria. Factors influencing the choice of Florida as an investment location for international corporations include its domestic market size and the presence of other firms within given industries. Among the few fiscal policy instruments that may significantly influence DFI decisions, expenditures on higher education are perhaps the most effective.

As shown in Table 5, not all of Florida's DFI comes from industrialized trading partners. In fact, there are many instances in which some of the most important services produced in the state economy result from Latin American DFI. One well known example is the large volume of trade financing provided by the "Brickell Avenue" international banks in Miami (see Ramsey, 1990). Less well known is that the Chilean telecommunications company Americatel is the first foreign-held long-distance company to open its headquarters in a North American city (Stumpfl, 1994). Latin American subsidiaries from a variety of industries are being set up in cities around the state, although mostly in Dade and Broward counties.

**A Look Ahead**

As opposed to the old saying in real estate, international trade is governed by more than just location, location, location. In the case of Florida, however, geographic concerns have provided undeniable comparative advantages to the state's international business sector. A large percentage of all U.S. exports to, and imports from, Latin America and the Caribbean are shipped via Florida ports situated throughout the entire state. These factors will resurface as never before if (or when) political barriers to trade with Cuba are removed. Once that occurs, more than thirty years of pent-up demand for Florida goods and services will be unleashed.

In addition to the commercial opportunities which await Florida businesses in Cuba, trade between the two nations makes sense from another regional perspective. Intensely substandard economic performance is destroying the collective standard of living on the island. Undeniably, the bulk of the negative income growth results from poorly designed policies. According to recent refugee accounts, the downward economic spiral is making residents want to leave. Nearly all of the potential migrants want to reach the United States, especially Dade County. If a mass wave of new refugees left the island, it would probably generate significant financial, economic, and social responsibilities for the state.

Poor economic performance is forcing the Cuban government to grudgingly allow markets to emerge along with a new business sector. As seen in Eastern Europe, the transition from a centrally planned economy to one where resource allocation is determined by market interactions can be fraught with uncertainty. In the case of Cuba, if transition dislocations are severe, the pressures to migrate will intensify. One means for reducing migration pressures is to make the transition from central planning be less disruptive by lifting the trade embargo. If economic conditions in Cuba continue to deteriorate, Florida can expect to receive further outpourings of unemployed Cubans.

Nongeographic factors will also influence future trends in Florida international commerce. One deals with mainland China, another economy that is making the transition from central planning to market-oriented resource allocation. As shown in Table 1, Florida-origin exports to China surged in 1994, causing it to become one of our top ten markets abroad. Widely projected to become the world's largest economy by the year 2010, it is fairly certain that the Chinese economy looms large in Florida's economic future. Because other Asian economies have also adopted growth-oriented approaches to economic policy making, the region as a whole will probably figure prominently as a trade partner for the state. The upward trend in Asian direct foreign investment in Table 5 is likely to persist, also.

Unfortunately for the state economy, governments in Florida's most important Latin American trading partners generally take longer to enact many structural adjustment measures now spreading across Asia. Significant roadblocks to privatization and other helpful reform measures still exist throughout Central and South America (see McCoy, 1993). Cyclical markets for many of their major primary commodity exports such as coffee and petroleum are also likely to affect current account balances and demands for imports from Florida and elsewhere. Consequently, while Latin America is expected to remain a hugely important factor in the state's economic future, sales volumes to the region will probably oscillate. At least over the short-run, Florida enterprises conducting business in Latin America should prepare to operate in as flexible a manner as possible in order to respond to potentially rapid shifts in regional market conditions.

**Table 1**
**Major Florida Export Markets**

| Country | 1993 Value Billion $ | 1994 Value Billion $ |
|---|---|---|
| World | $18.204 | $20.514 |
| Canada | 1.618 | 1.569 |
| Brazil | 0.843 | 1.412 |
| Colombia | 1.086 | 1.260 |
| Argentina | 0.933 | 1.058 |
| Dominican Republic | 0.815 | 0.997 |
| Venezuela | 1.225 | 0.882 |
| Mexico | 0.755 | 0.844 |
| Japan | 0.570 | 0.748 |
| China | 0.244 | 0.694 |
| Paraguay | 0.347 | 0.594 |

Source: Florida Department of Commerce

**Table 2**
**Major Florida Exports**

| Category | 1993 Value Billion $ | 1994 Value Billion $ |
|---|---|---|
| Total | $18.204 | $20.514 |
| Industrial Machinery and Computers | 3.460 | 4.013 |
| Electrical and Electronic Equipment | 2.592 | 3.173 |
| Transportation Equipment | 2.665 | 2.836 |
| Chemical Products | 2.020 | 2.601 |
| Scientific Instruments | 1.238 | 1.332 |
| Apparel and Textile Products | 0.874 | 1.023 |
| Food and Kindred Products | 0.936 | 1.006 |
| Paper Products | 0.630 | 0.668 |
| Unprocessed Crops | 0.515 | 0.544 |
| Fabricated Metal Products | 0.553 | 0.521 |

Source: Florida Department of Commerce

**Table 3**
**Florida Exit Exports in Nominal and 1987 Constant Dollars**

| Year | $ Billion, Nominal | $ Billion, Constant |
|---|---|---|
| 1980 | $10.012 | $11.495 |
| 1981 | 10.967 | 11.807 |
| 1982 | 9.868 | 10.366 |
| 1983 | 7.832 | 8.091 |
| 1984 | 8.987 | 9.087 |
| 1985 | 8.986 | 9.197 |
| 1986 | 9.319 | 9.617 |
| 1987 | 10.837 | 10.837 |
| 1988 | 13.552 | 12.870 |
| 1989 | 14.444 | 13.411 |
| 1990 | 15.518 | 14.224 |
| 1991 | 18.626 | 16.826 |
| 1992 | 21.276 | 19.202 |
| 1993 | 21.820 | 19.711 |
| 1994 | 25.074 | 20.723 |

Source: Florida Department of Commerce

**Table 4**
**Florida Entry Imports in Nominal and 1987 Constant Dollars**

| Year | $ Billion, Nominal | $ Billion, Constant |
|---|---|---|
| 1980 | $ 6.436 | $ 6.347 |
| 1981 | 7.427 | 7.107 |
| 1982 | 7.184 | 7.206 |
| 1983 | 7.950 | 8.290 |
| 1984 | 10.380 | 10.960 |
| 1985 | 11.244 | 12.236 |
| 1986 | 13.357 | 14.332 |
| 1987 | 13.283 | 13.283 |
| 1988 | 14.035 | 13.354 |
| 1989 | 13.814 | 12.815 |
| 1990 | 15.065 | 13.547 |
| 1991 | 15.065 | 13.646 |
| 1992 | 16.885 | 15.406 |
| 1993 | 18.057 | 16.813 |
| 1994 | 20.863 | 18.892 |

Source: Florida Department of Commerce

**Table 5**
**Direct Foreign Investment in Florida**
**Unit: Billion $**

| Region | 1988 | 1990 | 1992 |
|---|---|---|---|
| Total | $11.905 | $18.659 | $21.758 |
| Europe | 5.963 | 9.483 | 11.883 |
| United Kingdom | 1.853 | 3.517 | 4.396 |
| France | 0.547 | 1.185 | 1.930 |
| Germany | 0.729 | 1.203 | 1.508 |
| Netherlands | 0.986 | 0.897 | 1.035 |
| Asia and the Pacific | 0.739 | 3.240 | 3.997 |
| Japan | 0.335 | 1.685 | 2.553 |
| Australia | 0.200 | 0.852 | 0.659 |
| Canada | 3.021 | 3.599 | 2.788 |
| Latin America | 1.072 | 1.319 | 1.687 |
| Middle East & Africa | 1.109 | 1.019 | 1.202 |

Source: Florida Department of Commerce

## References


Barkema, Alan, and Mark Drabenstott, 1994, "A New Agricultural Policy for a New World Market," Federal Reserve Bank of Kansas City **Economic Review** Volume 79 (Second Quarter).

Cline, William, 1995, **International Debt Re-examined**, Institute for International Economics: Washington, DC.

Cook, Roberta, C. Benito, J. Matson, D. Runsten, K. Schwedel, T. Taylor, T. Spreen, R. Muraro, and G. Fairchild, 1991, "Fruit and Vegetable Issues," **NAFTA Volume 4**, American Farm Bureau Research Foundation: Park Ridge, IL.

Business Focus, 16 July 1994, "The Tyranny of Triangles," **The Economist**.

Denslow, David, and Thomas M. Fullerton, Jr., 1995, "Consumer Attitudes toward Trade Liberalization Policies," unpublished manuscript, Bureau of Economic and Business Research, University of Florida.

Denslow, David, Thomas M. Fullerton, Jr., and Christopher McCarty, 1993, "What NAFTA Means to Florida," **Economic Leaflets**, Volume 52 (November).

Economist Intelligence Unit, 1994, **Cuba: Prospects for Reform, Trade, and Investment**, EIU: New York, NY.

Evans, Patricia, A. Gay, K. Reeves, and R. Ribeiro, 1995, **The Impact of Foreign Trade on Florida's Economy**, 7th Annual Report, Division of Economic Development, Florida Department of Commerce, Tallahassee, FL.

Fullerton, Thomas M., Jr., 1993, "Development Trends in Latin American Economies," chapter 12 in **Comparison of Development Experiences: Latin America and Korea**, edited by Soo-Keun Kim, Chul-Hwan Kim, and Yoosik Gong, Ajou University Press: Seoul, Korea.

Hufbauer, Gary C., and Jeffrey J. Schott, 1992, **North American Free Trade: Issues and Recommendations**, Institute for International Economics: Washington, DC.

Inter-American Development Bank, 1991, **Economic and Social Progress in Latin America**, Johns Hopkins University Press: Washington, DC.

McCoy, Terry L., 1993, "Democratic Transition and Economic Reform in Latin America," chapter 4 in **Comparison of Development**

**Experiences: Latin America and Korea**, edited by Soo-Keun Kim, Chul-Hwan Kim, and Yoosik Gong, Ajou University Press: Seoul, Korea.

Moffett, Matt, 28 October 1994, "Spreading the Gospel," **The Wall Street Journal**.

Moss, William, and Gregory W. Kessel, 1992, "Florida Commercial Real Estate Markets," paper presented at the University of Florida-Goodkin Research Florida Economic Development Outlook Conference.

Narisetti, Raju, 28 October 1994, "Not Everybody Wins," **The Wall Street Journal**.

Ondrich, Jan and Michael Wasylenko, 1993, **Foreign Direct Investment in the United States**, W.E. Upjohn Institute: Kalamazoo, MI.

Ramsey, Sally, 1990, "International Trade and Investment," chapter 14 in **The Economy of Florida**, edited by David Denslow, Ann Pierce, and Anne Shermyen, University of Florida Press: Gainesville, FL.

Stumpfl, Amy, 1994, "Florida, A New Beginning," **Plant Sites & Parks**, Volume 21 (November/December).

West, Carol, and Thomas M. Fullerton, Jr., 1994, "Forecast Summary: Florida Economy," **The Florida Outlook**, Volume 18 (Third Quarter).

West, Carol, David Lenze, and Tony Tracy, 1994, "Volume 1: Metropolitan Statistical Areas," **The Florida Long-Term Economic Forecast**, Bureau of Economic and Business Research, University of Florida.

Williamson, John, 1990, **Latin American Adjustment: How Much has Happened?**, Institute for International Economics: Washington, DC.