



## LATIN AMERICA TRADE AND TRANSPORTATION STUDY (LATTS) II

**Welcome to the second newsletter of the Latin America Trade and Transportation Study (LATTS) II!**

### **Work Progress – Where We Are Now**

Many activities have happened since the release of the last newsletter, and the purpose of this edition is to inform and/or update the interested study stakeholders about those that have recently taken place, and the upcoming ones.

#### ***May Working Committee Meeting***

The first two-day study working committee meeting took place in May in Gulfport, MS. This productive gathering of the Southeastern Alliance state representatives, served multiple purposes. Firstly, it allowed for the welcoming and introductions of the representatives from the Missouri and Oklahoma DOTs that joined the study efforts in phase II. All in attendance got a refresher on the LATTS (phase I) findings and recommendations, and went over the LATTS II scope of work, and other administrative matters. Following that, the consultant presented the findings on the tasks related to 1) the development of the LATTS II Strategic Transportation System; 2) Public information on LATTS/LATTSII; 3) Foreign Trade Zone Analysis; and 4) The transportation-related economic development opportunities.

The FTZ and the transportation-related economic development task analyses were subsequently completed, and their summaries are presented below. For more details please see the briefing papers/newsletter section of this website.

### ***The Foreign Trade Zones in the Alliance Region – key findings***

- There were 98 general purpose FTZs and 206 subzones located in the Alliance Region as of February 2003 (please see the map below for geographical and clustering distribution);
- Approximately 200,000 persons are employed at more than 1,200 firms that operate in the Alliance Region under FTZ status;
- The combined value of shipments into Alliance Region general purpose zones and subzones totaled \$148.4 billion in 2001. This represents 61.6 percent of the U.S. total for all general purpose zones and subzones;
- The level of domestic status inputs (62 percent) used by FTZ operations indicates that FTZ activity tends to involve domestic operations that combine foreign inputs with significant domestic inputs;
- Exports (shipments to foreign countries) from Alliance Region facilities operating under FTZ procedures amounted to \$10.0 billion and shipments to the U.S. comprised \$140.7 billion;
- Some 85 percent of zone activity took place at Alliance Region subzone facilities, which is consistent with the historical pattern in the region and for the rest of the U.S.;
- Industries that account for most Alliance Region zone manufacturing activity include the oil refining, auto, other motor vehicle, computer/office equipment and electronic product sectors;
- The key success factors are found to lie in: location, ability to integrate into local economic environments, transportation access and supply chain logistics, ability to leverage a particular manufacturing niche, ability to adapt to change, and safety and security;



- The key barriers include: frequent changes in economic and administrative regulations, uncertain future regarding terrorism and homeland security, congestion at U.S. gateways and borders, and lack of air service to Latin America.
- In conclusion, FTZs and Subzones are an important part of the supply chain, and state transportation officials should be aware of their trade importance, their local economic role, and their transportation issues and needs.

***Economic Development Opportunities – key findings***

Generally, ways in which transportation impacts economic development include:

- Linking key economic centers in a region to national markets thus making the area competitive for growth;
- Providing for more efficient flows of commerce through the region to enhance the development potential of areas traversed by the improvement;
- Facilitating the movement of people to new jobs and public services;
- Opening up new sites for commercial and industrial development;
- Providing local access roads to stimulate retail development;
- Enhancing the flow of goods and services within a sub-regional trade area to increase induced economic benefits;
- Facilitating the diversification of the local economy;
- Supporting new business initiatives; and
- Enhancing economic development by lowering the cost of doing business through lower transportation costs.

Key industry clusters in the Alliance Region were identified by examining the concentration of employment in the region relative to the U.S as a whole. They include:

- Durable Manufacturing
  - Automotive
  - Wood products
  - Electrical components and

- appliances
- Nondurable Manufacturing
  - Beverage and food
  - Industrial and other chemicals
  - Paper products
- Service Industries
  - Health and social sciences
  - Tourism Related
    - Food establishments
    - Lodging

After identifying the key industry clusters, national input/output tables, which detail the inputs required to produce a dollar's worth of output in a specific industry, were used to define the key inputs for each of the industry clusters. Based on this analysis, key freight flows in terms of the industry clusters in the region include:

- Rubber and plastics
- Fabricated metals
- Chemicals
- Instruments

Based on existing industry clusters and freight exports to Latin America the following industries have been identified as potential development opportunities:

- Fabricated Metals
  - Key input into automotive and electrical/appliances industries
  - Over 1 million metric tons exported through the region
- Rubber and Plastics
  - Key input in automotive and electrical/appliance industries
  - Over 300,000 metric tons exported through the region
- Instruments
  - Key input in automotive and electrical/appliances industries
  - Over 81,000 metric tons exported through the region
- Chemicals
  - Key input in rubber and plastics, paper products and chemical industries
  - Over 5 million metric tons exported through the region



By identifying what industries are currently important to the region and analyzing the supply chains of those industries, combined with Latin American trade data, this analysis provides the Alliance Region with a regional perspective on some of these potential opportunities.

### **Conferences**

The LATTS team provided a presentation at the Southeastern Association of State and Highway Transportation Officials (SASHTO) annual conference in September in Charleston, WV. During the session hosted by a working committee representative from West Virginia (Mr. Paul Wilkinson), the consulting team supported by the working committee chairman (Mr. Ray Balentine) presented a study (phases I and II) overview, the Latin America Freight Scan briefing, and provided an update on the work progress to that time. Another working committee member (Mr. Martin Weiss of the FHWA) also presented during the session on the topic of Highway Economic Development Initiative.

### **Current Work**

Presently work is continuing on the intermodal connectors linking the Alliance gateways. Work has also commenced on tasks pertaining to the gathering of success stories related the recommendations/strategies from LATTS (phase I), and innovative funding methods. The consultants have preresearched candidate project initiatives for all the Alliance states/commonwealths, and are now contacting the DOT representatives to obtain additional information on the success stories. The DOT representatives are encouraged to share related project stories. Additionally, the initial development planning of the proposed International Trade & Freight Transportation Institute has begun, and will involve the study working and steering committees.

### **Upcoming Events**

The second working committee meeting has been scheduled for early March in Gulfport, MS. If you have been invited to participate, and have not already responded, please contact Mr. Nelson Sellers of the MS DOT as soon as possible.

Location of FTZs and Subzones – Alliance Region





## **LATTS II Newsletter**

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*Thank you very much for your interest in the LATTS II efforts. Please, do check the study website periodically for future updates.*



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