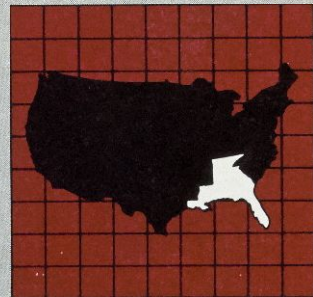


# Economic Review



FEDERAL RESERVE BANK OF ATLANTA

JANUARY 1986

## The Southeast in a Global Economy

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# Economic Review

Special Issue

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# Introduction

Over the past two decades, a truly global economy has emerged. It holds sweeping implications for the decisions business and government leaders must make on a multitude of issues. This month's *Economic Review* looks at those implications, as it concludes the presentations delivered late last year at the Atlanta Fed's conference on "The Southeast in a Global Economy."

In our last issue of the *Review*, we published presentations by several conference speakers, who discussed the forces that have brought about international integration and looked at the impact of this market "globalization" on domestic industries, consumers, and labor.

This month the spotlight swings to the problems and opportunities inherent in producing goods and services for world markets and the pluses and minuses of foreign investment within our own borders. We are pleased that we can offer the insights of such knowledgeable businesspeople and analysts on these topics.

Obviously, considering the diversity of views expressed, it should be clear that those views do not necessarily reflect the opinion of either the Atlanta Fed or the Federal Reserve System.

Our issue begins with William Brock, who acquired an indisputably global perspective as this nation's trade representative from 1981 through 1985, serving as President Reagan's chief international trade adviser and negotiator. Brock, who was confirmed as secretary of labor last April, emphasizes that the global economy is a reality that must be faced, notwithstanding the challenges it poses for American industries and governments.

Urging American businesses to seize the opportunities awaiting them around the globe,

Brock challenges executives to get involved in worldwide competition because "this isn't just a temporary phenomenon, it is permanent. No amount of protectionism or wishful thinking is going to send it away."

Atlanta Mayor Andrew Young also takes a broad, positive view of the changing environment, declaring "we've got to look at the whole world as the economy and we've got to look at each other as friends and trading partners." Speaking from not only the perspective of a civic leader but from his experiences as United Nations ambassador during the Carter administration, Young says it is possible for nations to share a relationship "that doesn't include cutthroat competition or attempt to destroy each other's work force."

Young urges Americans to explore imaginative new ways to do business in today's increasingly competitive markets. He recounts his experiences bringing people in third world countries desperate for U.S. technology together with American companies that need foreign contracts in order to create jobs here at home. Furthermore, he seeks to explain why ambitious southeastern cities such as Atlanta should continue to cultivate international markets and investment.

After Mayor Young's presentation our focus shifts, as it did during the conference, to specific issues concerning American producers of goods and services. Several industry representatives demonstrate that trade is a two-way street, a street abounding in both opportunities and potholes. Leading off that discussion are executives from two basic southeastern goods-producing industries—textiles and agriculture—that have been hard-hit by the changing competitive environment.

James Leonard, III, manager of economic analysis for Burlington Industries, a North Carolina-based textile giant, discusses his industry's concern over foreign competition. That concern, of course, has led many in the industry to call for legislation to tighten import restrictions. A bill to limit textile and apparel goods from the Orient more sharply was approved by the House and Senate after our November conference, but then was vetoed by President Reagan who denounced it as protectionist.

Donald W. Sands, president of Atlanta-based Gold Kist, Inc., explains the troubled market situation facing American agriculture largely as a result of the strong dollar that undermined U.S. commodities' competitiveness before it began weakening in foreign currency markets last year. As head of one of the Southeast's major agribusinesses, with annual revenues of more than \$1.5 billion, Sands says his own organization lost much of its traditional overseas market while the dollar's value climbed to a 12-year high last February. "Our former customers looked to other countries for cheaper prices, leaving U.S. commodities in warehouses," he notes.

In the article that follows, Scientific-Atlanta Chairman and Chief Executive Officer Sidney Topol gives examples of how his high-technology company competes around the globe. He adds a warning that ill-advised attempts to protect certain American industries from competitors in China and elsewhere can boomerang because protectionism limits competitors' earnings in dollars. That in turn, squelches other U.S. manufacturers' potential sales in those same countries.

Other contributors deal with international trade and services. Edward S. Reed, retired executive director and general manager of the busy Port of New Orleans, points to the significance of port and transportation services to those in foreign trade. Then Barry Pitegoff, tourism research administrator for the Florida Division of Tourism, discusses strategies for attracting foreign tourists, whom he says sometimes look for different things than domestic tourists. He urges other southeastern states to join Florida in opening their doors to foreign visitors, whom he says represent a vast, largely untapped market.

Next, two experts examine more specific international financial issues. Alexander McW. Wolfe, Jr., vice chairman of Miami-based Southeast Banking Corporation, suggests strategies that southeastern banks can employ to increase profits without incurring excessive risks. And Brookes

McIntyre, a foreign bank consultant, explains various ways international banks can enter the United States and cites reasons for doing so.

Three concluding contributors address the question of foreign investment, which has gravitated to the Southeast in recent years.

Alexius Conroy, who recently founded his own development firm, says Florida and other southeastern states are irresistible to developers in Canada and other countries facing domestic constraints on their activities. "The Southeast's ability to grow, both physically and through creation of new jobs, provides a unique milieu for investment and will encourage foreign investment in this region far into the future," according to Conroy, former president of the Canadian-owned Cadillac Fairview Shopping Centers (U.S.) Limited.

Cedric Suzman, vice president and educational program director of the Southern Center for International Studies in Atlanta, catalogued various reasons for what he characterized as "the phenomenal growth in foreign direct investment" in the Southeast. Those factors include everything from the region's economic growth and population influx to its well-served airports and other transportation facilities. The region's balmy climate and the warm welcome that states and communities often extend to foreign investors are other incentives, according to Suzman, who says, "the old southern hospitality has provided a comparative advantage."

But a Florida International University economics professor observes that American states and localities have often viewed foreign investment as a mixed blessing. Mira Wilkins points out that southeastern communities welcome the benefits of increased investment, jobs, and economic activity. Yet they worry about relinquishing control of land or facilities to foreigners. When Mississippi defaulted in 1838 on a \$5 million bond issue largely held abroad, she notes, the governor "declared righteously that the state would not allow the Rothschilds and other British bankers to make serfs of its children."

That is the lineup to conclude our two-part series on the Southeast's role in a dynamic global economy. You will find that our contributors believe this new economic environment can be both positive and negative—but that it cannot be denied. As William Brock sums it up in his challenge to American producers:

"We are part of the world; we have to live in it, compete in it, and succeed in it."

# Competing Takes Hard Work

William Brock



What, I wonder, is the appropriate analogy to describe the circumstances in which the United States finds itself right now? Should we be described as Rip Van Winkle after a 30-year nap, or as Gulliver trying to break the strings that the Lilliputians used to bind him while he slept? We are beginning to wake up and face an inescapable fact: our nation is part and parcel of an irreversibly integrated world economy. Producers increasingly have become aware of this and so have workers, as 70 percent of all we manufacture now faces international competition. American farmers and others involved ever more deeply in export trade over the last three decades surely recognize how firmly linked the world's economies are today.

This integration is not just a temporary phenomenon; it is permanent. No amount of protectionism or wishful thinking can make it vanish. The United States is part of the world. We have to live in it, compete in it, and succeed in it. We have no alternative. I hope Congress realizes that, but I suspect it does not since I continually hear pleas for more protection for this and that industry, against this or that country.

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*The author is U.S. secretary of labor and a former U.S. trade representative.*

Congress is considering one of the truly fundamental tax reform proposals of the postwar era, yet rarely in the course of debate does anyone assess the impact that tax bill will have on this country's ability to compete internationally. That issue is not raised when we talk about increasing federal regulations or about antitrust law. We should look at the line items of this tax reform legislation and ask whether each item helps or hurts our competitiveness, for we must compete.

The last 15 years have been educational and in many ways painful. In the early 1970s, for example, some of the Arab states decided they could gain a stranglehold on the world economy by forming an energy cartel and controlling the price of oil. Nobody thought it possible, but they did it. In the ensuing 10 years, the price of that most basic energy resource doubled, redoubled, and then doubled again. And, as politicians are wont to avoid the truth, the United States and most countries, developing and developed alike, hid from that fact. We shirked reality and allowed the illusory process of growth to continue by the route of debt and subsequent inflation.

Neither developing nor developed countries were forced to make the adjustments necessary to enjoy a market-determined economic growth

rate. We simply borrowed and inflated, never asking when the house of cards inevitably was going to tumble. In fact, we went so far as to say, "We just won't let it affect us. We'll control the price of oil and natural gas." In the ultimate act of hypocrisy, nations refused to work their way out of the problem by developing alternatives. Among them, the United States refused to allow the market to work. I have often seen Congress pass legislation repealing the law of supply and demand, yet I have never seen it work. And it did not work on this occasion.

During this same period bankers were saying, "Whoa, I've got a bunch of money. Don't you farmers want to buy some land?" That land was bought on the assumption that values would continue to skyrocket, as they were doing in the 1970s. So farmers borrowed.

Then came the moment of truth, the time to pay the preacher. The world economy—not just the U.S. economy—tumbled into the greatest recession since the 1930s, led by the collapse of commodity prices. When commodity prices went through the floor, a lot happened. Our farmers could not pay those loans and the commodity-based economies of Brazil and other countries couldn't pay their loans. All of a sudden we were trapped in a debt crisis.

A number of other nations caught in that crunch decided they did not have to buy from us, and so they increased their government intervention massively. They enacted quotas and placed protectionist devices and tariffs on all imports. In the collapse of the international marketplace in farm products, American farmers' overseas sales plunged from 44 percent of their total production to about 32 percent. American firms also lost billions of dollars in sales of industrial goods.

Now, poignant situations are dramatizing the farmers' plight. Recently in Georgia, for example, a group of men was patrolling a farm's borders with shotguns to keep the sheriff from coming in and taking the land. We have human problems like this, not just economic problems.

Interestingly, while we have trouble spots—steel, textiles, shoes, and farming—certain other areas send a contrary message. The United States is the most productive country in the history of mankind. By any economic measure we, as a people, are more productive than the Japanese, Koreans, Swiss, or anybody else. Currently, 109 million Americans are working—nine million more than were working two and

one-half years ago. The highest percentage of Americans in the history of this country is employed, not just in absolute numbers, but as a percentage of those capable of working.

**"I have often seen Congress pass legislation repealing the law of supply and demand, yet I have never seen it work."**

Another area? We are in the 36th month of an economic recovery, our strongest rebound from any recession in the postwar period. During the last 12 months we have created 640,000 new businesses, or 50,000 a month. That figure is important because it demonstrates the incredible regenerative capacity of our phenomenal free enterprise system. Half the new jobs in the United States in the last decade have come from firms less than four years old. In the last 12 months, 1.8 million Americans have come out of poverty, including 500,000 children—the largest reduction in the number of poverty-stricken children in the history of taking the data. What's more, the smallest number ever of our elderly are in poverty today.

The United States still leads the world in many areas of technology. For example, we have developed a new electronic "gate" for microchips that is one billionth of an inch wide. To imagine how small that is, consider that, to a person standing in the gate, a human hair would be the height of five Empire State Buildings.

Another example of our astonishing advances is my own bionic eye. I had a lens replacement for a cataract. Before surgery, I asked the doctor how he would know where to put that plastic lens, which has to focus light rays precisely on the retina so my brain can receive the proper signals. He said, "Just walk across the

hall with me." I followed him across the hall and he sat me down in front of a machine that had a typewriter at the back. He told me to stare into it and lights started flashing. He measured the interior of my eye in just 30 seconds. The machine gave him a computer tape with the precise internal dimensions of my eye—which he never touched.

When I woke up the day after surgery, I told my 78-year-old mother I could read a telephone book without glasses for the first time in 10 years. She became so enthusiastic that she came to Atlanta and had the same surgery done as an outpatient. The operation took only 20 minutes, and she rode back to Chattanooga the same day.

**"With all this (nation's) creativity, growth, talent, and wealth of technology, motivation and entrepreneurship, why do we have a \$123 million trade deficit that is still rising?"**

Companies in Atlanta are making medical products like these and shipping them around the world. In fact, the United States is an incredibly competitive country. With all this creativity, growth, talent, and wealth of technology, motivation, and entrepreneurship, why do we have a \$123 billion trade deficit that is still rising?

In the old comic strip, Pogo once said, "We have met the enemy, and he is us." That's true in this case. We were deluded by the false prosperity of inflation, particularly in the 1970s, and became fat and sloppy in too many industries. Our nation forgot that when we proclaimed "Made in America" on whatever we produced, we were proud that it boasted the highest technological composition and the best quality you could find anywhere. We forgot that those characteristics were what made our products

best in the world, and lapsed into some sloppy management and bad work rules. In our work places we began experiencing unacceptably high levels of absenteeism on Fridays during hunting season. Productivity went down, as did our quality.

In addition, the government decided it was smarter than anybody in the industry, and so it began handing down regulations once a week on how Americans should conduct business. If automobile companies didn't like the safety standards imposed on them, the government changed them and issued gasoline standards. If someone disliked the gasoline standards, the government passed pollution standards. No one could catch up. What our government was trying to do was not wrong, but it was not considering how to do it in an internationally competitive way.

U.S. tax policy, which seems to have been designed by elves of the 1920s, has not changed. We forgot the effect of federal deficits on interest rates, the value of the dollar, and our savings rate.

We virtually stopped teaching foreign languages in our public schools. Someone said recently, "You buy in any language, but you sell in theirs." And since we don't know theirs, we are not selling.

In Washington there is a clamor for protection. For many Americans, history is last week's *Time* magazine, but history is far more than that. In 1930 the Smoot-Hawley Act taught us that protectionism doesn't work. It destroys the opportunity for growth and for creative competition. And here we are in 1985 begging to make the same mistake.

Take another example: the Burke-Hartke Bill, a protectionist measure that came before Congress when I was there, was defeated by only one vote. We chose to allow the United States to go for a new round of trade negotiations, to reduce tariffs, and to open up our borders to world competition. Europe was willing to participate in the new round of negotiations, but unwilling to open itself up for all that competition. Aware that quotas or tariffs were prohibited under the rules of the game, it chose instead to subsidize its business. That is protectionism, by the way; protectionism is a subsidy.

Europe elected to subsidize its steel industry with billions of dollars. Unhappy that Boeing

McDonnell-Douglas, and Lockheed excelled at selling jets around the world, Europe also decided to build the Airbus with a consortium of government-funded programs. They channeled billions of dollars into Airbus production, as well as \$7.5 billion a year into their farms to subsidize the export of agricultural products.

The French even decided they were angry at the Japanese and did not want any more of their video-cassette recorders. "All right," the French said, "we're going to make the Japanese clear every VCR coming into France through Poitiers." Poitiers is a small farming community with two customs inspectors—both part-time. Everybody thought that was a cute ploy and wished we could protect ourselves like that.

Well, those protectionist programs worked. In the last two years Europe's imports declined 8 percent, while ours soared by 50 percent. Unfortunately, European exports dropped 14 percent, even more than their imports.

But what is the real measure of success? In that same period, we have created eight million jobs while the Europeans lost four million. Yes, protection is working for them, all right; it's working to stop economic progress. Our unemployment rate has come down to 7 percent, while theirs rose to 11 percent. Their protectionism is working as it always will—to stop growth and stifle the ability to compete.

The question is: do we protect ourselves or do we solve the problem? To solve the problem, labor and management must sit down and work out an agenda for competing. President Reagan summed up this situation when he said, "If everybody's in the same life boat and somebody shoots a hole in the bottom of the boat, do you want to get even by shooting another hole in the bottom?"

We live in one boat. In any company, there is no distinction between labor, manager, supervisor, and hourly employee—each employee shares a vested interest in that firm's well-being. And our nation is learning to live in one boat: labor and management are talking and making compacts like the Saturn agreement between General Motors and the United Auto Workers at a new Tennessee plant.

In addition to our trade imbalance and pressures for protectionist legislation, the nation must solve the federal budget deficit problem—it's eating us alive. A \$200 billion deficit in the foreseeable future is insane; that's 80 percent

of this nation's net savings going to the federal government for nonproductive purposes.

Somehow Congress must realize what one church member had to learn. She told the preacher that the Lord was not answering her prayers. "I have been praying for a husband every week for the last year," she said. "Every Sunday I come in and pray, but I haven't found a husband. So I started praying for a new Cadillac. But I haven't got that, either. I don't understand why he won't answer my prayers." "Lady," the preacher replied, "don't you understand that 'no' is an answer?"

When will Congress learn that "no" is an answer? We can't do everything for everybody in this country, at the same time, in the same year. A \$200 billion deficit means that we must cut spending for programs that are popular and beneficial but that we just cannot afford now.

**"We have created eight million jobs while the Europeans lost four million. Yes, protection is working for them, all right; it's working to stop economic progress."**

There is no choice but to force ourselves to live within our collective means. This can't be done by arguing whether we should cut Amtrak funding by 12 or 15 percent. Nothing is going to be accomplished that way.

Not only do we need to reduce the deficit, we need to concentrate on the size of the nation's capital pool because not enough is going in. When our savings rate averages 6 or 7 percent a year, there's no seed corn for next year's crop.

We cannot afford to compete with the world on the basis of wages unless we want a slave wage economy, and I've never heard an American suggest that. Our other avenue is to compete on the basis of capitalism, and the cost of capital is a fundamental cost of doing business.

We must compete either on the cost of capital or the cost of wages—take your choice. Since we've ruled out wages, we must reduce the cost of capital. To do that, we have to increase the supply and call for more incentives and fewer disincentives for savings by private and corporate Americans.

More fundamentally, we need to improve our educational system. Of the 74 percent of our young people who graduate from high school, 53 percent can't solve a simple math problem or write a letter. In a recent poll, half of the high school seniors surveyed could not identify Winston Churchill or Joseph Stalin and did not know whether California was on the east or west coast. That's our fault. We waited 20 years while the reading, math, and communication skills of our children declined annually. Nobody was fired. That's our fault and it's inexcusable. We must do better.

Education is a lifetime process. We must encourage children to establish good thinking and studying habits as well as good work habits if we are to compete in this international environment. It is up to us. The opportunity is here. We are part of a global environment, an integrated economy, and there is no going back.

This global integration is the most exciting development since this country established the constitutional system of freedom. We are being forced to exercise and develop our emotional, mental, spiritual, and physical muscles in the process of competing and we will be better for it. We're going to create more jobs than we can say grace over—and they will be better, cleaner, safer, and higher-paying jobs.

The world is a \$2 trillion market and will rise to \$4 trillion by the end of the century. There is more opportunity for Americans now than in the last 50 years. There is no limit to what we can achieve if we want to grab that "Holy Grail" of competition.

But we have to make a deliberate decision to compete. We're already facing competition. We must decide whether we want to go after the business. Reassurance was given to us in the difficult days of the early 1940s by a man who claimed part-time citizenship here, Winston Churchill. He came to the United States in the dark days and said: "We did not come all this way, across the centuries, across the oceans and the plains and the mountains, because we are made of sugar candy." He's right. We're not. But we had better get with it.

# Why Cultivate International Markets And Investments?



Andrew Young

I have to make this personal because I have no training in business or economics. Of course, I don't have any training in politics, either. And I never took a single course in foreign affairs.

I've come by my education and experience out of the evolution of a poor country preacher who started in rural Alabama and moved over to Georgia. I became concerned about how to feed the hungry, how to clothe the naked, and how to heal the sick. Suddenly I realized it doesn't happen just by preaching; it happens through political and economic decisions.

So I ran for Congress. Because I was in Atlanta and we were trying to develop a mass transit system, I won an appointment to a House banking committee. For some strange reason, urban mass transit came under that committee.

The first day I was on the banking committee, Paul Volcker, then assistant secretary for monetary affairs in the U.S. Treasury, and Arthur Burns, chairman of the Federal Reserve, came to discuss why we should devalue the dollar. I didn't understand what they were saying then,

and I haven't understood what they are saying now.

I had the strange feeling that they were looking at the world as economists and my background as a politician said they were not considering the political factors in their economic decisions. I always felt that politics had at least as much to do with the way people spend and invest their money as economics. People believe in more than just profitability: they believe in security, a sense of identity, friendship, and trust. And, they believe reliability and fairness are in short supply in much of the world. So many other factors influence one's investment and trade policies other than the short-run bottom line.

A year later, those same gentlemen were back to that banking committee, trying to explain why the world market price of oil suddenly shot from \$2.50 a barrel to an exorbitant \$14.87. Nobody dreamed it could go as high as \$50 or \$51. Even when it climbed to \$14.87, I had the sneaking suspicion there were some political problems as well as economic problems. Rising oil prices meant that the United States no longer had single-handed control of the world's economy as we essentially did from the time of Bretton Woods to 1973.

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*The author, mayor of Atlanta, Georgia, is a former ambassador to the United Nations.*

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Competing forces seemed to be influencing our economy in ways we could not, and probably would never, be able to control. I realized we were going to have to get out in the world and compete, though at the time I didn't do much about it.

Then I went to the United Nations as ambassador and soon found myself traveling to Nigeria. Here was a nation of 100 million people, most of whose leaders were educated in the United States. Oil was then running close to \$35 a barrel. Nigeria had an enormous surplus of cash, while the United States was running a \$10 billion trade deficit with Nigeria alone. At the same time, people in Atlanta were laid off from General Motors because no trucks were being produced—when Nigeria needed every kind of truck we might have made.

**“Men and women of all nations need to sit down and coordinate the resources that are on this planet if we are to survive.”**

I also discovered that Nigeria had a shortage of farm machinery, when Massey-Ferguson, John Deere, and Caterpillar were experiencing layoffs in this country.

The world was not making sense. Somehow, I realized, we had to put the productive capacity of the United States of America to work. We had to employ our workers by responding to some needs of the world in which we live. This, for me, is a religious, political, and economic problem.

Take a country like Sudan. Sudan has an estimated \$300 billion worth of oil, natural gas, and uranium reserves underground. On top of the ground, two to three million people starve every year. Some kind of system needs to link those people in need with Americans wanting to work.

If an American company ever began developing southern Sudan, a communications network would be needed first because no roads exist. The company also would need the kind of satellite communication equipment that Scientific-Atlanta makes to send messages back and forth. If anyone built a pipeline to transport the oil and natural gas in southern Sudan to the Mediterranean, technology would be required that few countries except the United States produce.

I felt I had to cultivate international markets, trade, and investment for religious reasons and for reasons of political security. When we don't feed the hungry and we don't develop the resources in a country like Sudan it ends up with coups and counter-coups.

Interestingly enough, the most recent coup in the Sudan is being blamed on the International Monetary Fund because the IMF caused the devaluation of the currency and used stringent methods we wouldn't consider here. All over Africa, the IMF is developing a reputation as a system that topples governments. Supposedly when people don't get along with us, we put the arm on them economically. That may or may not be true, but that is the prevailing sentiment.

Somehow, in the absence of an economic system that allows everybody to share in the growth and development, serious political dislocations occur: unemployment; sometimes inflation; enormous deficits as we continue to spend more money without producing the goods and services to earn and deserve it; and, sometimes, the destabilization produced by hunger and famine. We live in a world in which our adversaries thrive simply on being able to stir up some trouble—and it doesn't take much. The Soviets, for example, have to do little in countries beset with economic troubles to end up creating chaos. We respond to that by increasing military spending, thereby increasing our deficit, thereby creating more trouble for ourselves at home.

Somewhere, sometime, in the plan of God if not in the mind of man, this world makes sense. Men and women of all nations need to sit down and coordinate the resources that are on this planet if we are to survive. Atlanta and the Southeast are probably among the best areas in the world from which to generate a global view of the present economic situation that would permit American industry and business to be involved in developing trade.

That's the main reason I ran for mayor. This city, with 460 of the Fortune 500 companies, with some 20,000 to 25,000 jobs already being produced by international investment, with more than 100 foreign companies coming into this metropolitan area in the last four years, has the right climate.

**"We are growing, certainly, but maybe at the world's expense. We might be better off if a little bit (of Atlanta's \$25 billion in recent industrial development) were invested in Mexico, the Caribbean, or Haiti."**

Georgia has had governors, dating back to Jimmy Carter in 1970, who emphasized world trade. They opened offices in Japan and Brussels and welcomed foreign investors. Governor George Busbee followed up on Jimmy Carter's initiative, and Governor Joe Frank Harris is continuing it. We've had a 10 to 12 year start, and it's working.

After my involvement in the United Nations, I thought I could add to this process and take it further. One of my first missions as mayor was to Saudi Arabia to talk about Atlanta. I figured that most of the world's surplus capital had its origins in Saudi Arabia or Kuwait. It may come to us through German banks, or Japanese banks, or Swiss banks, or French, or Canadian banks, or different investments. But if the people who sit on those boards over there knew where Atlanta was, then Atlanta might be able to attract some of that capital.

We've attracted about \$25 billion worth of investment into this metropolitan area in the last four years, so something is working. You don't have to argue about credit, it just is happening. Yet the one thing we are not doing to the extent we should, though, is trade.

We are a business capital, and this is a good place from which to do business. Everybody in the world wants access to the American marketplace, and Atlanta is the best place in the United States to access this market. From Hartsfield Airport, you can reach 80 percent of the American market within two hours. And that airport has handled as many as 2,235 flights in a 24-hour period. It averages close to 2,000 flights a day, connecting to cities all over the United States and the world. So Atlanta is a good place for foreign business to locate.

But that still doesn't answer the question of trade. We are growing, certainly, but maybe at the world's expense. It might be preferable if some of that \$25 billion went elsewhere. We might be better off if a little bit was invested in Mexico, the Caribbean, or Haiti. We can't house, feed, and clothe the world's people in the United States. It's in our interest to see development elsewhere, and part of that development must come through trade.

I am convinced, more than ever before, that governments cannot develop. Development must be done largely by the private sector. You can't lend money to governments and expect that it will be used wisely. But you can contract with private sources and lend them money to build projects that will work and ultimately will pay for themselves. With that kind of development concept, we will be able to meet some of the world's needs. And in the process, we'll keep a lot of people in this country working.

We're striving for that, but there are many obstacles. The deficit is an obstacle that helps to create the strong dollar. I can't do anything about that. What I can do is to concentrate on other factors contributing toward trade that are non-economic factors, or at least not short-term economic factors.

I realized this during a negotiating session with the Nigerian government when a U.S. firm was \$60 million more expensive than competitors from two other nations. We were running a big trade deficit with Nigeria, and its leaders really wanted to do business with the United States. Suddenly it dawned on me that what they were talking about with our foreign competitors was a turnkey project, whereby they would have to pay our competitors indefinitely to manage and run the project.

I also realized that if those long-term management and maintenance costs were included in the contract it was probably more expensive

than the bid from the U.S. company. The U.S. firm is in Houston, and I knew there were about 2,500 to 3,000 Nigerian students in Houston at Rice Engineering School and Texas Southern. So, I told representatives of the U.S. firm we could swing the deal if they would agree to accept some Nigerian students on their staff and train them as interns. If we can find 50 or so Nigerian engineers and train them to operate and manage this kind of plant while it's under construction, I said, we can compete. When I suggested my solution to Nigeria's head of state, he said if you can get them to come down \$20 million, we can split the difference. But, finally, considering that one social factor, the Nigerians realized that the U.S. firm was offering as good a deal, in spite of the big gap in the dollar value over the short term.

Even with a strong dollar, if Americans are determined to trade and are willing to turn loose marketing and sales skills, we can be competitive. We can accomplish much if the government doesn't keep us from doing what we need to do, and doesn't penalize us for sending workers overseas. Everybody wants to live in the United States. The only incentive for not living in this country is that we can go overseas, earn more money for a while, and come back to live better in the United States. We've got to have a tax structure that allows people to work overseas, at least for short periods, without being penalized.

In fact, with a \$140 billion trade deficit in 1985, it's in our interest to encourage Americans to market overseas. We ought to give people tax exemptions when they work overseas trying to market goods and services manufactured in the United States. That's not the same as giving people tax breaks for plant and equipment and foreign investment. That's giving people a tax incentive for trade, for aggressive marketing, and for setting up an operation to train people and maintain the goods that we sell.

Many Americans don't realize that an enormous percentage of the world's leaders were given their early education by Christian missionaries and then studied in our university system. These leaders have some affinity for the values and ideals this country represents. Working with people who come out of a similar background, an additional incentive exists for building ties and relationships.

Think about the unlikely deal we put together at West End here in Atlanta, between the People's Republic of China and the National Baptist Convention, for example. It doesn't make any

sense at all, on the surface. Yet, here was a successful Chinese businessman, who had grown up around missionaries but had not become a Christian until he was saved during a Billy Graham evangelistic rally 15 years ago. Today he wants to do something to build bridges, so he's over here working with his Baptist brethren, who happen to be black. At the same time he is involved in a house church movement inside the People's Republic of China. Out of that religious relationship, they struck a deal that, hopefully, will be profitable for both sides. We couldn't get anybody to take a look at West End two years ago, although we talked with 25 developers. All the development was going north of Atlanta. But Oriental investors have seen the kind of developments that have taken place in Singapore, right in the middle of a former warehouse area. They have seen a neighborhood turn around once they made their investment there, so they aren't nearly as afraid of going into West End as U.S. developers.

**"If Americans are determined to trade and are willing to turn loose marketing and sales skills, we can be competitive."**

The religious connection intrigues me. Everywhere I went, particularly in Africa, the leadership has grown up with a Christian background. In Zimbabwe, Abel Muzorewa was a Methodist bishop. Ndabaninga Sithole was a minister of the United Church of Christ, and Joshua Nkomo was a Presbyterian lay preacher. Robert Mugabe was a Roman Catholic schoolteacher for 17 years, educated by the Jesuits. There's a whole mechanism of ideals, of values, of relationships that more than compensates for the strength of the dollar.

The connections don't exactly constitute a "good old boy" network when you look at the third world. Maybe it's more like a "new boy"

network, one that includes the young, blacks, and females in the business community. On the streets in Lagos I meet people I attended school with at Howard University. There's even a Morehouse alumni association in several African communities. Lincoln University, in Pennsylvania, has trained at least two former African heads of state, and the president of Malawi is a graduate of Meharry Medical School. All kinds of social connections can be brought into the economic equation to help us balance out a strong dollar. We just need to get about the business of trying to trade.

I often fall back on being a preacher, believing "all things work together for them that love the Lord." I feel that this country wants to do right. With all of the things we do wrong, with all of the mistakes we make, this country's basic instincts are to do good. The old folks say that the Lord will make a way out of no way.

That's what I'm looking for out of the forthcoming Reagan-Gorbachev summit. I don't know whether they realize it, but both the American and Soviet economies are threatened more economically than militarily. And they are not being threatened by each other; they are being threatened by everybody else. The best deal that could come out of the summit would be an agreement for both nations to reduce their military spending and increase their volume of trade. If they did that, it would begin to have a powerful effect on the deficit almost immediately. It would also affect the trade balance. Right now the Soviet Union can't even sell its people groceries. Somebody in Atlanta could sell the Soviets some of those cash registers that permit a clerk to run a can over the top of a register, that records the price. Do you realize what it would do for Soviet self-confidence if folks didn't have to stand in line out in the street to get their groceries? It becomes politically attractive to sell modern cash registers that will help them to do business as we do business.

There are many other possibilities, so many other needs that are interdependent that can be resolved only as we get out there and begin to trade. Ultimately, I believe that's what life is all about on this planet—finding ways to work

together fairly and freely, in peace and in brotherhood.

Of course, you can't have free trade without fair trade. But we can have fair trade and a fair enterprise system. We can have interrelationships in which our needs are compatible, where we begin to produce goods that other people need and in return buy goods from their production. This will result in a fair market system.

But we've got to include the whole world in the economic equation, or else we will find ourselves engaged in disastrous trade warfare with our friends. Just imagine our getting into a protectionist battle with the Japanese and the Koreans: on the one hand we'd be contributing to their security, on the other hand we'd be working economically to undermine their security. Or what if having invested in NATO and the Marshall Plan, we go to war with the European community economically, through protectionism?

At the same time, we can't sit by any longer while the American worker has to compete against the Japanese government, or the American farmer has to compete against the whole European community. If the European community is going to make decisions about European agriculture, the American government and the American farmer must get together and make some decisions about American agriculture. Then we have to reconcile those decisions so that they are free, yes, but they are also fair. I don't think that is difficult. We've just got to get about the business of doing it. When I say we must get back to Bretton Woods, I mean return to a time when the United States felt it could give leadership to the entire world and could provide for peace and security through economic development as well as military means—when we could stabilize currencies and interest rates so people could plan.

All things, it seems to me, are still possible. It's possible for us to have a rational relationship with each other that doesn't include cutthroat competition or attempts to destroy each other's work force. But we've got to look at the whole world as the economy, and we've got to look at each other as friends and trading partners.

# The Southeast's Textile/Apparel Trade And The Import Threat

James C. Leonard III



The domestic textile and apparel industry has been dealt a heavy blow by climbing imports and declining exports in recent years. Speaking from the industry's perspective, I will review the problem and possible solutions, as well as offer an assessment of the industry's export potential.

The plight of textiles and apparel is part of an ever graver problem facing U.S. industry. Our nation's total merchandise trade deficit was \$123 billion in 1984; 1985's figure will approach \$150 billion. Few expect this staggering deficit to improve any time soon, which bodes ill for all U.S. manufacturing. In 1980, when our nation had a negative trade balance in merchandise on the order of \$20 billion, seven American manufacturing industries posted surpluses. By 1984, however, that picture had changed dramatically, with most of these industries falling into deficit, some significantly. Even those industries still in surplus, such as chemicals, machinery, and tobacco, remain so at significantly lower levels than in 1980, and appear to be heading into the deficit area.

The future of American textiles and apparel remains potentially bleak. Data Resources, Inc.,

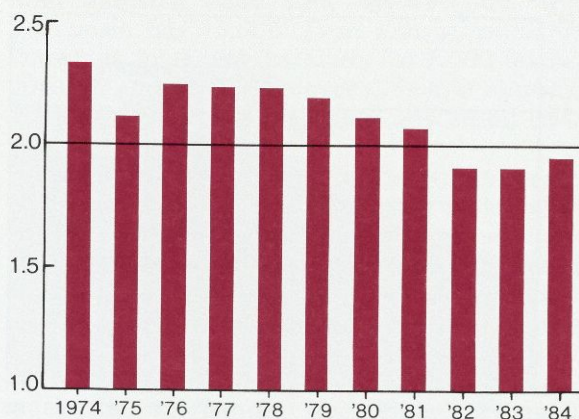
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a major economic consulting firm, has forecast that by 1990 over 80 percent of all apparel will be imported unless something is done now to stem the tide. (Eighty percent import penetration is the current level for shoes in this country.) During the Carter administration, apparel imports hovered around one billion pounds per year and import penetration held at about 20 percent. In recent years, imports have swelled to two billion pounds per year while import penetration, as calculated from historical data, has surpassed 40 percent, with some estimates approaching 50 percent. Even though the domestic market for textiles and apparel expanded 12 percent over the last four years, owing to the economy's rebound from the severe recession of 1981 to 1982, imports more than took up the slack. If these growth rates hold, imports soon will engulf the market, leaving a significantly reduced portion for domestic industry. Textile industry leaders are trying to avert this future with legislation under consideration in Congress.

As imports of textile and apparel products continue their headlong growth, our employment suffers the most severe effects. The industry work force plummeted from about 2.5 million employees in the mid-1970s to less than 1.8 million by November 1985. Some

**Chart 1. U.S. Textile and Apparel Employment**  
(millions)



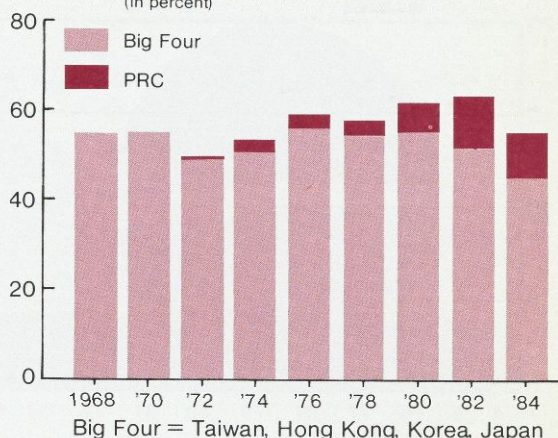
Source: Bureau of Labor Statistics

500,000 or 600,000 jobs have been sacrificed in the last 10 years; 100,000 jobs in the last 12 months alone (see Chart 1). For every textile and apparel job lost, there is another job lost somewhere in the economy through the ripple effect.

This surge in the growth of textile and apparel imports comes at a time when the industry is making significant capital investments, averaging \$1.4 billion a year over the past decade. This considerable investment enabled the industry to increase productivity at an average of 4.5 percent annually for the last 10 years, against about 2 percent a year for total manufacturing. In turn, this high productivity growth has allowed us to maintain lower price increases. At both the wholesale level and the retail level, price increases for textile products have run about half the rate for all consumer goods. In other words, if the consumer price index (CPI) expanded 5 percent a year, the portion attributable to textile and apparel products has risen only 2.5 percent a year.

Some observers argue that imports are responsible for the overall low level of inflation in textile and apparel products. Certainly, imports into this country are somewhat cheaper than domestic goods. When countries such as China, Pakistan, and Korea pay hourly rates of 16 cents, 75 cents, and \$1.50 compared with the U.S. rate of \$7, their manufacturing cost is sure to be significantly less than ours. While their

**Chart 2. Share of U.S. Textile and Apparel Imports, 1968-1984**  
(in percent)

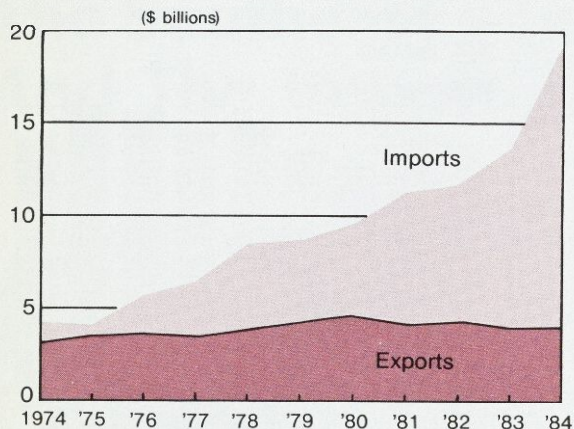


Source: Department of Commerce

productivity increases are smaller than ours, we would need a vast differential in productivity to offset the wages of foreign textile workers. Even though imported textiles and apparel are markedly cheaper at the dock, the consumer does not see those low prices. The big gap between what it costs to produce imported products and what the consumer pays is being eaten up by the importer, the wholesaler, the retailer, and so on. Thus, we in the textile industry do not see that imports provide a tremendous benefit to the consumer.

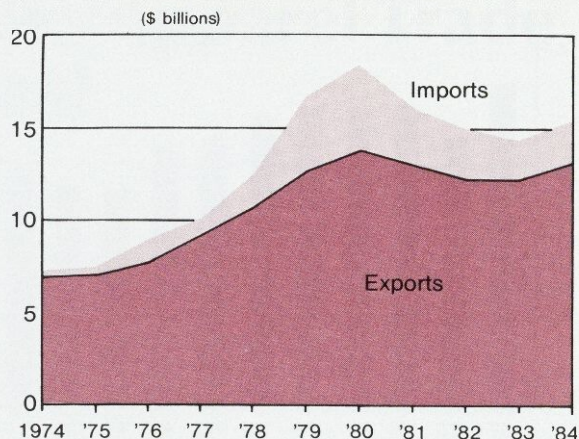
In 1984, this industry's \$16 billion trade deficit comprised about 13 percent of the nation's total merchandise trade deficit. The "Big Four" countries—Korea, Hong Kong, Taiwan, and Japan—account for the bulk of the trade deficit on our products (see Chart 2). China, which began exporting only recently, is becoming a formidable factor now. The share accounted for by the rest of the world also has grown dramatically since 1980, primarily because of the dollar's overvaluation. Should the dollar continue to decline, the U.S. textile industry can resume competing with the European Economic Community (EEC) and some of the world's other developed countries. But the Pacific Rim countries, which historically have had a trade surplus with us, will continue to hold the advantage as many of those countries peg their currency to the dollar and target their export markets.

**Chart 3. U.S. Textile and Apparel Trade Deficit, 1974-1984**



Source: General Agreement on Tariffs and Trade

**Chart 4. EEC Textile and Apparel Trade Deficit, 1974-1984**



Source: General Agreement on Tariffs and Trade

The Multi-Fiber Arrangement is an international agreement designed to provide orderly trade in textile and apparel products on a worldwide basis. When smaller countries begin to develop, according to the agreement, they should be able to export more, meaning that the bigger exporting countries of the world ought to back off a little. Over the last decade the Big Four plus China, have maintained a 55 to 60 percent share of imports into this country. Instead of allowing room for the smaller countries of the world to grow, these countries have permitted their export markets to expand at the same time. Rather than being redistributed, the "pie" grows larger and larger, which has a significant negative impact on the U.S. economy.

In 1984 our nation imported \$19 billion worth of textile and apparel products and exported \$3 billion worth (see Chart 3). Of course, the export situation is a function of the overvaluation of the dollar—but that is not all of the problem. Nearly every country has a textile and apparel industry, and some kind of barrier to imports. In Korea, for example, a license to import must be obtained by the Korean textile industry. In Japan, import distribution is controlled by the trading companies. France has a value added tax on imports, while Venezuela bans them altogether.

The EEC experienced a \$4 billion trade deficit in textiles and apparel in 1980, about

the same level as we had (see Chart 4). Those in the European industry insisted their governments do something to slow down growth of apparel import penetration, which was about 50 percent. Agreeing that strong measures were needed to preserve what they considered a basic industry, and in keeping with the Multi-Fiber Arrangement, the governments in the EEC took action to limit and actually cut back on those imports. The cutback met with no retaliation.

As a consequence of these measures, between 1980 and 1984 the EEC reduced its share of imports from developing countries from about 35 to less than 20 percent. In other words, they almost halved their imports from the developing world. The United States, however, bore the brunt of the European cutback. Whereas in 1980, our share of imports from the developing world was about 25 percent, our share presently is almost 50 percent. In the apparel area alone that figure approaches 65 percent. The bill that the textile industry is supporting in Congress would cut back U.S. absorption of this uneven share of imports from the developing world.

The impact of the import situation is pronounced in the southeastern United States. The textile, apparel, and fiber industry employs a total of about 2.3 million people, about half of them in the Southeast. Therefore, as the industry continues to lose jobs this region will bear a

disproportionate share of that loss. The problem, however, extends to all 50 states. California has 169,000 jobs in the textile, apparel, and fiber industry, New York has 179,000, and Wisconsin has 15,000. Even Kansas, primarily known as an agricultural state, has 7,000 textile, apparel, and fiber employees. Textile imports, therefore, will leave no region unscathed (see Chart 5).

Data Resources, Inc.'s econometric forecast, indicating a possible apparel import penetration of 80 percent by 1990, also explores the effects, domestically, of such a level. The United States will lose an additional 1.9 million jobs, half of those in the industry, half outside the industry. Furthermore, there will be a \$40 billion decline in GNP and a \$21 billion worsening in the merchandise trade deficit. Personal consumption expenditures will drop by \$19 billion owing to the lost jobs, lower wages, and eroded purchasing power.

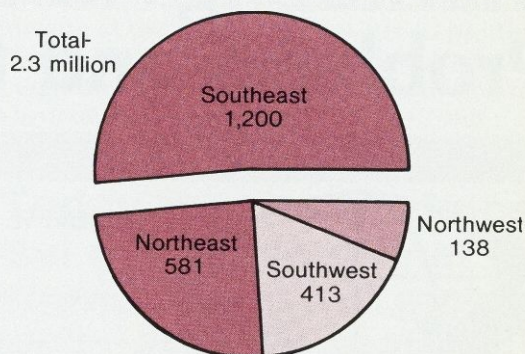
The bill that the textile industry is now supporting in Congress attempts to limit the growth of textile and apparel imports.

Advisors to the President already have remarked that he will veto the bill, regardless of its form. Such a move would contradict the President's reiterated but as yet unfulfilled commitment to the textile and apparel industry.

In its original form as introduced in the House, the bill proposes to cut back on textile and apparel imports—which approached 10 billion square yards in 1984—by 25 to 30 percent. (It excludes imports from the EEC and Canada.) The bill will allow annual growth of such imports to exceed market growth, and so the exporting countries still will be able to increase market share, but at a reduced rate. The industry forecasts that, without the bill and some structural changes in our import situation, import growth will persist at a rapid rate. By 1990 this expansion would result in over 20 billion square yards, and by 1995 nearly 30 billion yards—virtually all the market in this country. Thus, those foreign countries that control the U.S. market also will control what the consumer must pay for their products. The "good buys" of the past will grow increasingly rare.

Particularly vis-a-vis the developed countries, the import problem stems from the overvalued dollar. We can compete with these nations if the dollar is where it ought to be; if it is 50 to 75 percent overvalued, we cannot. Americans

**Chart 5. Regional Textile/Apparel/Fiber Employment**  
(thousands)



Source: Bureau of Labor Statistics, 1984 data.

would like to think that as the dollar returns to more normal levels our nation could export more and slow down growth in imports overall. Unfortunately, the textile industry does not stand to benefit overwhelmingly from the dollar's decline.

Foreign stocks of cotton from 1979 through 1983 remained fairly constant at about 20 million bales. In the last two years, stocks almost doubled to 40 million bales, mostly because of China. China, now a net exporter of cotton, grows more than any other nation. Its domestic market cannot consume such quantities, and so China is manufacturing textile and apparel products for export, primarily to the United States. Similarly, the synthetic fiber industry has grown dramatically outside the United States, which has become the chief export market for synthetic textile and apparel products. In light of this situation, the dollar's return to more normal levels probably will not be a panacea for the domestic textile and apparel industry.

Industry officials believe Congress is trying to address our problem. We do not like to think we are protectionists—seemingly a dirty word—but realists. Our goal is fair trade, because we know free trade is nonexistent. Rather than stopping imports, we are attempting to slow them down so our domestic textile and apparel manufacturing will remain a viable and basic industry.

# Marketing American Agriculture: Problems and Opportunities



Donald W. Sands

Gold Kist is a food-producing company that has been in and around Atlanta for all of its 52 years. We provide the production inputs, then purchase and process the poultry, peanuts, soybeans, and grain that result from those inputs. With annual volume of more than \$1.5 billion, we are the major agribusiness of the Southeast, and one of the nation's largest poultry producers.

In better times, about one-fifth of our total volume was exported, including soy products, peanuts, grain and poultry. Today, we could almost haul our international volume to port in a pickup truck—and a Nissan pickup, at that.

For background let me offer a brief profile of agribusiness today. Our economy has become far more dependent on manufacturing and service industries than on agriculture. There were 6.7 million farms 50 years ago, but fewer than 2.4 million exist today. Farm employment has dropped from 12 million to 2.5 million in that period, and farmers account for less than 2.5 percent of today's U.S. population.

Yet American agriculture is the world's largest commercial industry, with assets exceeding \$1 trillion. It employs 22 million people—one-fifth of the national labor force—in farming, processing, manufacturing, transportation, and retailing of

food and fiber. This combined agricultural industry accounts for over \$600 billion—or one-fifth—of our gross national product.

The average farm worker provides food and fiber for 79 people, compared with 55 in 1973, just 31 in 1963, and only ten 50 years ago. With less than 3/10 of one percent of the world's farmers, we produce 64 percent of the world's soybeans, 46 percent of the corn, 31 percent of the sorghum, 25 percent of the poultry, and about 20 percent of the wheat, eggs, and pork.

In the last 20 years, agricultural productivity per hour has increased more than three times faster than hourly industrial productivity. Today, one hour of farm labor produces 16 times more food and fiber than it did 60 years ago.

By these measures, agriculture has made quantum leaps in productivity and efficiency. Yet today, agriculture is in a depression as severe as the Great Depression of the 1930s. What went wrong?

Until about five years ago, nearly one-third of all U.S. agricultural production was exported. That amounted to \$44 billion in 1981. Export markets eagerly absorbed our excess production capacity, and commodity prices remained relatively high.

Then, a series of factors totally disrupted the world agricultural economy. These included export embargoes by the United States in 1980,

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*The author is president, chief operating officer, and member of the executive committee at Gold Kist, Inc., in Atlanta.*

and earlier, a run-up of 40 to 50 percent in the value of the dollar against foreign currency, worldwide recession, and wholesale subsidies of agricultural exports by foreign competitors. These factors combined to bring our agricultural exports steadily down.

The value of exports this fiscal year will be \$32 billion, a 27 percent decline from the 1980 record. Volume will be down 22 percent from 1980 to 129 million tons.

Despite scattered weather problems in Canada and Europe, most agricultural production areas around the globe enjoyed good weather during 1985. As a result, many countries that usually import grain and soybeans have become sellers. With the worldwide surplus of commodities this has created, all major exporters are finding fewer buyers. Further declines in agricultural exports are expected in 1986 as world stocks of grain and oilseeds continue to expand.

While increased foreign production has reduced demand for U.S. farm products, world economic conditions also have held down overseas domestic consumption and have hindered the ability of many countries to import at all.

We must realize that the United States is the price leader in world markets. Our federal farm price support programs are the ceiling prices for world markets. Foreign producers simply price their commodities under our loan rates to get the business, leaving the United States as the world's grain warehouse.

Congress, of course, is currently writing the next farm bill. Farm legislation normally covers four years, although this year the House is discussing a five-year bill.

When the last farm bill was written in 1981, the main international concern was how production would keep up with demand for farm products. Between 1971 and 1981, world agricultural trade rose 160 million metric tons, or 55 percent. The United States supplied over 100 million tons of that growth, so U.S. market prices were above support levels in all but two years.

Although demand has slid since then, price support levels in the federal farm programs, established in the boom years, continue to stimulate production. The value of the dollar, which hit a 12-year high last March, represented a tax of 50 percent or more on American goods sold to foreign buyers. And so our former customers looked to other countries for cheaper prices, leaving U.S. commodities in warehouses.

You can't blame them, since they could save the 40 to 50 percent tax by shopping elsewhere. Our government's decision in September to join with West Germany, France, Britain, and Japan to intervene in exchange rates has yet to produce sufficient results. But even if the dollar's value is brought down further, the impact won't be felt on agricultural exports until 1987 or 1988.

**"Today we could almost haul our international volume to port in a pickup truck—and a Nissan pickup at that."**

Recent history has shown us two other approaches that contributed to the problem rather than the solution. For one, the payment-in-kind program in 1983 was a disaster of timing and concept. The PIK program gave little consideration to the supply and processing industries, which set the stage for bankruptcy for hundreds of U.S. businesses that depend on farm markets.

Then, last June, Agriculture Secretary John Block announced an export enhancement program intended to move surplus commodities to foreign buyers. Instead, it irritated customers who felt they should have been offered the purchase incentives as a reward for current business. They withheld orders in anticipation of lower prices, which ultimately occurred. What's worse, the intended beneficiaries waited us out and gained lower prices either from us or from another country that met our deals.

Is it worth these risks to increase agricultural exports? The trade deficit situation provides one answer. In 1981, we exported \$26.5 billion more in agricultural products than we imported, offsetting half of our \$52 billion nonagricultural trade deficit. As the nonagricultural deficit widened to \$71 billion in 1983, \$128 billion in 1984, and \$150 billion in 1985, the agricultural balance of trade declined to \$12 billion. Rapidly we are losing ground in both categories.

Down on the farm, that means we have inventories today approaching those reached just before the 1983 PIK program. Commodity prices are at depression levels and no firming is in sight.

To poultry producers, that is good news. One part of agriculture prospers only at the expense of another. Low grain prices mean low feed prices which allow poultry producers to post excellent profits despite a decline in the retail price of broiler meat. That is one of the few bright spots on a cloudy horizon.

Where is agriculture headed? Some spokesmen are clamoring for high duties on imported goods to shore up our domestic industry. They argue that we must impose duties in the interest of national defense and to keep the family farmer on the farm. Others say we need free trade and a level playing field, urging that political leaders let economics take its course.

Who is right? Neither is right and both are right. About 300 trade bills have been introduced in Congress, some of which would impose high duties on everything coming into this country. These carry significant domestic and international risks. On the domestic side, high duties tend to promote a laissez-faire attitude in protected industries. As long as a high tariff exists, industries feel no pressure to make necessary improvements in operating efficiency. Inefficient operators will continue to be subsidized at consumers' expense and we as a nation will fall further behind the competition.

On the international side, we are warned by the European Economic Community and other exporting nations that high import duties will promote trade retaliation. Are they serious or is this just a paper tiger? Who knows for sure?

Those who favor trying to become more competitive in agricultural commodities with the rest of the world overlook the fact that the European Community, Argentina, Brazil, Australia, Canada, and other competitors have used domestic and export subsidies for many years to prop up farm prices and to keep the peace down on the farm. They are not going to change in the foreseeable future, if ever. Political and economic pressure will not let them.

What's more, only 13 percent of the world's production of grain, oilseeds and rice—including our own—is traded internationally. Eighty-seven percent is consumed in the country where it was grown. Moreover, three-fifths of what is traded is covered by noncompetitive government-to-government sale agreements.

Does it make sense for us to try to compete with the lowest-priced grain in that 13 percent segment of the world market? Let me answer a question with a question: What good does it do to become more competitive in the world market if no one can survive on the low prices that would result?

The fundamental question to be addressed, in my opinion, is: What will happen five or 10 years down the road if we let agriculture fall victim to subsidized foreign competition? That same question applies to every industry you can name—steel, textiles, vehicles, small appliances, shoes, clothing, machine tools, telecommunications, computer equipment, paper, pharmaceuticals, and basic chemicals.

All are threatened by cheaper imports. As a matter of fact, the Commerce Department says 70 percent of the goods produced in this country face serious competition from imported goods. Agriculture is no isolated example.

Do we really want some of those 300 protectionists bills in Congress to find their way into law? Once again, the answer is yes and no.

**“It is essential to our industrial future . . . that business and government hammer out a trade and economic policy to guide us out of the mess we are in and keep us from ever getting back into it.”**

It is one thing to run a competitive race when everybody starts from the same line. It is quite another when one competitor is starting a mile behind the line. When we happen to be that competitor, it is discouraging, to say the least.

It would be nice if all countries had the same commitment to free enterprise and open trade that we say we do. But they don't. Some societies are closed, economically and every other way. Others are modestly open but tightly regulated. Others pour forth a great deal of free trade and

open trade rhetoric, which only serves to mask their real trade policy. And some of those who engage in such rhetoric don't have a trade policy at all, which can be said of the United States.

In the real world, trade practices that are unfair in the eyes of the the competitor exist in the United States and everywhere else. There are protected markets, hidden trade barriers, subsidized industries, targeted industries, long-range government plans, short-term responses to imbalances. All of these and more are woven thoroughly into the political and economic makeup of each country. They have been there for a long time; they are neither self-correcting nor do they respond to short-term solutions.

The mood in Washington clearly favors protectionism. Some protectionist legislation probably will find its way to President Reagan's desk. I hope it will be adopted by Congress only after full examination of both sides of the issue—especially its long range effects and reactions abroad and at home to its application. Further, I am hopeful that this will at least point the way toward a trade policy that puts business and government on the same track, headed in the same direction, for the first time in our history. Any protectionist measures we adopt should be limited in duration, if not in scope. Temporary legislation has a way of becoming permanent. We must be careful to seek short-term solutions that will help some of our basic industries survive. But we must stave off massive and unrestrained protectionism, which will create a false sense of security for protected industries.

Parallel to the short-term solutions, it is essential to our industrial future—agricultural and otherwise—that business and government hammer out a trade and economic policy to guide us out of the mess we are in and keep us from ever getting back into it.

The United States cannot do this alone. Yet we remain the largest exporting nation in the world; we are the most efficient producer of food; we still lead high-tech development, and we boast the largest single market for consumer and industrial goods. We are also the richest in terms of land, willing labor, and capital.

With these strengths there is no reason we cannot use our clout to solve domestic and international trade problems with pragmatic and fair actions.

Five years ago, economists around the world blamed us for failing to control inflation. Now it's down to 3 percent. We were blamed for letting interest rates get out of hand. When was the last

time you saw a headline about the prime rate? It's below 10 percent and out of the news.

Despite what others thought, we have handled inflation and interest rates. We can do the same thing with trade problems, but the time to start is right now. We must set our national priorities and then stick by them. That does not guarantee that everyone in every business in every industry will make it. Those who adapt by focusing on the future will make it. The rest will not.

It is unrealistic for us to think we can look to Uncle Sam to bail out every venture that falls on hard times. We are talking about playing hardball in the real world, where the strongest survive. It is time for some really tough decisions on our future agricultural and industrial strength.

American agriculture is not afraid to compete. When American agriculture is able to compete on an equal basis, it will get its fair market share. But we can't export when domestic markets of some nations are closed, or when governments subsidize their farmers so they can dump goods in other markets. To compete we all have to play by the same rules.

Those of us in agriculture and every other threatened industry must deliver a message to policymakers, then repeat it every time they show signs of weakening their resolve to hold to our national priorities.

Above all, we must get the dollar in line with world currencies. Without question, U.S. farmers are the most efficient in the world and give us comparative advantage in most commodities. But the dollar differential takes them out of the market.

We need not fear that a decline in the dollar will unleash inflation again. The United States imports only a small portion of total products consumed, and only about half of those are valued in dollars. Instead, we must look to the positive effect a declining dollar can have—reducing the restraint on U.S. producers.

Finally, when other governments assist their exporters in ways that violate international law, we must retaliate and do so quickly.

In other words, we recognize that there is no such thing as free trade. But give us a level playing field and back us up with a real trade policy that will help us keep the field level, and American agriculture will regain its lost momentum in short order. In terms of the Southeast, you cannot isolate one region of agriculture from another. As we solve our national agricultural policy problems, the Southeast will receive its proportionate share of the benefits.

# Corporate Export Policies Provide the Competitive Edge



Stanley Topol

The problems of our industry are fairly well represented by two trade associations, the American Electronics Association and the Electronics Industries Association. The issues addressed at this conference were well discussed when I was chairman of the EIA and continue to be discussed in that trade association.

I would not suggest that high-tech industries have no problems with balance of trade, for we have serious problems. But I want to discuss instead the opportunities and some of the techniques, attitudes, and directions needed to export successfully.

Scientific-Atlanta was founded many years ago by six Georgia Tech professors, each of whom put \$100 into the company. They convinced one of their students, Glenn Robinson, a physicist, to join them, and he also contributed \$100. I joined the company 14 years ago as president.

From its modest beginning with a single part-time employee, we have grown into a company traded on the New York Stock Exchange, with

revenues in excess of \$400 million a year. We have about 4,500 employees, of whom approximately 3,500 work in Atlanta. We specialize in three basic electronics businesses: communications equipment, test and measurement instruments, and government equipment.

We have been in the export business almost from the beginning. When a company is small, it usually uses an export company out of New York, San Francisco, or Los Angeles that handles all of the exports and documentation. As a company grows, it develops its own international or export department, complete with international sales managers and support personnel. Today we are a company with seven wholly owned sales and service subsidiaries in England, France, Germany, Italy, Holland, Canada, and most recently Australia, along with a joint venture sales and service company in Mexico.

Every one of our divisions has an export manager, who has a quota by country and by product. He is intimately familiar with Commerce Department, State Department, and Defense Department export regulations. Because the technology of our products is not always

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*The author is chairman of the board and chief executive officer of Scientific-Atlanta, Inc.*

released for export to other countries we must watch carefully for changes in export regulations.

In our company, senior officers are involved in export decisions. I firmly believe one of the keys for our country's balance of payments is to gain an understanding of the importance of trade—including trading, marketing, and booking orders abroad—at the highest level: the presidential level. In today's particular environment, economics and trade must be among the highest priorities of any presidential mission abroad. Certainly that's the case for our company in England, France, Germany, Italy, and South America.

**“One of the keys for our country's balance of payments is to gain an understanding of the importance of trade—including trading, marketing, and booking orders abroad—at the highest level: the presidential level.”**

We have had a policy in our company that key contracts generally require high-level participation, including participation by the chief executive officer. I travel abroad at least five or six times a year. When I worked at the Raytheon Company, I lived abroad for six years. With that background, let me discuss some of the attitudes and techniques I am convinced you have to develop if you really want to get serious about export.

Ironically, I think the least important aspect of developing an export program and export policy in your company is language. You really do not have to speak a foreign language, though it goes over well if you can. The most important thing is to be able to understand generally how people communicate. You must have a great deal of respect for communication and it has to be a religion with you. For instance, if you receive a Telex message, acknowledge promptly that you got it. Tell the person when you are going to answer that message, then answer when you said

you were going to do it. One of the most serious problems in the export business is the fact that people don't answer Telexes or do other little things like that, believe it or not.

You also have to know your business. What people abroad are most impressed with is not your language or your social skills, but how well you know your product. How well you talk about the features and value of your product will convince them to buy a product manufactured thousands of miles away, compared with similar products manufactured in their own country.

We have found the third most important thing in export is trust. You must build up trust with your agent, your own subsidiary, and particularly, your own foreign customer. In our company, we spend a lot of time on this; we talk about it a lot, we travel a lot, and we try to meet frequently with our overseas contacts.

We do about \$55 million a year in total business outside the United States. We would like to increase that. All of our products are designed for global markets. Unless we understand that there is a single global market, we're going to get beaten because most of our products are fairly standardized.

Of course, we encounter some differences in telecommunications standards between what is called CCITT, or the International Telecommunications Union, and the standards originally and basically set up by AT&T in America. We are finding, however, that they are converging more and more, and so all products have to be designed for volume global markets.

Our single biggest competitor is not America's Hewlett-Packard, or General Instrument, or M/A COM, or Harris. They are serious competitors, but our single biggest competitor worldwide is Nippon Electric Corporation, now known as NEC. Rarely can we submit a bid for a contract in any country in the world, including the United States, where NEC is not a serious competitor, and so, we have to understand their markets. We have to understand what they are doing in various countries so that we can secure enough intelligence to analyze their pricing structure, marketing structure, and targeting structure if we want to succeed in the world.

We think the electronic industry is an extraordinarily important industry in the United States that can represent the future for jobs. I'm not saying we can absorb 200,000 automobile workers, 200,000 textile workers, or 200,000 farmers—we cannot do that. That is a myth.

Years ago we thought that high technology was going to solve all of those problems. Yet there just aren't enough high-tech jobs there, because if we are going to compete in the world market, we need efficient factories. That means building new factories that are highly efficient, with equally efficient engineering and marketing departments. In this case, efficiency may translate into not labor intensive, and that limits the number of new jobs.

**"We must . . . ensure that our government's policies reflect the realities of the world marketplace and that those policies support companies like ours that are trying to reduce the country's trade imbalance."**

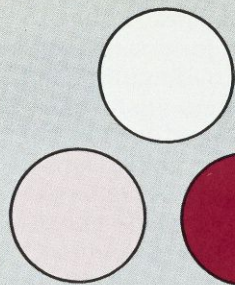
On the other hand, opportunities exist. We are working on the factory of the future. We are working on new telecommunication systems. And if you study where the jobs have come from in the last 10 or 15 years, you will find them coming from small- and medium-sized companies like ours was when we started. We have added 3,000 jobs in Atlanta over the last 10 or 12 years.

But we're serious about exporting and we are willing to commit our financial and human resources to it. We want to help balance this trade. Of course we run into problems around the world. I just came back from one of my trips

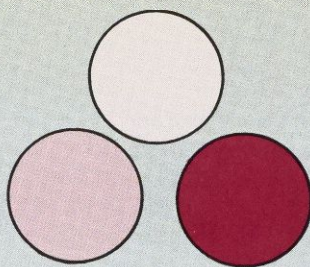
abroad, a 13-day trip around the world. It took me from Atlanta to New York, Tel Aviv, Jerusalem, London, and to Hong Kong via Bombay, where I joined a group from Atlanta for a telecommunications conference in Beijing.

It took us a whole day to get from Hong Kong to Beijing, part of it a two-mile walk up to the Fragrant Hills Hotel, where we met a large group assembled there. Together we probably spent well over \$1 million to help penetrate the telecommunications market in the People's Republic of China. Yet consider the impact of proposed legislation in this country to restrict apparel and textile imports from China as well as other sources such as Hong Kong, Taiwan, and Japan. Now, China represents a large market for satellite communications equipment, and we don't have a balance of trade problem with them. And they don't want to buy electronic equipment from Japan, they want to buy from us. But they tell us clearly, don't upset our balance of payments, we don't have the dollars. I have some clippings on the subject that suggest why I am concerned. One proclaims, "China Issues Warning on Jenkins Bill." That's from the *China Daily*, Thursday, October 31. A *Fortune Magazine* headline of September 30, 1984 warned, "China Threatens to Shut the Trade Door." And here is an article announcing "Senate Approves Bill to Cut Textile Imports."

There are some emerging markets for the United States that want to work on a level playing field with us. They are saying, we want free trade, we want fair trade. We have to find a way to be responsive to the needs of both parties to ensure a smooth trade flow. We at Scientific-Atlanta are interested in exporting our products to all areas of the world. We believe that we understand how to sell to world markets. We must now work to ensure that our government's policies reflect the realities of the world marketplace and that those policies support companies like ours that are trying to reduce the country's trade imbalance.



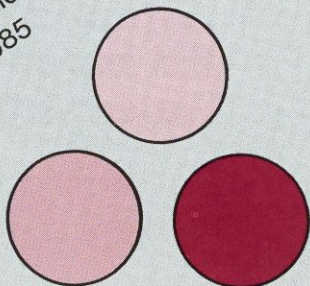
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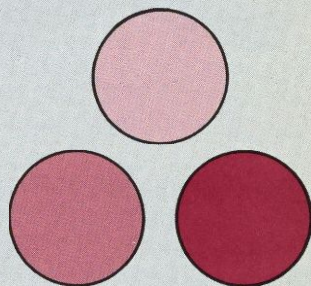


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# Developing Foreign Markets For Southeastern Services

Edward S. Reed



A Sunbelt manufacturer, producer, or consumer can have the best of all worlds—relative to the transportation links available to this earth's many markets.

Shippers have access to East Coast linkage via at least two of the nation's most aggressively growing South Atlantic seaports. These ports serve not only such obvious destinations as the Mediterranean and Africa, but, with new round-the-world ocean container services through the Panama Canal, they serve the Far East as well.

Alternatively—and regrettably for southeastern ports—"minibridge" consolidated rail/ocean

services also are available at competitive rates that link West Coast ports to rapidly growing Pacific Rim markets.

Bargeable cargoes hold an especially favored position out of the ports of New Orleans and Mobile, with a highly competitive inland water rate structure.

In 1984, port activities in the main through the Southeast showed a healthy gain over 1983. Growth was measured in the 20 to 25 percent range, and was especially strong in container cargoes and, in the case of my Port of New Orleans, in imported steel. However, 1985 showed a marked leveling off in certain of those areas.

For those of us in the Gulf, general cargo not based on local production or consumption is being diverted in a growing volume to South

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*The author is retired executive director and general manager of the Port of New Orleans.*

Atlantic coastal ports. That is a result of rail and truck decontrol, aggressive east-west railroads, and competitive rates across the Atlantic.

The major anomalies in this, at least as far as the Port of New Orleans is concerned, are the Soviet Union and People's Republic of China markets. We hold and continue to increase our market share of the U.S. trade with these two Communist nations. We're handling approximately 47 percent of all U.S.-Soviet trade and a similar market share of China trade.

**"The threat of protectionism also haunts us in the port business. It is a trend that, if not country selective, could kill potential markets."**

This is persuasive evidence that, at least with certain markets, personal selling and the nurturing of close working relationships can overcome adverse physical location, and, to a degree, price non-competitiveness as well.

Deregulation and three bleak years of international trade have produced dramatic market relocations and radically changed distribution patterns, changes still in progress. Emergence of the Pacific Rim nations as strong contestants in future international trade is providing a boon to the United States' large, well-managed Pacific Coast ports, especially the Los Angeles/Long Beach areas. This, coupled with a flat European economy, means that in the Southeast we must work harder and be more innovative if we are to maintain our market share of U.S.-international trade in the long run.

Factors both good and bad in the marketplace can greatly affect the future of ocean trade via the ports of the Southeast. One of the most important is the recent emergence of non-union or Teamster competition to the International Longshoremen's Association's historic lock on the Atlantic and Gulf. With the ILA's

present contract expiring next October 1, we may be in for fireworks—and, hopefully, major reductions in port labor costs, the largest cost factor at any port. At present an ILA longshoreman contractually receives \$17 an hour plus approximately \$19 in insurance and fringe costs, with a "normal" gang size of 18 men. However, in competitive situations we are now seeing \$9 an hour and 9 men, a factor well worth watching.

If the United States is to stay in the world ballgame with grain and coal, certain of its ports must be deepened from the present 40 to 42 feet to 50 to 55 feet and it must be accomplished soon. Three to five ports on the Atlantic and Gulf warrant deepening in the national interest. But with government budget cuts, cries of pork barrel politics, and normal abnormalities of the Congress, who knows when or even if they will be deepened.

The threat of protectionism also haunts us in the port business. It is a trend that, if not country selective, could kill potential markets.

The "natural" markets for the Southeast—Central and South America and Africa—apparently offer great potential. Central and South America are receiving at least some recognition from Washington, but how real are these areas as major long-range growth markets? That depends on their stability, both fiscal and political, and history does not give me cause for great optimism. Yet this part of the world is so important that it does deserve attention and concern from all of us, not only from an economic perspective, but also from the standpoint of national security.

In summary, the Southeast—from the ocean transport standpoint—can boast of extremely good management aggressiveness and advanced technical know-how. The location of the Atlantic portion of the Southeast is opportune for trade with historically good markets, especially Europe and the Mediterranean.

However, we must be cognizant of the rapid emergence of the Pacific Rim nations and continued instability in Africa and South America. These pose major problems when considering long-range growth potential. The great flexibility in this nation's transportation system and the extreme competitiveness of combined rail/ocean transport compared with all-water cargo routings continue to offer great opportunities for all portions of our consuming and manufacturing economies.

# Florida's International Visitors: Profiling a Warm Welcome

Barry E. Pitegoff



Tourism is perhaps one of the greatest exports the Southeast sends out from America to the rest of the world. It truly is an export, because fresh dollars enter our economy in exchange for the experience of travel.

It is the eye-opening adventure of being in a different culture, the eager anticipation of the journey with its intensive planning process, and then reliving the experience through the photographic memory. It is an investment primarily in the service sector of our economy, with foreign visitors exchanging dollars for airplane trips, car rentals, sightseeing tours, hotel rooms, restaurant meals, and theme park admissions. And it is big business with strong growth potential for the Southeast.

In 1984, an estimated 20 million foreign visitors including 11 million Canadians came to the United States. Slightly more than four million landed in the Southeast on direct flights, mostly in Florida. If we estimate that 10 percent of Florida's foreign visitors clear their U.S. entry

outside of Florida, we may be looking at about 3.7 million foreign visitors hosted annually in the Sunshine State alone. Of these, about 1.5 million are from Canada and the balance from the rest of the globe, largely originating in the United Kingdom, Germany, Brazil, Colombia, Venezuela, and the Caribbean.

This is great business for our region. A study we conducted in 1982 showed foreign visitors spending an average of \$1,830 per traveling party each trip. This is twice what we estimate for travelers from domestic origin markets, partly because foreign visitors are less likely to stay with friends and relatives while here. For them, this journey often represents the "trip of a lifetime" or the attainment of another step up a social or travel ladder.

If we string together some of these assumptions, we could be looking at around \$3.5 billion brought into the southeastern economy at present by foreign visitors. That figure multiplies itself as it moves through the economy. It bolsters the private sector through service consumed and the public sector through taxable sales. Equally important is its strong growth

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*The author is tourism research administrator of the Florida Division of Tourism.*

potential as the entire Southeast starts to pursue the foreign markets Florida has enjoyed.

International travel to the United States as a whole showed a slight increase in 1984 compared to arrivals for 1983, the first year since 1981 a potential upturn in this market occurred. The first four months of 1985 are on a par with 1984, so the good news continues.

However, Florida and the Southeast have experienced a slight loss during this past year. This may be the result of two conditions. First, the fluctuating value of the dollar has forced "marginal" international travelers to delay vacation trips until some stabilization is perceived. Second, international travelers unaffected by the dollar have visited Florida already, and are continuing with their checklist of U.S. destinations. If the dollar remains at a relatively stable exchange rate, allowing international travelers to become accustomed to this rate, both Florida and the Southeast should benefit from the return of marginal travelers.

For the past five years, I have directed the Marketing Research operations at the Florida Division of Tourism. One major task of my staff has been to study the motivations of foreign travelers in order to promote our attractions more effectively. I would like to share some of these insights.

Canadians are important foreign visitors to Florida. About 1.5 million Canadians vacation in Florida each year, making Florida their number one destination. On the average, Canadians stay in Florida 18 nights, about four times the average stay of all visitors to Las Vegas.

While Canadians exhibit some of the basic motivations to visit Florida, they also bring a global perspective. To escape the winter, they will consider a stay in Spain, Israel, Morocco, and even Cuba. About 5 percent of the Canadian travel to winter sun destinations has been going to Cuba for the past few years.

Canadians enjoy Florida's easy accessibility and amenities—nonstop air service at discounted fares, news coverage of Canadian events, French-Canadian communities, bargains in air conditioned rental cars, and baseball spring training camps of the Toronto Blue Jays in Dunedin near Tampa and the Montreal Expos in West Palm Beach.

Beyond Canada, Florida hosts about two million international visitors each year. In 1982, we spent six months surveying 1,200 foreign

visitors at Miami International Airport to understand these people. We intercepted visitors from 58 countries, who came to Florida mostly for a vacation both with and without a visit to friends and relatives. These visitors enjoyed our attractions: the sun, the beaches, and the shopping opportunities.

One of our most interesting studies is one we just completed among potential visitors in three European markets—the United Kingdom, West Germany, and the Netherlands. Let me share some insights from that project.

**"The outlook is bright (for southeastern tourism), with a potential for new foreign travelers from emerging markets like western Canada, Vancouver and Winnipeg, and from Asia."**

**Vacation Entitlements.** The typical European receives, or rather is entitled to, considerably more vacation time than an American worker. This is often a statutory minimum holiday entitlement. For about half the employees in the United Kingdom, this is from four to five weeks.

**Planning Process.** The travel agent is important in the planning process for the European consumer, sought out for both brochures and advice. The tour operator is an important source for the travel agent. Destinations listed in tour operator brochures will be considered by both the travel agent and the consumer before independent holidays are developed.

**What Attracts Them to Florida.** For many first-time travelers to America, we are stereotypes brought to life. This is no different from our going to France to see the Eiffel Tower. Travel to America means hamburgers, fast food, milkshakes, deluxe hotel accommodations, meeting Americans, and shopping at night—a novelty in Europe, where most stores close at 5 p.m.

## An Improving Outlook

The outlook is bright, with a potential for new foreign travelers from emerging markets like western Canada, Vancouver and Winnipeg, and from Asia. In a strong partnership with the Travel South organization, we help to promote tourism to our entire region. Tourism is an export you should be developing throughout the Southeast.

How do you get involved in this growth opportunity? First, establish the basic services expected and appreciated by foreign vacationers. Here are four elements critical to this foundation:

1. For the foreign countries from which you expect to host visitors, be sure a broad range of your banks and hotels can convert the appropriate foreign currencies easily. Make sure this service is available in both your cities and for your tours, since travelers enjoy exploring. Publicize this service, and its cost, possibly even before visitors leave their home country.
2. Be aware of the changing buying power of foreign currencies. For example, when the Canadian dollar slipped in value here, many tourism facilities responded with a "Canadian dollar at par" program.
3. Develop a foreign language resource inventory bank. Your major hotels and restaurants should be able to communicate with the majority of your foreign visitors and should know where to get additional language fluency. Your service providers should be aware that many foreign visitors look forward to their trip to America as an opportunity to practice their English. Be accepting and helpful. Also be aware of possible misunderstandings based on translation problems.
4. Develop cross-cultural training programs. Although foreign visitors want an "American experience," be sensitive to the cultural nuances they wish to preserve. For example, restaurants may need to increase their supply of individual teapots for British or Canadian visitors.

Next, work on a long-range marketing strategy, considering some of these points:

- Understand the travel patterns of your potential foreign visitors. Where have they vacationed in the past?
- Understand the stereotype of your destination. New Orleans is jazz and beignets,

Nashville is country and western music, and Orlando is Disney World. Use these images as part of your foundation. But also use the fact that this is America, no matter where it is.

- Improve access to your region. The process of securing more direct foreign flights is a cumbersome one but, with appropriate lobbying, a case can be made for opening more U.S. ports of entry to more and more countries. Direct access to a region is probably the easiest way of improving your international tourism markets.

- Share the travel experience. A first-time visitor has a "must see" check list that includes major cities like New York, Miami, Chicago, Dallas, and Los Angeles. You might do well to promote your city or areas as part of the U.S. trip experience. Do not expect the international visitor to visit only one destination and that it will be yours.

- Remember that many foreign guests will be first-time visitors requiring basic tourism information. Many international visitors have excellent inner-city and inter-city transit systems. They may expect the same in your city and be disillusioned if it's not available.

- Finally, and perhaps most important, spread the message to your own residents to extend a warm welcome to foreign visitors and to all visitors. Tourists remember their travel experiences largely in terms of people they meet. If they feel welcome, they will consider returning and, more importantly, recommending the destination. Word of mouth is the most powerful force in destination selection.

Your residents may ask, "What's in it for me?" The answers are simple: the development of a non-polluting industry with job opportunities, many at the entrance level with room for advancement; a source of tax revenue; more services such as discount car rentals and better restaurants that residents can enjoy; easier access to foreign lands; and a way to help bring about a better understanding among different people.

Tourism provides a great way for foreign markets to consume services from the Southeast. We Floridians hope others will work with us to develop foreign visitation to the region. In the end, we will all benefit.

# Strategies to Capture International Banking Business



Alexander McW. Wolfe, Jr.

We believe there are challenging and profitable opportunities for international banking in the Southeast, whose international sector has grown significantly over the last 10 years. The boom puts the region at the forefront of the international economy and attracts significant numbers of foreign investors seeking strategic locations for their businesses in the growing U.S. market. This, in turn, has created financing opportunities for our regional banks.

Looking ahead, we see further expansion in the Southeast's international sector and in the role of regional banks in financing this growth. Although the growth rate of these activities or the type of business may differ from the past, many profit-making opportunities await banks in this changing environment. With profits, however, there are also risks. Recent financial difficulties faced by developing countries in their balance of payments is an important element of risk. Our decision on what type of international businesses to undertake will thus depend on their vulnerability to these risk factors, as well as on the domestic client base we serve as a major regional bank.

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*The author is vice chairman of Southeast Banking Corporation in Miami, Florida.*

## The Southeast Economy

International trade and investment have been the driving force behind structural changes in the southeastern economy. Today this process is accelerating, as foreign direct investment bolsters employment growth and diversifies the region's manufacturing base. The influx of foreign capital has brought with it new technology and management. Our statistics show that foreign direct investment in southern factories and other businesses totaled about \$80 billion in 1984, fully 42 percent of all such foreign investment in the United States. These investors include many affiliates of the largest non-U.S. multinational corporations. The region attracts foreign investment because of its abundant natural resources and labor, as well as its large multicultural entrepreneurial class in major cities such as Miami, Tampa, and New Orleans.

The Southeast's share of total U.S. foreign trade also has expanded as a result of the region's competitive advantage in international activities. We attribute this advantage to the area's geographic proximity to major world markets and to excellent port facilities. In 1984, for example, the South exported about 30 percent of total American manufactured product exports. The export

of services also has been a traditional strength of the region, notably tourism and financial services. The latter is evident in Miami and Atlanta, already important international banking centers.

The export sector as a whole employed about 1.4 million southern residents last year. Based on this performance, we can say the region has attained the leading edge in the national economy's transformation toward global interdependence. Banks in the region have an important and legitimate role to play in financing the growth of the Southeast's external sector, especially in financing the growing links between the southeastern economy and Latin America—our neighbors to the South.

### **Latin America: A Key International Partner**

In tracing international developments in the Southeast, we must note the importance of trade with Latin America. Florida, in particular, has a niche in exporting to our neighbors. During the first half of 1985, 70 percent of Florida's exports went to Central and South America. The Sunshine State's Latin American trade grew rapidly during the 1970s when these economies prospered from the boom in commodity prices. This changed abruptly in 1982 with the outbreak of the debt crisis. Austerity programs adopted throughout Latin America plunged many economies into severe recession, resulting in a dramatic cutback in their purchases from this country—noticeably in Florida and the Southeast.

The social stability of our neighbors to the south depends on improved economic growth so they can absorb a rapidly growing labor force. Traditionally, external financing or savings spurred growth in these economies because they were unable to generate sufficient domestic savings. However, the lack of good economic policy management resulted in a misallocation of those financial resources. Today the external debt of a number of these economies is more than half of their gross domestic product and more than three times as large as their export earnings. Their ability to deal with the debt burden will depend on their export growth and on additional external resources to finance investments in competitive industries. As an important trading partner, the Southeast can benefit from growth and political stability in Latin America. This in turn hinges on improved policy coordination among major industrial countries to sustain a steady rate of economic growth.

The debt crisis' impact on the southeastern economy is an example of the risks associated with growth of the international sector. The debt crisis also highlights the unique risks involved in international lending, transfer, and political uncertainty. Despite present debt-servicing problems, trade relations between the Southeast and Latin America have had a net positive effect on both economies. In taking the long view, we appreciate the great economic potential of the Latin American economies and their ability to find solutions to today's balance of payments difficulties.

**“There are significant and profitable opportunities in international banking, as well as significant risks, for regional banks.”**

### **Opportunities for Regional Banks**

Our assessment, then, suggests that there are significant and profitable opportunities in international banking, as well as significant risks, for regional banks. The changing international financial marketplace is telling us a “rifle” approach to international banking could yield profitable results at a regional bank.

The rifle approach to meeting the challenges and opportunities of international banking concentrates its efforts on two major strategies: the “back to basics” strategy and the “merchant banking” strategy.

**The Back to Basics Strategy.** This strategy is nothing new. In many respects, it is a return to the old “foreign department” support mechanism (collections and letters of credit business, for example). However, there are significant differences. In the newer version, products and skills are more sophisticated. They run the gamut from trade financing products for local exporters and importers to an active foreign exchange department, and finally to an entrepreneurial oriented staff that continually seeks new ways of servicing the international requirements of local clients

(barter activities and trade exposure mitigation products are good examples).

Another development in the newer back to basics approach is the orientation towards domestic client service. Emphasis shifts from the international department's being an autonomous profit center to providing support for domestic corporate banking. In essence, the international department becomes a service function to meet international requirements of the domestic client base.

To be successful, this approach requires strong knowledge of the companies and the community in which the bank functions. It also requires an adequate research capability to assess trade financing opportunities on an ongoing basis, and to advise domestic clients on overseas market trends and currency developments.

**The Merchant Banking Strategy.** Considerable opportunities exist for regional banks to finance the flow of foreign investments into the Southeast, and to increase fee income through syndications and private placements. There are also excellent opportunities for financing small, export-oriented projects with some of our major trading partners. Latin America, for example, has embarked on a structural adjustment program to increase the export share of gross national product.

Emphasis on export-oriented project financing, therefore, is the second leg in the rifle

approach to an international banking strategy. This requires a staff of skilled corporate lenders with an innovative approach to financing viable projects in countries with transfer risk problems.

Structuring successful financing packages for these projects is different from financing the state-sponsored "mega" projects of the past, where the key issue was country risk. This innovative strategy requires a new breed of lenders conversant with such techniques as feasibility analysis, currency swaps, and transfer risk mitigation products. Also required is a shift in focus of the economic research function from country studies to sectoral analysis in support of the credit approval process.

Finally, successful international banking requires bankers committed to linking the sellers of the new export products with U.S. buyers. In essence, it requires development of a merchant banking culture among international lenders.

In summary, the distinguishing feature of our international banking strategy is the extent of focus, selectivity, and entrepreneurship required from bankers. The rifle approach can both service the legitimate international needs of domestic clients and provide an additional source of profits for a regional bank within acceptable risk parameters.

# The Foreign Bank Presence In the Southeast



Brookes McIntyre

The Southeast market's attractions have not gone unnoticed by foreign banking institutions; in particular, New Orleans, Atlanta, Tampa, and Miami have become bases in this region.

This is not a homogeneous group, however. Institutions differ in language, experience, and objectives. Regulations of the home country may have defined the foreign bank's focus at home and its interests abroad. Size, too, is a factor. Foreign banks with a presence in Florida range from the huge Hong Kong and Shanghai Bank, the parent of Marine Midland and its Miami Edge Act, to smaller Latin American banks whose capital base in U.S. dollars is at best modest by standards here.

Foreign banks can be represented in this market in basically three ways. They can establish an Edge Act corporation limited to carrying out international transactions. The original Edge Act legislation of the 1920s was designed to permit U.S. banks to cross state lines in pursuit of purely international business. Part of the rationale was that American banks were hampered in doing international business by the

laws limiting expansion of banks geographically, and could not compete for this business as effectively as many foreign banks. The International Banking Act of 1978, in seeking parity in the treatment of foreign banks and U.S. banks operating in this country, extended this option to foreign organizations.

The Edge, a corporation with its own capital, can accept deposits from non-residents but can accept domestic deposits only if they are tied to international transactions of companies or individuals. Its lending activities are limited to credits abroad or to supporting international trade.

Depending upon state laws governing foreign bank operations, opportunities exist for establishing state-chartered agencies or representative offices. The agency, too, is restricted to accepting only foreign deposits, but it has the interesting option of doing domestic lending. Banks also have the option of chartering a federal agency. In the Southeast, though, few banks have taken advantage of it, particularly since changes in the laws stripped federal agencies of their power to accept foreign deposits.

The foreign representative office can neither take deposits nor make loans, but promotes its

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parent abroad or other offices of the parent in the United States. Florida, Georgia, and Louisiana have foreign bank agencies and representative offices.

Finally, the foreign bank has the option of purchasing a domestic bank and entering headlong into competition in the domestic as well as international arena.

Florida leads the Southeast in the number of Edge, agency, and foreign-owned domestic bank operations. Miami, dubbed the "Capital of Latin America" by the President of Ecuador in a 1979 speech, is the focus of this activity, but Tampa and Boca Raton also boast foreign bank offices.

Miami is a traditional entrepot city connecting North America with Latin America and the Caribbean. Air and sea transportation and communications networks link the areas. The multicultural, multilingual population has facilitated the growth of this infrastructure. The city's problems are many, but its entrepreneurial vitality is a major strength.

Miami offers the Latins an opportunity to do business in a major center of U.S. tourism with a large proportion of Spanish-speaking people, both anglo and hispanic. This has proven to be an obvious lure for those seeking a place first to vacation and to safeguard some of their assets, and increasingly as a place to invest actively.

Not surprisingly, 17 of the 36 foreign banks operating agencies in Florida come from countries that speak Spanish or Portuguese. The language affinity and ties with Latin America encouraged six Spanish banks to open agencies while Spanish interests control at least four domestic banks.

Why have the foreign banks come? That often depends on where they come from. For banks from countries with a weak domestic currency, the United States offers an opportunity to develop a dollar base. A bank whose asset value is constantly being eroded in the world market finds the dollar base and dollar earnings very important.

Latin American banks and banks from Europe and Asia with important operations in that area needed a base from which to continue serving the Latin American client seeking a safe harbor for his assets in the face of political and economic uncertainties at home. Since many of those clients were also actively involved in trading activities between their home country and the United States, trade financing became

an interesting adjunct to the deposit business. The foreign banks simply followed their customers.

And the customers were going principally to Miami. Some banks decided that Miami's well-developed communications and transportation networks made contact with head office and other branches so easy that they set up regional offices to respond more quickly and effectively to the market to the south.

Recognizing the implications of ever more interdependent economies and markets, Latin bankers found in Miami a natural client base for deposits and for trade business that could sustain the operation while they looked at the U.S. domestic market's potential. The American-based operation added to the bank's prestige with customers in the home country and was less expensive to maintain in the Southeast than a similar office in New York, Chicago, or Los Angeles.

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The operation encouraged close correspondent relations with the major U.S. banks that also were using Miami as a true or quasi-regional office and lending to corporations, banks and governments to the south. Since the interbank market for most banks in the region is now governed by rescheduling agreements rather than independent bank decisions, the opportunity to keep those relationships warm may be important in the future when international banks begin to consider new lending again.

Other banks, particularly European and Japanese institutions, find the Southeast's growth warrants a presence to better serve and develop

their U.S. customer base, which now includes many firms owned by non-U.S. interests.

Everyone is looking for a niche or, as a Miami lawyer puts it, "a seam of opportunity." However, profitable niches are hard to find, but easy to take away. Loss of the Latin American trade business was a real blow, since it is an area where Latin American banks could make an important contribution to developing trade and commerce. They knew their customers, and their presence in the United States was helpful in bringing about deals that might have caused other banks to hesitate. With the offices of many major U.S. banks in Latin America reduced, local banks will need to offer the trade finance services to keep their countries moving.

In addition to hurting the trade business, Latin America's economic problems have affected the deposit business; the rate of increase has declined from three digits to two. Still, agency deposits in June 1985 were 45 percent higher than a year earlier. Some of this increase undoubtedly represents a transfer of funds from other international financial centers such as the Bahamas and especially Panama. It will be interesting to see if figures for Florida Edges and agencies show an abnormal increase in deposits after October 1985, when Panama experienced a sudden change in government.

On the asset side, total assets for foreign bank agencies and foreign-owned Edges in Florida exceeded \$5 billion at year-end 1984. Of the \$4.3 billion in assets of foreign bank agencies, \$2.2 billion were invested in loans and \$1.3 represented balances due from head office and other related institutions. The foreign banks are looking for good assets, but competition for the limited trade business is fierce and many have yet to develop a good "feel" for the domestic customer. Also, limitations on the kinds of domestic services these institutions can provide may make them less attractive to some customers as lenders. And the pick-up in trade with Latin America, the major market for the Florida agencies, promises to be quite slow.

Florida also boasts 12 state-chartered banks and a number of federally chartered institutions—including one savings and loan association—with foreign ownership. Here, too, the presence of hispanic bankers is felt. Three state-chartered banks and at least one nationally chartered institution are owned by Spanish

interests and the others by Latin Americans. All but one of the state banks are in south Florida and most cater to hispanic clients. Their profitability varies considerably.

Miami is famous for its "boom and bust" cycles, but the foreign banks have held firm. They have long-term reasons for being in this market. While the total number of Edge Act banks in Florida declined from a high of 42 to 34 (the number of lost Edges includes some mergers), Miami has lost only one of its original 37 foreign bank agencies.

**"As this global, interdependent market develops, regulators—like those they regulate—will have to adapt to a new order."**

In Georgia, the major international banks of Europe, Canada, and Japan have the greater representation. These are banks that already have an important presence in the United States, both in other offices and in loans to American entities from the head office abroad. They, too, follow their customer, but that customer is U.S.-based—either companies from the home country that have invested in the Southeast or purely domestic customers that took their borrowing needs to the Eurodollar market. Atlanta's excellent communication and transportation networks are ideal for covering the Southeast.

New Orleans, which also boasts a fine port and good air connections, was left behind. Part of the reason for that must lie with the restrictions Louisiana put on its own domestic banking system.

The foreign bank presence in the Southeast is also felt in the lending activities of banks that may not even have offices in these states. In fact, some 20 percent of all commercial, industrial, and business loans in the United States are granted by foreign banks. Interestingly, the

figures for foreign participation are declining, which may reflect a decision by some foreign banks that price-cutting to gain market share was not an effective long-run strategy. As one banker commented, "we just meet again on a lower level."

I believe one of the major concerns of foreign banks operating offices in this country will be regulation. Because of the importance of these institutions in the marketplace, American regulators have every reason to be concerned with the financial stability of the foreign parent bank. As this country raises minimum capital requirements, it is only fair to note that many countries permit their banks to operate with capital ratios well below those considered acceptable here. U.S. regulators also must question the scope and adequacy of examination procedures in other countries.

As this global, interdependent market develops, regulators—like those they regulate—will have to adapt to a new order. Communication with foreign regulators will become increasingly important. Questions of confidentiality will be of tremendous concern to foreign bankers operating here. It is important to the foreign banks as well as domestic banks to protect the stability of and confidence in the U.S. banking system. The International Banking Act has laid down some parameters for looking at questions that have arisen and will become more important as the financial and commercial ties that bind our economies increase. It is necessary to consider the differences that exist in the way other banking systems operate and are regulated—U.S. regulations treat the foreign banks as one class, but the reality is very different.

# The Southeast: A Magnet for Foreign Real Estate Investment

Alexius C. Conroy



Why do foreign real estate companies invest in the southeastern United States? To answer this question, we need to reflect on the environment in which they make their decisions. Real estate opportunities in other countries are limited and, to a great extent, these markets are saturated with developed projects. Government restrictions in foreign countries also help focus investors' attention on the United States, as does the imbalance between the rights of real estate users and the rights of real estate owners and developers. For example, in the case of Canada, whose population is approximately 10 percent that of the United States, tremendous economic resources have accumulated with insufficient opportunities to expend them. Many of these resources are concentrated in the hands of strong corporations or powerful families. Restrictive government policies and the Canadian economy's weakness relative to that of the United States pose obstacles to development in that country.

Faced with these constraints, Canadian developers look south to find opportunities for

massive investments in such states as Georgia, Texas, and Florida. The developers' activities have driven up land prices dramatically, hardly endearing the Canadians to local developers. Also, in areas such as Houston and Dallas, foreign investment accelerated office development at a time when the cities were entering severe recessions. These foreign office developments, coupled with natural growth of the domestic office development market and layered into the recession and the oil crunch, created a tremendous overhang in these markets. I've heard that in Houston, for instance, the unoccupied office space exceeds the entire office market in the city of Cleveland. Nevertheless, construction continues in Texas.

Florida's housing market remains a glittering pot of gold for foreign investors. Many Canadians and Europeans winter in Florida, and South Americans have invested heavily in the southern portion of the state. Foreign developers, along with their domestic counterparts, observed the trend and began building new housing at a frenetic pace.

Florida's luxury condominium market became more dependent on sales to South Americans. Indeed, entire buildings were sold sight unseen, from brochures and from floor plans, to South

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American buyers eager to convert their unstable currencies into U.S. investments. Some sales were paid all in cash, but most were made for 10 or 20 percent down, the remainder provided through mortgages from U.S. financial institutions. Whole buildings—some of which have yet to receive their first occupant—were sold in this fashion. Eventually, South American money dried up and the dollar's increased strength made European investments in second homes in the United States financially unattractive. However, the momentum of condominium development caused construction of new projects to commence for more than a year after the market clearly had turned downward. Contracted sales began defaulting at an increasing rate.

**“The Southeast’s ability to grow, both physically and through creation of new jobs, provides a unique milieu for investment and will encourage foreign investment in this region far into the future.”**

In recent years, Atlanta has seen its share of foreign investors, including Cadillac Fairview, develop shopping centers in the city's suburban market. Regional shopping centers in Atlanta are inherently less risky than office or residential developments because the department stores' commitments, once secured, preclude development of competitive regional centers within the trade areas of those stores. This reduced-risk factor exists because Atlanta traditionally has had only four major department stores, and should not change even though other department stores have announced their entry into the Atlanta market.

A developer requires only three to four department stores to make a successful super-regional shopping center. But some cities, such as Houston or Dallas, contain 10 to 12 major department store chains. Frequently, the impetus for a new shopping center is created by these department

stores rather than by the economic needs of the smaller stores in the market. Thus, in Houston one might see two or three shopping centers, each covering a million square feet, within several miles of each other. Even in a healthy economy, such concentration almost always creates severe problems.

Throughout the United States, but especially in the Southeast, working with a local developer familiar with a marketplace has been important for the success of foreign development companies. Cadillac Fairview formed a successful partnership in Atlanta with Scott Hudgens, a prominent local developer, that has continued through all the retail projects that Cadillac Fairview has undertaken in the area.

Notwithstanding the successful track record of Cadillac Fairview, three or four years ago some of the major banks in Atlanta were reluctant to provide construction loans for such premier projects as Gwinnett Place and Town Center, a major multi-use project opening soon in Cobb County. Cadillac Fairview applied to Atlanta banks merely because it seems appropriate to develop local banking relationships. But outside banks were more eager to make the loans. In fact, financing was secured from Canadian and New York banks.

The future is bright for foreign investment in real estate in the United States in general, and the Southeast in particular. This country's free enterprise system is the most productive environment in the world for real estate development. Political stability encourages such development even in the face of overbuilt markets, for developers know that in the long term their investments will be secure and intact.

The Southeast's ability to grow, both physically and through creation of new jobs, provides a unique milieu for investment and will encourage foreign investment in this region far into the future. The level of work productivity and the job creation potential that exist in the Southeast are unmatched elsewhere in the United States. The region's attitude toward government and business as cooperative ventures is a salient factor in the decision to do business in the Southeast. My experience both as a representative of a foreign corporation and as an American starting a new real estate company convinces me that no part of the United States surpasses the Southeast in encouraging investment and development. If this region continues along its present path, it will continue to dominate growth in this country.

# What are the Trends for Foreign Direct Investment in the Southeast?

Cedric L. Suzman



The phenomenal growth in foreign direct investment in the Southeast has contributed significantly to economic growth in the region. But it also raises a number of questions concerning policy operations on U.S. economic competitiveness. To outline the contribution that foreign investment has made, we must add data to the investment picture. Although national data are available for 1984 from the U.S. Department of Commerce (DOC), the latest available state-level data on foreign direct investment are for 1983.<sup>1</sup>

Data from the DOC must be used for comparisons because data collected from state agencies are not consistent either with the data collected by the DOC or between states. Thus, although the individual state departments of commerce and economic development make data available from time to time, we must be careful to avoid the pitfalls of incompatibility.

Gauging foreign direct investment poses a further problem in that three different measures tend to be used. For example, let us look at data for 1983, which are available on all three bases.

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The first measure is total assets of affiliates in which a foreigner owns more than 10 percent of the shares and, by implication, can exercise control. For 1983, foreign affiliate assets total \$527.6 billion.<sup>2</sup>

The next measure of foreign direct investment is the gross book value of property, plant, and equipment (P, P, and E)—the bricks and mortar. According to that measure, the 1983 figure was \$241.6 billion, less than half the asset figure.<sup>3</sup> The third measure, position, is the one commonly used by the DOC for its national data. Position is the net book value of foreign direct investors' equity in, and the net outstanding loans to, the subsidiary from the parent. By this measure, foreign direct investment for 1983 was an even lower figure of \$137.1 billion.<sup>4</sup> The total assets and position data are available at the national level, but not on the state level. Therefore, if you wish to discuss investments by state, you must rely on the gross book value of P, P, and E.

A clear distinction must be made between total investment in place as of a given year and the new flows that have taken place during that year. Finally, DOC data do not distinguish between investment in new P, P, and E, as opposed to foreign acquisition of an existing domestically owned facility. In either case, foreign direct

**Table 1.** Foreign Direct Investment Position, 1984  
and Capital Inflows  
by Selected Country and Industry, 1980-1984

Country	Position		Capital Inflows	
	\$ Millions	Percent	\$ Millions	Percent
United Kingdom	38,099	23.9	22,726	25.2
Netherlands	32,643	20.5	19,566	21.7
Japan	14,817	9.3	11,017	12.2
Canada	14,001	8.8	6,690	7.4
Germany	11,956	7.5	4,454	4.9
Total	159,571	100	90,365	100

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Industry				
Manufacturing	50,664	31.8	22,821	25.3
Petroleum	24,042	15.1	13,347	14.8
Wholesaling	24,916	15.6	14,847	16.4
Real Estate	16,899	10.6	12,467	13.8
Finance & Insurance	13,065	8.2	7,679	8.5
Banking	10,203	6.4	6,908	7.6
Total	159,571	100.0	90,365	100.0

Source: Bureau of Economic Analysis, "Foreign Direct Investment in the United States: Country and Industry Detail for Position and Balance of Payments Flows, 1984," *Survey of Current Business* (Government Printing Office, August 1985) pp. 63-64.

investment goes up, but only the second case creates new jobs. (Note that the actual economic impact of a foreign acquisition depends on how the previous domestic owner invests the money received and what the foreigner does with the new investment.) Hence, some of the confusion that arises when discussing foreign investment data.

Keeping these measurement problems in mind, foreign direct investment in the United States amounted to \$159.6 billion by 1984. In 1982 and 1983, growth of foreign investment slackened markedly, with increases of 15 percent and 9 percent, respectively. That is less than half the average growth of 30 percent annually for the four years prior to 1982. The slowdown resulted from a U.S. recession, which lasted until early 1983. In addition, the subsequent surge in the value of the dollar made investment in this

country much more expensive. However, because economic growth and the U.S. market's attractiveness continue to be the overriding influences on foreign investors, investment soared again in 1984 when the American economy recovered. Over \$22.5 billion of new investment flowed into the country—nearly double the amount for 1983. Although the first half of 1985 saw yet another slowdown, foreign direct investment did not fall to the 1983 level.

Where does this investment come from? Table 1 shows the cumulative "position" by the end of 1984 and the cash inflows for the 1980 to 1984 period. By these measures, the United Kingdom is the largest investor, with over \$38 billion, or over 25 percent of the total capital inflow. The United Kingdom is followed by the Netherlands and then Japan, which recently overtook Canada, Germany, and Switzerland, to claim third place.

**Table 2.** Total Assets of U.S. Affiliates  
by Country of Owner and by Industry, 1980  
(Billions of dollars)

	All Countries	Canada	France	Germany	Nether- lands	U.K.	Japan
All Industries	552.0	66.1	41.1	38.8	40.0	84.9	98.0
Petroleum	44.1	3.4	*	0.4	*	*	0.9
Manufacturing	81.7	13.1	9.3	17.8	6.1	14.7	3.9
Wholesale	50.1	1.9	5.1	5.5	0.7	5.1	18.7
Banking	230.0	18.3	14.4	7.6	20.9	28.1	70.3

\* Not disclosed

Source: Bureau of Economic Analysis, *Foreign Direct Investment in the United States, 1980* (GPO, October 1983), tables A-1 and B-8.

The rapid rise in Japanese investment is illustrated even more strongly by total assets. For 1980, (the latest year data are available for all industry sectors), Japan emerges as the largest foreign investor in the United States. However, the lion's share of Japanese investment is accounted for by the \$70.3 billion in banking, where Japan far outpaces the second largest investor, the United Kingdom, with \$28.1 billion in banking assets (see Table 2).

Interestingly within the Latin American region, the Netherlands Antilles and Panama account for \$12.4 billion or 7.8 percent of all investment. Both the Netherlands Antilles and Panama provide anonymity through bearer shares, so the companies registered there are likely to be owned by private investors from Latin America, Europe, or the Middle East, but in this instance we cannot break down the ownership.

Table 1 shows that by industry sector, manufacturing continues to claim the largest share of foreign investment. Its 1984 portion, 31.8 percent, is down from 35 percent in 1983 and even higher levels in prior years. Manufacturing's declining share of foreign direct investment is further highlighted by the fact that over the four-year period it accounted for only 25 percent of total capital inflows. In 1983, real estate edged out both petroleum and wholesaling temporarily, but experienced a slowdown in 1984 to fall back to fourth place.

Getting closer to home, we find a foreign investment horserace between the regions. From 1974 to 1983, \$48.3 billion of foreign investment in P, P, and E flowed into the Southeast, more than to any other region in the country, and represented an average annual increase of 51.8 percent. Clearly, the Southeast did remarkably well over this nine-year period.

Job creation, of course, is the primary concern of state governments and their officials who fly around the world seeking new investment to increase employment. Once again, the Southeast far outstripped all regions both in total and in new employment over the 1974 to 1982 period. In all, more than 390,000 new jobs were created in the Southeast, with an average annual gain of almost 20 percent. This success is impressive. Although North Carolina claims the largest number of foreign investment-related jobs as of 1983—just over 95,000—Georgia leads in terms of increase over the 1974 to 1982 period, with 63,000 new jobs being created—a 32 percent average annual increase over the nine-year period.

In the 12-state southeastern region as defined by the DOC, Louisiana and Florida show the largest increase in P, P, and E, with over \$7 billion each over the 1974 to 1983 period. Florida's growth was largely concentrated in real estate and Louisiana's in energy-related investment. Georgia was third, followed by North Carolina, South Carolina, and West Virginia, each with

**Table 3.** Gross Book Value of Property, Plant, and Equipment of Nonbank U.S. Affiliates by State, 1982  
(Millions of dollars)

	Total P, P&E	Manufacturing	Percent of Total
Alabama	3,064	1,752	57.2
Arkansa	829	396	47.8
Florida	7,486	2,059	27.5
Georgia	5,197	2,658	51.1
Kentucky	2,379	782	32.9
Louisiana	9,165	3,464	37.8
Mississippi	1,732	773	44.6
North Carolina	6,143	3,267	53.2
South Carolina	5,729	3,895	68.0
Tennessee	4,504	3,473	77.1
Virginia	3,574	2,031	56.8
West Virginia	5,040	1,973	39.2
Total Southeast	54,842	26,524	48.4

Source: Bureau of Economic Analysis, *Foreign Direct Investment in the United States: Operations of U.S. Affiliates of Foreign Companies*. Preliminary 1983 Estimates (GPO, December 1985), table D-13.

investment growth of over \$4 billion. On the basis of percentage increase, West Virginia somewhat surprisingly led the 12 states, with nearly 100 percent. Substantial investments in coal and other energy-related enterprises probably account for that state's dramatic advance.

The percentage of foreign investment directed toward manufacturing has interesting implications for the Southeast (see Table 3). For 1983, the figure peaks at a high of 73.4 percent for Tennessee, largely because of that state's location at the center of a vast eastern and central market for the United States. At the low end of the scale is Florida, with 26.7 percent showing a predominance in real estate investment. While these variations highlight the differences between states in the region, they also raise intriguing questions about the state industrial development policies.

The southeastern governors and economic development or commerce departments are trying actively to attract investment. To what extent do they gear their activities to each state's own natural advantage, to its comparative advantage, or to its historic position? Do they try to change the historic mix of investment? Although the United States lacks an industrial policy at the national level, there seems to be a good reason for one at the state level.

Within the manufacturing sector, the region's chemical industry dominates investment, commanding about 58 percent of manufacturing investment and 37 percent of investment-related employment (see Table 4). This has been the historic pattern for foreign manufacturing investment overall, and in the Southeast that pattern persists. In large part the region's chemical industry is related to textiles rather than petrochemicals, except in Louisiana.

What are some of the reasons for this impressive record of foreign investment? Aside from economic growth, the population influx, the good climate, and a largely non-union work force, what else accounts for this flow of investment into the Southeast? Increasingly, the region's good port facilities and transport network to the rest of the country are cited as attractions. Service-related factors likewise have played an important role in luring foreign investors to the region. For example, Atlanta now has available ample professional, legal, and accounting services, hosts over 25 foreign banks, 16 consulates with professional, full-time consuls or consuls general, 15 trade offices, four foreign-American chambers of commerce, and has an expanding number of overseas air routes to Europe and Latin America.

**Table 4.** Gross Book Value of Southeastern Property, Plant, and Equipment and Employment by Industry, 1982.

Manufacturing Sector	\$Millions	Percent of Total Foreign Investment in U.S. Manufacturing	Number of Jobs	Percent of Total Jobs Accounted for by Foreign Investment in Manufacturing
Food	824	3.1	27,186	8.9
Chemicals	15,537	58.6	113,912	37.1
Metals	2,976	11.2	28,492	9.3
Machinery	1,744	6.6	57,274	18.7
Other*	5,445	20.5	79,866	26.0
Total	26,524	100.0	306,730	100.0

\*Textiles, pulp and paper, and transportation/motor vehicles.

Source: Bureau of Economic Analysis, *Foreign Direct Investment in the United States: Operations of U.S. Affiliates of Foreign Companies, Preliminary 1983 Estimates* (GPO, December 1985), table D-13.

Perhaps one of the most cogent forces in drawing foreign investment to the Southeast has been the ongoing effort of state government officials, usually including governors. The states have sent numerous contingents overseas and their promotional efforts have extended to help with site selection, programs for pre-training and retraining a suitable work force, and assistance with completing legal and regulatory requirements—a virtual one-stop shop to get the job done. Most states will transport potential foreign investors into and out of the region in state planes and will fly them around in state helicopters to look at plant sites. Additionally, the 12 regional states now have a total of 21 overseas offices, six in Tokyo alone. In fact, some observers criticize these state departments for spending too much time attracting “reverse investment,” and insufficient time promoting trade and tourism. We have seen some redress of that imbalance in recent years.

One intangible factor in attracting foreign investment to the Southeast is that the investor is made to feel important to the local community. Being welcomed by the governor of the state and the mayor of the city makes a favorable impression on many foreign visitors. Generally, an investor will not receive that kind of hospitality in states such as New York or California, where he may be too small a fish in a bigger pond. Thus, the old southern hospitality has provided a comparative advantage.

In terms of country of origin, by 1982 Canada led the list of investors in the Southeast for the first time, as measured by gross book value of P, P, and E (see Table 5). The Southeast now accounts for more Canadian investment than any other U.S. region. Next on the list was the Netherlands, the largest investor in the region until 1980, then the United Kingdom, Germany, Switzerland, and Japan. With the Nissan plant in Tennessee, Japanese investment in the Southeast has become almost as prominent as it is in the western states.

The level, location, source, and job creation of foreign investment have been addressed often, but some interesting aspects of U.S. affiliates' exports and imports deserve further study. Foreign affiliates generate a deficit of about \$27 billion in 1983, up from \$23.6 billion in 1980. For 1980, the data are broken down by destination. Of the total exports shipped by the affiliates about \$52 billion, or 40 percent, went to the foreign parents and 60 percent to other foreigners.<sup>5</sup> For Europe, only 20 percent of affiliate exports went back to the parents, whereas for Japan 74 percent did so. The same pattern exists with imports: in total, 62 percent come in from the foreign parents, but for Europe the figure is 56 percent, and for Japan and Canada, it is 79 and 83 percent, respectively. There are, therefore, clear differences in the trading relationship between parent and affiliate for different investing countries, with Japanese and Canadian affiliates

**Table 5.** Gross Book Value of Property, Plant, and Equipment of Nonbank U.S. Affiliates by Country of Owner, 1982 (Millions of dollars)

	<u>Southeast Total</u>
All Countries	54,842
Canada	13,533
Netherlands	9,354
United Kingdom	7,579
Germany	6,709
France	4,791
Switzerland	2,536
Japan	1,803

Source: Bureau of Economic Analysis, *Foreign Direct Investment in the United States: Operations of U.S. Affiliates of Foreign Companies, Preliminary 1983 Estimates* (GPO, December 1985), table D-13.

linked more closely to the parent company in terms of components and end product use. Overall, more than 70 percent of the affiliate exports and imports are in wholesaling. For the manufacturing sector, unfortunately there is no breakdown as to where the exports and imports are going or coming.

The Canadian parent-affiliate trading relationship reflects the automobile arrangements set up between the United States and Canada, while in the Japanese case the relationship is evidence of the vast trade through Japanese trading companies. The Japanese companies generate a surplus of \$119 million in two-way trade in manufacturing, while a deficit of \$8.6 billion exists in the wholesaling sector.

The links between foreign investments as they come in, and what have become known as satellite industries—smaller investments drawn in on the coattails of the larger investment—are another interesting topic for further study. One example occurred when the Nissan plant opened in Smyrna, Tennessee, with an investment of \$660 million, the largest Japanese investment in this country. Nissan started promoting the “just-in-time” Japanese method of inventory control, and requiring one-day delivery from parts suppliers. This means that suppliers have to be located within a 60-mile radius of Smyrna. As a result, many satellite Japanese investments in the manufacture of car seats, automobile wheels, radiators, radios, and plastic parts supply the

Nissan plant. In a power play on the part of Alabama, Coilplus, a wholly owned subsidiary of Mitsubishi, is making steel and aluminum strip-  
ping just across the border in the town of Athens, Alabama. These coils will be used by other parts manufacturers in a 90-acre industrial complex that will house shared service facilities. Coilplus and a group of parts manufacturers currently supply Nissan in Japan in the same manner, and the firm appears to be moving the whole concept over to Alabama to supply the nearby Smyrna plant.

Given the supplier and end-user “satellite” relationships that may be established and the increasing number of joint ventures between American and foreign companies, the impact on the U.S. trade balance and on the competitiveness of U.S. companies in many sectors is unclear. To what extent, for example, are U.S. parts suppliers being supplanted by foreign suppliers with special relationships to the affiliate parent, such as in the case of Nissan? As Japanese automobile manufacturers invest in this country and take an increasing share of the automobile market, U.S. materials and parts suppliers probably will also suffer a fall in market share. A recent *Economist* survey of the world’s motor industry commented on the investment by Japanese companies in production facilities in the United States, saying:

In the short term this is welcomed by the Americans as a way of providing new jobs, but, in the longer term, the result will be to contribute to creeping colonization, especially if Japanese component suppliers increasingly establish themselves alongside the new assembly plants.<sup>6</sup>

These are some of the policy issues that must be faced as foreign direct investment grows in the coming years.

#### Notes

<sup>1</sup>Bureau of Economic Analysis, “Foreign Direct Investment in the United States: Country and Industry Detail for Position and Balance of Payment Flows, 1984” in *Survey of Current Business* (Government Printing Office, August 1985) and Bureau of Economic Analysis, “Foreign Direct Investment in the United States: Operations of U.S. Affiliates of Foreign Companies, Preliminary 1983 Estimates” (GPO, December 1985).

<sup>2</sup>See Ned G. Howenstine’s “U.S. Affiliates of Foreign Companies: Operations in 1983,” in *Survey of Current Business*, (GPO, November 1985).

<sup>3</sup>Howenstine, “U.S. Affiliates.”

<sup>4</sup>*Survey of Current Business*, (August 1985).

<sup>5</sup>Bureau of Economic Analysis, “Foreign Direct Investment in the United States, 1980,” (GPO, October 1983), tables E-6, p. 104 and G-4, p. 144.

<sup>6</sup>“Another Turn of the Wheel: A Survey of the World’s Motor Industry,” *The Economist*, March 2, 1985.

# Foreign Direct Investment In the Southeast: An Historical Perspective

Mira Wilkins



Toward the close of 1985, newspapers were full of news that America, for the first time since 1914, has become a net debtor nation in world accounts. That is, our net foreign assets are now negative, meaning they are net liabilities. Some predicted that by the end of 1985 the country's net external debt would reach \$100 billion; Federal Reserve Bank of New York President Gerald Corrigan predicted that our net debtor position would rise to \$500 billion in five years.

Foreign direct investment is a small but important part of our nation's total foreign liabilities. According to the Department of Commerce, foreign direct investment in the United States approached \$160 billion at the end of 1984. If we add U.S. business abroad, equaling \$233 billion, we still have a positive balance; however, the gap clearly is closing.

The press seldom differentiates among the types of foreign investments. In the academic world, students of international finance and of foreign direct investment employ different terminology, look at different data, and ask different questions. For example, research on international capital flows often studies interest rate differentials, the nature of international debt, the role of banks, the relationship between financial flows and compensating real flows, and international money markets. Bankers are concerned with

foreign deposits and loans made with these funds. By contrast, students of foreign direct investment prefer to focus on how, when, where, and why companies invest abroad.

Fundamental to the notion of foreign direct investment is the question of control. When a foreigner puts money in an American bank account, he wants to know that the bank is secure but he is not interested in actively joining the bank's management. Mostly the depositor looks at interest rates and at the duration of a certificate of deposit. Likewise, if through an American, London, or Tokyo broker a foreigner purchases U.S. corporate securities or U.S. Treasury bills, he does not expect to control the corporation or the U.S. government. His crucial considerations are security of capital, the current and expected value of the dollar, and interest rates.

By contrast and by definition, foreign direct investment entails not only capital transfer but an extension of the firm (or company). Thus, the firm plans to gain returns from its investment by controlling the business' activities. For instance, when the Canadian real estate firm Cadillac Fairview makes an investment in Florida, it intends to control the project. This approach is different from the role of a financial intermediary. The fundamental difference between foreign capital transfer in general and foreign direct investment in particular lies in whether the investor intends to exercise control over the activity.

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Foreign direct investment refers to activities of a business across borders. Beyond mere capital flow, such business involves the transfer of know-how, production skills, marketing knowledge, sometimes trademarks, often patents, but always management or at least the potential of managing. This interchange means the costs and benefits of each type of foreign investment are dissimilar. The pace of such investments also may differ: foreign direct investments and foreign portfolio investments need not necessarily be synchronized, since the motives for such investment are not the same.

**“In the Southeast as in the nation, both foreign direct investment and foreign portfolio investment have been characterized by periods of large-scale activity followed by retrenchment.”**

Historically, both types of foreign investment have existed in the American Southeast, and in large amounts. The Louisiana Purchase of 1803 was financed by monies from Britain and Holland—standard portfolio-type investments. In the 1830s, foreigners invested heavily in the Southeast through state government bonds. In the early 1840s, Florida and Mississippi defaulted on their bonds, and the Mississippi debt is still in default. After the Civil War there were again huge foreign investments in state government bonds in our region; and once more, in the early 1870s, major defaults occurred.

The antebellum years saw minor foreign direct investments. In the 1830s, for example, some banks in Louisiana were owned and controlled by foreign capital. Two decades later a German pencil-maker acquired timberland and built a mill in Cedar Key, Florida.

After the Civil War, foreign direct investment in the Southeast began to mount. Some of it, like investment today, was in land speculation and

land development, and some was in transportation. For instance, much of Alabama's railroad system was owned and controlled by British capital. Some foreign investment was channeled into the region's earliest industries. Especially in the 1870s and 1880s, the developing iron and steel industry in Tennessee and in the vicinity of Birmingham, Alabama benefited substantially from foreign direct investment. In fact, the first iron furnace in Tennessee was built by a British company in a town named South Pittsburg, near the Alabama border. From its origins, Florida's phosphate industry attracted foreign direct investment. A British firm introduced some of the most technologically advanced dredging machinery at the industry's inception in the state. Before World War I, German and French companies also participated in Florida's phosphate industry.

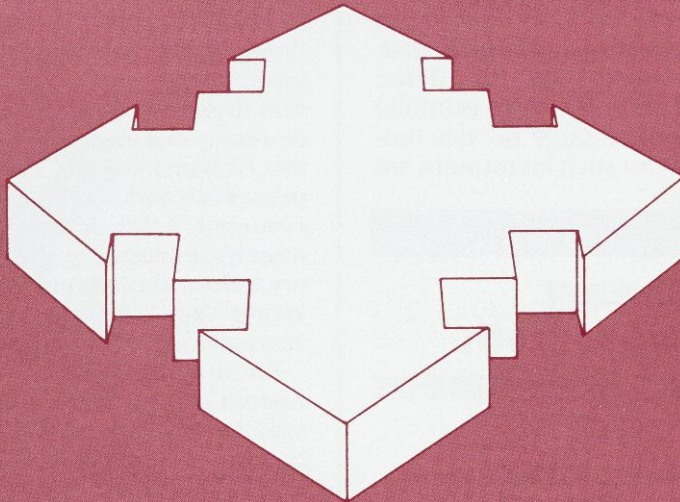
British foreign direct investment in the southeastern United States extended into other sectors. Lever Brothers' first manufacturing in this country took place in 1884 in a cottonseed oil mill in Vicksburg, Mississippi. The mill was designed to supply Lever's soap factory in the United Kingdom with a substitute for cottonseed oil from Egyptian sources. The British also invested in cotton and rice growing in Mississippi and Louisiana. Before World War I, British insurance companies maintained an important presence in the region. An 1890 Macon, Georgia business directory listed 17 British insurance companies in that city alone. In the years between 1880 and 1914 a number of British companies, principally Scottish, were active in granting mortgages in the Southeast. I could enumerate many more foreign direct investments in the Southeast in the years before 1914, when the U.S. was a debtor nation in world accounts.

The important point in reviewing foreign investment is that both foreign portfolio and direct investment have been characterized by periods of aggressive entry activities and then periods of retreat. Foreign portfolio investments—foreign bank deposits, loans, and investments in American securities—are highly liquid, interest rate-sensitive investments. Traditionally, students of foreign direct investment have argued that direct investments are less liquid. A change in interest rates makes little difference once an investment has been made in property, plant, and equipment and a commitment extended to develop business in an area. The market for the goods or services, rather than the cost of money, is what influences the direct investor's decisions.

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Even though they lack such liquidity, foreign direct investors clearly do exit as well as enter, but perhaps not at the same time and pace as foreign portfolio investors. The timing of the ebbs and flows of foreign direct investment and the changes in the level as compared with foreign portfolio investments need to be studied.

Most countries or regions greet foreign investment with mixed feelings. We like the idea of more investment, more jobs, more economic activity, a larger tax base, and so forth. On the other hand, when Mississippi defaulted on its \$5 million bond issue of 1838, a debt largely held abroad, the governor declared righteously that the state would not allow the Rothschilds and other British bankers to make serfs of its children.

**“The economic malaise of many Latin American countries has retarded the influx of foreign investment into Florida land and real estate.”**

During the mid and late 1970s, the United States was considerably agitated about foreign ownership of agricultural land. Roughly 100 years ago, Representative William C. Oates of Alabama unsuccessfully sponsored legislation that would have forbidden non-resident foreigners from owning land anywhere in the United States. Land always has been a far more sensitive matter than foreign investment in mining or manufacturing, or in selling insurance. (However, Americans have wanted to be sure that foreign sellers of insurance held adequate U.S. reserves to pay American claims.)

In the Southeast as in the nation, both foreign direct investment and foreign portfolio investment have been characterized by periods of

large-scale investment followed by retrenchment. During the late 1970s, both types of foreign investment accumulated rapidly. Recently, however, except for the spectacular influx of foreign direct investment in Tennessee, there has been a relative slowdown in the entry by foreign direct investors.

In Florida, new foreign investment in land and real estate is substantially lower than in the peak years. Since the owner controls his property, we consider this to be foreign direct investment. Charles Kimball, Miami's resident expert on foreign investment in land and real estate, has commented that whereas everyone was thinking of foreigners in 1981, foreign investment seems much less important today. It has receded to 1975 levels of less than 10 percent of the dollar sales of land and commercial income properties selling for \$300,000 or more. In south Florida, foreign investors accounted for just 8.1 percent of such sales in the most recent quarter, compared with 41.4 percent of the dollar volume during the 1979 banner year. As recently as 1981, foreigners accounted for 33.6 percent of the dollar volume. The surge in oil prices that occurred in 1979 brought in its wake large amounts of Arab and Venezuelan monies, which typically went through banks, as well as into land and real estate. Since 1981, oil prices have tumbled and, as a consequence, the flow of those monies slowed. Additionally, the economic malaise of many Latin American countries has retarded the influx of foreign investment into Florida land and real estate.

While as a nation we are steadily becoming the largest debtor in the world, at the same time we are seeing a sharp decline in foreign investment in south Florida land and real estate. Foreign direct investment in other activities, which comes primarily from Canada, England, Japan, and Germany, typically has not experienced this kind of roller coaster downturn. Indeed, recent studies suggest that most southeastern states continue luring foreign direct investment successfully.

In 1975, when I began researching foreign direct investment in Florida, the state had 11 foreign-owned manufacturing plants. A decade later more than 210 such plants are in operation. In short, the Southeast is attracting substantial foreign direct investment, and its pace and nature apparently differ from those of the investments that bankers previously considered.



# FINANCE

	NOV 1985	OCT 1985	NOV 1984	ANN. % CHG.		NOV 1985	OCT 1985	NOV 1984	ANN. % CHG.
\$ millions									
<b>UNITED STATES</b>									
Commercial Bank Deposits	1,523,039	1,522,151	1,431,002	+ 6	Savings & Loans**				
Demand	329,545	329,426	315,480	+ 4	Total Deposits	744,464	744,027	712,147	+ 5
NOW	107,487	107,131	93,485	+15	NOW	26,788	26,539	21,509	+25
Savings	430,104	426,542	365,014	+18	Savings	177,481	177,002	163,153	+ 9
Time	695,970	696,600	697,713	- 1	Time	541,361	541,908	530,517	+ 2
Credit Union Deposits	65,070	64,825	58,254	+12	OCT		SEP	OCT	
Share Drafts	7,524	7,590	6,461	+16	Mortgages Outstanding	644,368	636,156	590,733	+ 9
Savings & Time	57,481	57,205	51,677	+11	Mortgage Commitments	64,862	65,865	40,918	+59
<b>SOUTHEAST</b>									
Commercial Bank Deposits	175,729	175,556	163,311	+ 8	Savings & Loans**				
Demand	37,446	37,982	36,388	+ 3	Total Deposits	98,600	94,546	95,239	+ 4
NOW	14,404	14,229	11,963	+20	NOW	5,038	4,212	3,362	+16
Savings	48,246	47,668	41,511	+16	Savings	22,501	22,444	20,662	+ 9
Time	80,198	80,222	77,768	+ 3	Time	71,988	72,300	72,514	- 1
Credit Union Deposits	7,537	7,494	7,506	+ 0	OCT		SEP	OCT	
Share Drafts	709	712	589	+13	Mortgages Outstanding	92,962	92,655	93,582	- 1
Savings & Time	6,601	6,580	5,787	+11	Mortgage Commitments	4,955	5,128	4,691	+ 6
<b>ALABAMA</b>									
Commercial Bank Deposits	17,394	17,310	17,366	+ 0	Savings & Loans**				
Demand	3,941	3,969	3,850	+ 2	Total Deposits	6,554	6,529	5,963	+10
NOW	1,402	1,365	1,112	+26	NOW	278	251	151	+84
Savings	3,752	3,691	3,315	+13	Savings	1,152	1,129	895	+29
Time	8,818	8,809	9,631	- 8	Time	5,162	5,179	4,923	+ 5
Credit Union Deposits	1,190	1,168	979	+22	OCT		SEP	OCT	
Share Drafts	135	135	102	+32	Mortgages Outstanding	5,778	5,751	5,739	+ 1
Savings & Time	961	956	855	+12	Mortgage Commitments	400	418	173	+131
<b>FLORIDA</b>									
Commercial Bank Deposits	64,566	64,482	57,289	+13	Savings & Loans**				
Demand	13,624	13,871	12,738	+ 7	Total Deposits	63,690	63,850	61,226	+ 4
NOW	6,088	6,034	4,913	+24	NOW	3,572	2,797	2,360	+51
Savings	22,286	22,133	19,447	+15	Savings	15,470	15,443	14,158	+ 9
Time	24,243	24,248	21,503	+13	Time	45,189	45,452	45,596	- 1
Credit Union Deposits	3,393	3,357	2,925	+16	OCT		SEP	OCT	
Share Drafts	353	353	299	+18	Mortgages Outstanding	56,802	56,727	58,865	- 4
Savings & Time	2,880	2,840	2,497	+15	Mortgage Commitments	3,380	3,365	3,091	+ 9
<b>GEORGIA</b>									
Commercial Bank Deposits	27,598	27,555	25,363	+ 9	Savings & Loans**				
Demand	7,557	7,681	7,360	+ 3	Total Deposits	8,391	8,421	8,207	+ 2
NOW	1,963	1,921	1,641	+20	NOW	513	493	298	+72
Savings	7,582	7,741	6,139	+24	Savings	1,842	1,852	1,815	+ 1
Time	11,881	11,881	11,611	+ 2	Time	6,196	6,184	6,226	- 0
Credit Union Deposits	1,538	1,531	1,376	+12	OCT		SEP	OCT	
Share Drafts	115	117	94	+22	Mortgages Outstanding	10,664	10,563	11,425	- 7
Savings & Time	1,434	1,434	1,280	+12	Mortgage Commitments	413	480	419	- 1
<b>LOUISIANA</b>									
Commercial Bank Deposits	28,058	28,019	26,638	+ 5	Savings & Loans**				
Demand	5,322	5,368	5,550	- 4	Total Deposits	10,831	10,919	10,960	- 1
NOW	1,734	1,733	1,532	+13	NOW	328	328	282	+16
Savings	6,799	6,646	5,446	+25	Savings	2,380	2,398	2,267	+ 5
Time	14,688	14,786	14,580	+ 1	Time	8,225	8,290	8,572	- 4
Credit Union Deposits	192	193	183	+ 5	OCT		SEP	OCT	
Share Drafts	17	17	16	+ 6	Mortgages Outstanding	10,284	10,288	9,214	+12
Savings & Time	184	186	177	+ 4	Mortgage Commitments	276	298	511	-54
<b>MISSISSIPPI</b>									
Commercial Bank Deposits	13,025	13,019	12,413	+ 5	Savings & Loans**				
Demand	2,491	2,555	2,339	+ 6	Total Deposits	2,130	2,099	1,627	+31
NOW	1,001	989	844	+19	NOW	82	74	52	+58
Savings	2,640	2,582	2,324	+14	Savings	376	333	282	+33
Time	7,205	7,208	7,203	+ 0	Time	1,715	1,709	1,361	+26
Credit Union Deposits	*	*	*		OCT		SEP	OCT	
Share Drafts	*	*	*		Mortgages Outstanding	2,686	2,615	2,063	+31
Savings & Time	*	*	*		Mortgage Commitments	203	242	180	+13
<b>TENNESSEE</b>									
Commercial Bank Deposits	25,088	25,171	24,242	+ 3	Savings & Loans**				
Demand	4,511	4,538	4,551	- 1	Total Deposits	7,004	6,999	7,256	- 3
NOW	2,216	2,187	1,921	+15	NOW	265	269	219	+21
Savings	5,187	5,145	4,840	+ 7	Savings	1,281	1,289	1,245	+ 3
Time	13,363	13,290	13,240	+ 1	Time	5,501	5,486	5,836	- 6
Credit Union Deposits	1,224	1,245	1,043	+17	OCT		SEP	OCT	
Share Drafts	89	90	78	+14	Mortgages Outstanding	6,748	6,711	6,276	+ 8
Savings & Time	1,142	1,164	978	+17	Mortgage Commitments	283	325	317	-12

**Notes:** All deposit data are extracted from the Federal Reserve Report of Transaction Accounts, other Deposits and Vault Cash (FR2900), and are reported for the average of the week ending the 1st Monday of the month. This data, reported by institutions with over \$15 million in deposits and \$2.1 million of reserve requirements as of June 1984, represents 95% of deposits in the six state area. The annual rate of change is based on most recent data over December 31, 1980 base, annualized. The major differences between this report and the "call report" are size, the treatment of interbank deposits, and the treatment of float. The data generated from the Report of Transaction Accounts is for banks over \$15 million in deposits as of December 31, 1979. The total deposit data generated from the Report of Transaction Accounts eliminates interbank deposits by reporting the net of deposits "due to" and "due from" other depository institutions. The Report of Transaction Accounts subtracts cash in process of collection from demand deposits, while the call report does not. Savings and loan mortgage data are from the Federal Home Loan Bank Board Selected Balance Sheet Data. The Southeast data represent the total of the six states. Subcategories were chosen on a selective basis and do not add to total.

\* = fewer than four institutions reporting.

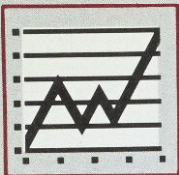
\*\* = S&L deposits subject to revisions due to reporting changes.



# CONSTRUCTION

	NOV 1985	OCT 1985	NOV 1984	ANN. % CHG.		NOV 1985	OCT 1985	NOV 1984	ANN. % CHG.
12-month cumulative rate									
<b>UNITED STATES</b>									
Nonresidential Building Permits - \$ Mil.					Residential Building Permits				
Total Nonresidential	68,888	68,821	60,962	+13	Value - \$ Mil.	81,782	81,324	74,554	+10
Industrial Bldgs.	8,791	8,946	8,569	+ 3	Residential Permits - Thous.				
Offices	17,121	16,994	14,759	+16	Single-family units	944.2	942.6	928.4	+ 2
Stores	11,016	10,921	9,381	+17	Multifamily units	760.3	764.9	755.3	+ 1
Hospitals	2,189	2,250	1,755	+25	Total Building Permits				
Schools	1,147	1,161	950	+21	Value - \$ Mil.	150,671	150,146	135,515	+11
<b>SOUTHEAST</b>									
Nonresidential Building Permits - \$ Mil.					Residential Building Permits				
Total Nonresidential	11,427	11,468	9,388	+22	Value - \$ Mil.	14,564	14,495	13,824	+ 5
Industrial Bldgs.	1,216	1,202	961	+27	Residential Permits - Thous.				
Offices	2,565	2,584	2,313	+11	Single-family units	195.0	195.7	190.9	+ 2
Stores	2,276	2,262	1,877	+21	Multifamily units	161.3	161.9	175.8	- 8
Hospitals	416	452	345	+21	Total Building Permits				
Schools	159	156	116	+37	Value - \$ Mil.	25,990	25,964	23,212	+12
<b>ALABAMA</b>									
Nonresidential Building Permits - \$ Mil.					Residential Building Permits				
Total Nonresidential	673	681	687	- 2	Value - \$ Mil.	537	530	456	+18
Industrial Bldgs.	72	71	182	-60	Residential Permits - Thous.				
Offices	149	149	100	+49	Single-family units	9.8	9.7	8.3	+18
Stores	162	155	128	+27	Multifamily units	7.8	7.6	7.3	+ 7
Hospitals	40	49	26	+54	Total Building Permits				
Schools	14	12	6	+133	Value - \$ Mil.	1,210	1,211	1,143	+ 6
<b>FLORIDA</b>									
Nonresidential Building Permits - \$ Mil.					Residential Building Permits				
Total Nonresidential	5,896	5,909	4,657	+27	Value - \$ Mil.	8,271	8,237	7,946	+ 4
Industrial Bldgs.	554	565	468	+18	Residential Permits - Thous.				
Offices	1,177	1,185	1,096	+ 7	Single-family units	103.3	103.8	104.2	- 1
Stores	1,258	1,238	1,057	+19	Multifamily units	97.3	97.7	99.0	- 2
Hospitals	221	236	153	+44	Total Building Permits				
Schools	49	49	49	0	Value - \$ Mil.	14,167	14,146	12,604	+12
<b>GEORGIA</b>									
Nonresidential Building Permits - \$ Mil.					Residential Building Permits				
Total Nonresidential	1,955	1,966	1,844	+ 6	Value - \$ Mil.	3,104	3,070	2,820	+10
Industrial Bldgs.	311	309	183	+70	Residential Permits - Thous.				
Offices	485	475	608	-20	Single-family units	46.4	46.5	43.3	+ 7
Stores	308	328	293	+ 5	Multifamily units	25.9	25.1	27.5	- 6
Hospitals	33	32	45	-27	Total Building Permits				
Schools	21	19	18	+17	Value - \$ Mil.	5,059	5,035	4,664	+ 8
<b>LOUISIANA</b>									
Nonresidential Building Permits - \$ Mil.					Residential Building Permits				
Total Nonresidential	1,331	1,399	1,169	+14	Value - \$ Mil.	779	794	1,063	-27
Industrial Bldgs.	49	51	30	+63	Residential Permits - Thous.				
Offices	413	432	295	+40	Single-family units	11.5	11.8	15.3	-25
Stores	255	263	219	+16	Multifamily units	7.1	7.5	14.0	-49
Hospitals	46	62	96	-52	Total Building Permits				
Schools	56	57	34	+65	Value - \$ Mil.	2,110	2,194	2,232	- 5
<b>MISSISSIPPI</b>									
Nonresidential Building Permits - \$ Mil.					Residential Building Permits				
Total Nonresidential	295	296	254	+16	Value - \$ Mil.	333	334	376	-11
Industrial Bldgs.	22	21	15	+47	Residential Permits - Thous.				
Offices	53	56	39	+36	Single-family units	5.8	5.9	6.3	- 8
Stores	60	58	54	+11	Multifamily units	2.4	2.3	5.3	-55
Hospitals	15	16	9	+67	Total Building Permits				
Schools	8	8	2	+300	Value - \$ Mil.	628	631	629	- 0
<b>TENNESSEE</b>									
Nonresidential Building Permits - \$ Mil.					Residential Building Permits				
Total Nonresidential	1,277	1,217	777	+64	Value - \$ Mil.	1,540	1,530	1,163	+32
Industrial Bldgs.	208	185	83	+151	Residential Permits - Thous.				
Offices	288	287	175	+65	Single-family units	18.2	18.0	13.5	+35
Stores	233	220	126	+85	Multifamily units	20.8	21.7	22.7	- 8
Hospitals	61	57	16	+281	Total Building Permits				
Schools	11	11	7	+57	Value - \$ Mil.	2,816	2,747	1,940	+45

**NOTES:** Data supplied by the U. S. Bureau of the Census, Housing Units Authorized By Building Permits and Public Contracts, C-40. Nonresidential data excludes the cost of construction for publicly owned buildings. The southeast data represent the total of the six states.



# GENERAL

		LATEST DATA	CURR. PERIOD	PREV. PERIOD	YEAR AGO	ANN. % CHG.		DEC 1985	NOV (R) 1985	DEC 1984	ANN. % CHG.
<b>UNITED STATES</b>											
Personal Income (\$bil. - SAAR)	3Q	3,211.6	3,190.7	3,057.3	+ 5		Agriculture				
Taxable Sales - \$bil.		N.A.	N.A.	N.A.			Prices Rec'd by Farmers Index (1977=100)	128	127	135	- 5
Plane Pass. Arr. (000's)		N.A.	N.A.	N.A.			Broiler Placements (thous.)	89,155	83,005	54,689	+ 5
Petroleum Prod. (thous.)	NOV	8,900.7	8,961.0	8,849.5	+ 1		Calf Prices (\$ per cwt.)	59.8	61.4	59.5	+ 1
Consumer Price Index 1967=100	DEC	327.4	326.6	315.5	+ 4		Broiler Prices (\$ per lb.)	30.0	31.8	28.5	+ 5
Kilowatt Hours - mils.	OCT	183.8	205.7	181.7	+ 1		Soybean Prices (\$ per bu.)	5.01	4.92	5.82	-14
							Broiler Feed Cost (\$ per ton)	186	182	216	-14
<b>SOUTHEAST</b>											
Personal Income (\$bil. - SAAR)	3Q	392.0	388.2	373.1	+ 5		Agriculture				
Taxable Sales - \$bil.		N.A.	N.A.	N.A.			Prices Rec'd by Farmers Index (1977=100)	113	112	124	- 9
Plane Pass. Arr. (000's)	OCT	4,310.6	3,836.5	4,277.2	+ 1		Broiler Placements (thous.)	34,378	31,421	32,566	+ 6
Petroleum Prod. (thous.)	NOV	1,525.0	1,524.0	1,505.0	+ 1		Calf Prices (\$ per cwt.)	54.8	57.6	54.3	+ 1
Consumer Price Index 1967=100							Broiler Prices (\$ per lb.)	28.0	30.9	27.0	+ 4
Kilowatt Hours - mils.	OCT	30.4	34.8	29.3	+ 4		Soybean Prices (\$ per bu.)	5.01	4.96	5.90	-15
							Broiler Feed Cost (\$ per ton)	179	176	210	-15
<b>ALABAMA</b>											
Personal Income (\$bil. - SAAR)	3Q	42.2	42.1	40.4	+ 4		Agriculture				
Taxable Sales - \$bil.		N.A.	N.A.	N.A.			Farm Cash Receipts - \$ mil. (Dates: NOV, NOV)	1,888	-	2,031	- 7
Plane Pass. Arr. (000's)	OCT	132.4	120.7	121.6	+ 9		Broiler Placements (thous.)	11,569	10,368	10,960	+ 6
Petroleum Prod. (thous.)	NOV	58.0	58.0	53.0	+ 9		Calf Prices (\$ per cwt.)	54.6	57.4	55.5	- 2
Consumer Price Index 1967=100							Broiler Prices (\$ per lb.)	26.5	30.0	26.5	0
Kilowatt Hours - mils.	OCT	4.0	4.7	4.0	0		Soybean Prices (\$ per bu.)	5.11	4.91	5.89	-13
							Broiler Feed Cost (\$ per ton)	178	171	191	- 7
<b>FLORIDA</b>											
Personal Income (\$bil. - SAAR)	3Q	151.2	149.0	142.6	+ 6		Agriculture				
Taxable Sales - \$bil.	DEC	92.8	92.2	84.0	+10		Farm Cash Receipts - \$ mil. (Dates: NOV, NOV)	3,832	-	4,070	- 6
Plane Pass. Arr. (000's)	OCT	2,005.2	1,635.6	1,870.5	+ 7		Broiler Placements (thous.)	2,224	2,133	2,065	+ 8
Petroleum Prod. (thous.)	NOV	36.0	37.0	36.0	0		Calf Prices (\$ per cwt.)	57.3	59.9	58.4	- 2
Consumer Price Index 1967=100	NOV	173.9	173.5	168.3	+ 3		Broiler Prices (\$ per lb.)	28.0	31.0	27.0	+ 4
Kilowatt Hours - mils.	OCT	9.7	10.4	8.6	+13		Soybean Prices (\$ per bu.)	5.11	4.91	5.89	-13
							Broiler Feed Cost (\$ per ton)	230	230	235	- 2
<b>GEORGIA</b>											
Personal Income (\$bil. - SAAR)	3Q	73.0	71.8	68.4	+ 7		Agriculture				
Taxable Sales - \$bil.		N.A.	N.A.	N.A.			Farm Cash Receipts - \$ mil. (Dates: NOV, NOV)	2,944	-	3,335	-12
Plane Pass. Arr. (000's)	OCT	1,637.2	1,612.1	1,724.5	- 6		Broiler Placements (thous.)	13,866	12,678	13,022	+ 6
Petroleum Prod. (thous.)		N.A.	N.A.	N.A.			Calf Prices (\$ per cwt.)	52.3	54.0	49.8	+ 5
Consumer Price Index 1967=100	DEC	335.3	333.0	318.2	+ 5		Broiler Prices (\$ per lb.)	28.0	30.5	27.0	+ 4
Kilowatt Hours - mils.	OCT	4.8	5.2	4.6	- 8		Soybean Prices (\$ per bu.)	5.10	4.92	5.79	-12
							Broiler Feed Cost (\$ per ton)	176	180	245	-28
<b>LOUISIANA</b>											
Personal Income (\$bil. - SAAR)	3Q	49.8	49.6	49.0	+ 1		Agriculture				
Taxable Sales - \$bil.		N.A.	N.A.	N.A.			Farm Cash Receipts - \$ mil. (Dates: NOV, NOV)	1,310	-	1,288	+ 2
Plane Pass. Arr. (000's)	OCT	318.4	260.2	343.6	- 9		Broiler Placements (thous.)	N.A.	-	N.A.	
Petroleum Prod. (thous.)	NOV	1,347.0	1,344.0	1,326.0	+ 2		Calf Prices (\$ per cwt.)	58.0	57.5	54.0	+ 7
Consumer Price Index 1967=100		N.A.	N.A.	N.A.			Broiler Prices (\$ per lb.)	31.0	32.5	29.5	+ 5
Kilowatt Hours - mils.	OCT	4.9	5.9	5.0	- 2		Soybean Prices (\$ per bu.)	4.70	4.88	5.90	-20
							Broiler Feed Cost (\$ per ton)	245	240	255	- 4
<b>MISSISSIPPI</b>											
Personal Income (\$bil. - SAAR)	3Q	23.0	23.7	23.0	0		Agriculture				
Taxable Sales - \$bil.		N.A.	N.A.	N.A.			Farm Cash Receipts - \$ mil. (Dates: NOV, NOV)	2,074	-	1,808	+15
Plane Pass. Arr. (000's)	OCT	34.8	31.4	37.0	- 6		Broiler Placements (thous.)	6,720	6,243	6,517	+ 3
Petroleum Prod. (thous.)	NOV	84.0	85.0	90.0	- 7		Calf Prices (\$ per cwt.)	57.5	59.9	57.9	- 1
Consumer Price Index 1967=100		N.A.	N.A.	N.A.			Broiler Prices (\$ per lb.)	30.0	33.0	29.8	+ 1
Kilowatt Hours - mils.	OCT	2.1	2.4	2.0	+ 5		Soybean Prices (\$ per bu.)	5.00	5.06	5.89	-15
							Broiler Feed Cost (\$ per ton)	155	144	160	- 3
<b>TENNESSEE</b>											
Personal Income (\$bil. - SAAR)	3Q	52.8	52.0	49.7	+ 6		Agriculture				
Taxable Sales - \$bil.		N.A.	N.A.	N.A.			Farm Cash Receipts - \$ mil. (Dates: NOV, NOV)	1,917	-	1,748	+10
Plane Pass. Arr. (000's)	NOV	182.6	176.5	180.0	+ 1		Broiler Placements (thous.)	N.A.	-	N.A.	
Petroleum Prod. (thous.)		N.A.	N.A.	N.A.			Calf Prices (\$ per cwt.)	50.0	55.9	49.4	+ 1
Consumer Price Index 1967=100		N.A.	N.A.	N.A.			Broiler Prices (\$ per lb.)	27.0	29.0	27.0	0
Kilowatt Hours - mils.	OCT	4.9	6.2	5.1	- 4		Soybean Prices (\$ per bu.)	5.26	5.00	5.99	-12
							Broiler Feed Cost (\$ per ton)	178	174	185	- 4

**NOTES:** Personal Income data supplied by U. S. Department of Commerce. Taxable Sales are reported as a 12-month cumulative total. Plane Passenger Arrivals are collected from 26 airports. Petroleum Production data supplied by U. S. Bureau of Mines. Consumer Price Index data supplied by Bureau of Labor Statistics. Agriculture data supplied by U. S. Department of Agriculture. Farm Cash Receipts data are reported as cumulative for the calendar year through the month shown. Broiler placements are an average weekly rate. The Southeast data represent the total of the six states. N. A. = not available. The annual percent change calculation is based on most recent data over prior year. R = revised.



# EMPLOYMENT

	NOV 1985	OCT 1985	NOV 1984	ANN. % CHG		NOV 1985	OCT 1985	NOV 1984	ANN. % CHG
<b>UNITED STATES</b>									
Civilian Labor Force - thous.	116,097	116,346	114,115	+ 2	Nonfarm Employment - thous.	99,540	99,319	96,645	+ 3
Total Employed - thous.	108,282	108,428	106,246	+ 2	Manufacturing	19,420	19,475	19,607	- 1
Total Unemployed - thous.	7,815	7,917	7,869	- 1	Construction	4,902	5,006	4,569	+ 7
Unemployment Rate - % SA	7.0	7.1	7.1		Trade	23,717	23,534	22,936	+ 3
Insured Unemployment - thous.	N.A.	N.A.	N.A.		Government	16,787	16,635	16,388	+ 2
Insured Unempl. Rate - %	N.A.	N.A.	N.A.		Services	22,366	22,334	21,174	+ 6
Mfg. Avg. Wkly. Hours	40.8	40.7	40.7	+ 0	Fin., Ins. & Real. Est.	6,018	5,995	5,735	+ 5
Mfg. Avg. Wkly. Earn. - \$	342	338	330	+ 4	Trans. Com. & Pub. Util.	5,374	5,378	5,253	+ 2
<b>SOUTHEAST</b>									
Civilian Labor Force - thous.	15,322	15,408	15,057	+ 2	Nonfarm Employment - thous.	12,949	12,881	12,572	+ 3
Total Employed - thous.	14,226	14,303	13,905	+ 2	Manufacturing	2,301	2,295	2,328	- 1
Total Unemployed - thous.	1,096	1,105	1,152	- 5	Construction	803	803	778	+ 3
Unemployment Rate - % SA	7.3	7.3	7.5		Trade	3,219	3,180	3,092	+ 4
Insured Unemployment - thous.	N.A.	N.A.	N.A.		Government	2,306	2,298	2,231	+ 3
Insured Unempl. Rate - %	N.A.	N.A.	N.A.		Services	2,720	2,706	2,579	+ 5
Mfg. Avg. Wkly. Hours	41.4	41.2	41.1	+ 1	Fin., Ins. & Real. Est.	738	736	704	+ 5
Mfg. Avg. Wkly. Earn. - \$	357	347	336	+ 6	Trans. Com. & Pub. Util.	735	736	727	+ 1
<b>ALABAMA</b>									
Civilian Labor Force - thous.	1,808	1,807	1,802	+ 0	Nonfarm Employment - thous.	1,411	1,406	1,400	+ 1
Total Employed - thous.	1,667	1,665	1,609	+ 4	Manufacturing	348	348	359	- 3
Total Unemployed - thous.	141	143	192	-27	Construction	69	70	65	+ 6
Unemployment Rate - % SA	8.2	8.3	11.0		Trade	300	295	300	0
Insured Unemployment - thous.	N.A.	N.A.	N.A.		Government	304	302	297	+ 2
Insured Unempl. Rate - %	N.A.	N.A.	N.A.		Services	235	236	229	+ 3
Mfg. Avg. Wkly. Hours	41.4	41.3	41.0	+ 1	Fin., Ins. & Real. Est.	67	66	63	+ 6
Mfg. Avg. Wkly. Earn. - \$	357	356	335	+ 7	Trans. Com. & Pub. Util.	72	73	72	0
<b>FLORIDA</b>									
Civilian Labor Force - thous.	5,266	5,263	5,154	+ 2	Nonfarm Employment - thous.	4,540	4,490	4,329	+ 5
Total Employed - thous.	4,976	4,983	4,833	+ 3	Manufacturing	525	519	513	+ 2
Total Unemployed - thous.	290	280	321	-10	Construction	343	339	337	+ 2
Unemployment Rate - % SA	5.2	4.6	5.8		Trade	1,186	1,170	1,144	+ 4
Insured Unemployment - thous.	N.A.	N.A.	N.A.		Government	726	718	677	+ 7
Insured Unempl. Rate - %	N.A.	N.A.	N.A.		Services	1,174	1,161	1,096	+ 7
Mfg. Avg. Wkly. Hours	42.3	41.5	41.1	+ 3	Fin., Ins. & Real. Est.	323	322	306	+ 6
Mfg. Avg. Wkly. Earn. - \$	336	326	319	+ 5	Trans. Com. & Pub. Util.	253	251	246	+ 3
<b>GEORGIA</b>									
Civilian Labor Force - thous.	2,859	2,879	2,828	+ 1	Nonfarm Employment - thous.	2,643	2,633	2,549	+ 4
Total Employed - thous.	2,685	2,686	2,671	+ 1	Manufacturing	550	550	552	- 0
Total Unemployed - thous.	174	193	157	+11	Construction	157	157	143	+10
Unemployment Rate - % SA	6.3	7.0	5.8		Trade	689	682	648	+ 6
Insured Unemployment - thous.	N.A.	N.A.	N.A.		Government	452	451	447	+ 1
Insured Unempl. Rate - %	N.A.	N.A.	N.A.		Services	487	486	459	+ 6
Mfg. Avg. Wkly. Hours	40.9	41.1	40.8	+ 0	Fin., Ins. & Real. Est.	137	137	132	+ 4
Mfg. Avg. Wkly. Earn. - \$	331	331	317	+ 4	Trans. Com. & Pub. Util.	163	163	159	+ 3
<b>LOUISIANA</b>									
Civilian Labor Force - thous.	1,983	2,026	1,938	+ 2	Nonfarm Employment - thous.	1,597	1,599	1,611	- 1
Total Employed - thous.	1,765	1,804	1,752	+ 1	Manufacturing	173	175	185	- 6
Total Unemployed - thous.	218	221	187	+17	Construction	113	115	116	- 3
Unemployment Rate - % SA	11.2	11.2	9.8		Trade	388	384	385	+ 1
Insured Unemployment - thous.	N.A.	N.A.	N.A.		Government	328	329	326	+ 1
Insured Unempl. Rate - %	N.A.	N.A.	N.A.		Services	319	319	315	+ 1
Mfg. Avg. Wkly. Hours	42.0	41.6	42.0	0	Fin., Ins. & Real. Est.	85	84	83	+ 2
Mfg. Avg. Wkly. Earn. - \$	478	437	427	+12	Trans. Com. & Pub. Util.	115	115	119	- 3
<b>MISSISSIPPI</b>									
Civilian Labor Force - thous.	1,126	1,142	1,079	+ 4	Nonfarm Employment - thous.	858	856	841	+ 2
Total Employed - thous.	1,019	1,035	969	+ 5	Manufacturing	221	221	220	+ 0
Total Unemployed - thous.	107	107	110	- 3	Construction	42	42	39	+ 8
Unemployment Rate - % SA	10.1	10.4	10.9		Trade	188	186	182	+ 3
Insured Unemployment - thous.	N.A.	N.A.	N.A.		Government	192	193	189	+ 2
Insured Unempl. Rate - %	N.A.	N.A.	N.A.		Services	130	130	127	+ 2
Mfg. Avg. Wkly. Hours	40.8	40.6	40.8	0	Fin., Ins. & Real. Est.	35	35	35	0
Mfg. Avg. Wkly. Earn. - \$	299	295	286	+ 5	Trans. Com. & Pub. Util.	40	41	40	0
<b>NEW YORK</b>									
Civilian Labor Force - thous.	2,280	2,291	2,256	+ 1	Nonfarm Employment - thous.	1,900	1,897	1,842	+ 3
Total Employed - thous.	2,114	2,130	2,071	+ 2	Manufacturing	484	482	499	- 3
Total Unemployed - thous.	166	161	185	-10	Construction	79	80	78	+ 1
Unemployment Rate - % SA	7.8	8.0	8.7		Trade	468	463	433	+ 8
Insured Unemployment - thous.	N.A.	N.A.	N.A.		Government	304	305	295	+ 3
Insured Unempl. Rate - %	N.A.	N.A.	N.A.		Services	375	374	353	+ 6
Mfg. Avg. Wkly. Hours	41.1	40.9	40.7	+ 1	Fin., Ins. & Real. Est.	91	92	85	+ 7
Mfg. Avg. Wkly. Earn. - \$	342	338	330	+ 4	Trans. Com. & Pub. Util.	92	93	91	+ 1

**NOTES:** All labor force data are from Bureau of Labor Statistics reports supplied by state agencies. Only the unemployment rate data are seasonally adjusted. The Southeast data represent the total of the six states.

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