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Trade relations between Southern U.S. cities and Latin America: A study of how the port cities  
New Orleans, Houston, and Miami fare against one another amid increasing competition for  
trade with Latin America

A Thesis

Submitted to the Graduate Faculty of the  
University of New Orleans  
in partial fulfillment of the  
requirements for the degree of

Master of Arts  
in  
Political Science  
International Relations

by

Bethany Comboy

B.A. Loyola University, 2002

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## **Abstract**

Globalization has affected decentralization and greater centralized control and management within governments traditionally unconstrained by international change, city governments. City governments must be increasingly active internationally to survive in a politically decentralized global environment, especially in international trade. Trade is important to cities because it affects growth, jobs and standard of living among other contributors to local economies. The effects of globalization at the local level are manifested in three Southern U.S. cities with business-generating ports linked to Latin American and world markets: New Orleans, Houston, and Miami. This comparative case study considers the competition among New Orleans, Houston and Miami to capitalize on their complex transportation networks and increase trade with Latin America. Several variables contribute to increased trade and investment between the cities and Latin America, including local autonomy from state governments, business influence on local government policy, size of firms, and international trade policy and investment.



## **Chapter 1: Introduction**

Trade is an important and multi-faceted issue for cities that affects growth, jobs and standard of living among other things that contribute to a local economy. Growth that results from increased trade-related business activity in a local economy provides increased tax revenue that may support infrastructure, social and all other municipal needs. Along with this growth, jobs are created as increased trade facilitates the expansion and retention of businesses. More jobs equate to greater monetary flow within a local economy; therefore, the standard of living is also affected. More specifically, the growth and jobs affected by increased trade improve an area as a whole as they contribute to an improved overall standard of living.

The first chapter explains the context of the thesis, namely the relevance of cities as important global actors in international trade. It also summarizes theories of local government and describes the research design. The chapter concludes with a discussion of the variables and operationalization.

Globalization, a very popular issue for the last couple of decades, is defined in the literature by opening markets for trade and foreign investment, increased trade and finance flows, and increased capital mobility. Some argue that globalization has led to an erosion of nations-states in that they can no longer provide the same private and public goods they used to as they compete for increased investment, resulting in the need for nation-states to adapt as they become fragmented (Cerny 1995, Strange 1986). In contrast, the territorial dispersion of economic activity associated with globalization has created a need for greater control and management within governments that traditionally have not needed to react to international change (Sassen 1994). Whereas in the past major international political actors mainly came from national governments, it has become more commonplace and necessary for city governments to

be actively involved in the international sphere in order to survive in a politically decentralized global environment. One important area for city government activity in the transitioning global economy of reduced communication and transportation costs is international trade, where it is now more necessary for city governments to affect the collaboration and agreements that guide trade. As a result, cities have become active and compete in the emerging global economy as they seek to increase local employment levels and tax revenues from trade and investment.

The effects of globalization at the local level of analysis are manifested in three important Southern U.S. cities with business-generating ports linked to Latin American and world markets: New Orleans and Houston through the Gulf of Mexico, and Miami, on the Atlantic Coast. These cities are similar in that they have developed ports and transportation networks, they rely heavily on international trade to support their local economies, and each is central to a metropolitan area comprised of several cities or counties/parishes that contribute to the ultimate amount of trade each has with Latin America. New Orleans, which has the longest and hence most profitable port industry, began as a center for international trade in 1718, and forged its ties to Latin America in the 1780s when commodities such as rum and slaves were imported from Cuba (NUTRIAS 2000). Miami began developing its port much later, in 1896 (<http://www.miamidade.gov>), while Houston transitioned its domestic river port into a deepwater port in 1914 (<http://www.portofhouston.com>), and thereafter developed into a fast-growing city. New Orleans, Houston, and Miami are dissimilar in that each has a varying degree of authority from its governing state. The degree of control the public sector enjoys over the relative authority of private firms in each city also varies as it pertains to trade policy and economic issues like development and business retention.

Especially amid the trade environment created by the North American Free Trade Agreement (NAFTA) and the Free Trade Area of the Americas (FTAA), there is competition among New Orleans, Houston, and Miami over attracting and retaining international trade, specifically with Latin America. Trade agreements like NAFTA and the Central American Free Trade Agreement (CAFTA) have accelerated international trade in the Americas, which means that the Southeastern U.S. must strategize how to capitalize on trade and secure the proper infrastructure. Accommodations for increased trade in Southeastern cities such as New Orleans, Houston, and Miami are necessary for their citizens to reap the greatest benefits from international market opportunities (LATTTS 2001). Port cities, in particular, stand to benefit from globalization because even as lower communication and transportation costs allow for unprecedented integration of markets, nation-states and technologies, port cities lie at the juncture of world transportation, as transit points for science, trade and business of all types (Savitch & Kantor 2004). New Orleans, Houston and Miami, as transit points for cost effective and time efficient trade, have a particular interest in increasing trade with Latin America because of expanding Latin American markets, shared cultural background, and the region's close proximity to the Southern U.S.

As port cities with complex transportation networks, they have the ability to trade with all regions of the world, but favorable conditions for trade with Latin America have inspired these cities to send trade missions and to become active in facilitating free trade agreements such as CAFTA with Latin America. CAFTA can increase trade at the local level, as did NAFTA, but on a smaller scale. Eighty-six percent of Latin American imports into the U.S. enter through the Southeast region of the U.S. and 71 percent of exports to Latin America depart through the region (LATTTS Sec. A, p.6). Because the majority of these imports and exports are transported

through ports rather than airports or cross-border through railways, New Orleans, Houston and Miami must focus on maintaining and expanding port infrastructure as they compete for increased trade with Latin America.

International trade, including growth, jobs and standard of living has been dramatically affected in New Orleans since Hurricane Katrina hit on August 29, 2006. Some experts like Donald Powell, Gulf Coast rebuilding coordinator for the federal government, claim it is the job of local and state officials to attract businesses to the metro area for the purpose of growth in the local economy (Alpert, May 4, 2006), while others like Carlos Guitierrez, U.S. Secretary of Commerce, believe it is the private sector that leads recovery and creates the favorable business climate (White, May 5, 2006). Although state and local officials have made necessary attempts to assure businesses of a sufficient skilled and unskilled labor force, Louisiana Secretary of Economic Development Michael Olivier considers the federal support of \$7.5 billion as of May 5, 2005 as greater validation to officials' efforts to attract businesses to the New Orleans metropolitan region (*ibid*). In addition to a labor force and federal aid, Donald Powell contends the New Orleans metro area will be successful in attracting businesses and jobs when businesses are assured of adequate housing and services such as functioning schools and health facilities, all of which affect the standard of living (Alpert, May 4, 2006). Specifically regarding the function of international trade in growth for the metro area of New Orleans following Hurricane Katrina, port and waterways infrastructure is an integral factor.

U.S. Census Bureau export data have indicated that the infrastructure and transportation systems in Louisiana have the capacity to handle exports. While the Louisiana census values are not specific to the Port of New Orleans and are undoubtedly boosted by the Port of South Louisiana, which received little hurricane damage in comparison to the Port of New Orleans, the

values provide the most readily available representation of activity at the Port of New Orleans. Export value data reveal that exports from Louisiana in 2005 were down 3.5% from 2004, though the values largely reflect the 18% decrease in the last quarter of 2005 compared to the last quarter of 2004. While the months immediately following Hurricane Katrina showed a decrease in exports, export value data from the first quarter of 2006 (\$5.3 billion) showed a 6.7% increase from the first quarter of 2005 (\$5.7 billion) (White, May 20, 2006). This increase may be largely attributable to the type of exports; i.e., computers and electronic products increased 49% in the first quarter of 2006 from the first quarter of 2005.

In sum, New Orleans remains in a state of instability while local, state and federal government officials and private sector leaders seek efficient methods of recovery from the large-scale, unprecedented events surrounding Hurricane Katrina. New Orleans needs to attract investment and economic activity, and the port must be an essential part of the recovery. The Port of New Orleans is a built-in engine for recovery that the city and port authority must invest in to attract much needed shipping business from firms. The stronger and more efficient the infrastructure is at the Port of New Orleans, the greater the likelihood will be for firms to decide to ship goods through New Orleans. Greater port business will result in greater tax revenue for the city, which may be used to further fuel other recovery needs surrounding growth in the local economy, jobs and the standard of living.

This study will consider the competition between New Orleans, Houston and Miami to increase trade with Latin America, as well as the relationship between city government and business in the cities. While many variables contribute to the cities' abilities to increase trade, the most influential are: autonomy of city governments from state governments, business influence on local government policy, and size of firms in the cities, all of which affect the

intervening variable, policy on international trade and investment. The intervening variable is ultimately linked to the dependant variable, increased trade and investment, in a comparative case study.

Figure 1.  
Case Study Model



Chapter 2 will present the literature review with an outline of the various theories of local government in the context globalization. It will further link the theories to four hypotheses and describe the operationalization. Chapter 3 will explore the first three hypotheses regarding public and private sector responses to globalization in each city. Chapter 4 will explore the fourth hypothesis in depth and link the intervening variable with the dependant variable to finally define what is needed in increase trade between the three cities and Latin America. Finally, Chapter 5 will present the conclusion to the case study and outline implications and directives for increasing trade with Latin America for each city.

## **Chapter 2: Literature Review, Hypotheses and Data**

The second chapter contains the literature review, hypotheses, and research design. The first section presents an overview of the theoretical literature on local governments within the global economy. The second and third sections derive the four hypotheses within a description of public and private sector responses to globalization. The remaining sections summarize the four hypotheses and give further detail on the data sources and how the variables are operationalized.

### ***Theories of Local Government in the Globalized Political Economy***

Globalization has been associated with several concepts in the international political economy literature that vary from viewing the state as a constrained actor within the world economy (Cerny 1990, Rosenau 2000, Strange 1996, Weiss 2003) to recognizing the state as an adaptable actor in the world economy (Coates 2000, Garrett 1998, Hirst & Thompson 1999, Rhodes 1998), and finally to suggesting that globalization is a concept of the broad situation of states rather than a singular reflection of the international political economy (Hay & Marsh 2000, Jessop 2003, Steger 2000). The first argument suggests that rather than having an uncompromising role in the world economy, the state is centrally focused on attracting and facilitating capital in order to increase competitiveness (Cerny 1990, Rosenau 2000, Strange 1996, Weiss 2003). The argument finds that globalization is brought about by such things as the explosion of world trade, international capital flows, foreign direct investment (FDI) by multinational corporations (MNCs), reduction of cost and increased transportation and communication. Moreover, globalization is a multi-dimensional process, wherein social,

political, economic and technological forces work to undermine state sovereignty (Strange 1996, Rosenau 2000).

The second argument finds that the state has greater ability to adapt and change within the international political economy than the first hypothesis. The state will respond to this unprecedented state of the world economy with whatever method necessary to protect its interests (Coates 2000, Garrett 1998, Hirst & Thompson 1999, Rhodes 1998). According to the argument, globalization is no more constraining than any other exceptional or unique era and common pressures do not necessarily lead to shared policy outcomes. In addition, greater vulnerability of states amid globalization demands a greater role of states, especially as the necessity of social and political accountability and stability has also risen (Garrett 1998).

Finally, it is argued that globalization is a concept that involves multiple levels of analysis, economics, politics, society, culture and ideology, rather than a discussion of the situation of states in the international political economy (Hay & Marsh 2000, Jessop 2003, Steger 2000). In other words, globalization is a very complex notion that should focus on the social world as much as the political economy. Moreover, the argument recognizes that there is some sort of change in the economy as change is continuous in any case (Jessop 2003; Cameron & Palan 2003). At the same time, it is opposed to any theory that makes universal claims, and particularly emphasizes this as it pertains to changes in the economy. More specifically, convergent tendencies to common pressures in the political economy are unlikely because preferences differ by nation state (Jessop 2003).

Although research on the topic has been relatively limited, it is important for political scientists to focus attention on the developmental potential of cities and regions in the context of globalization. Globalization, defined as networks of interdependence that span intercontinental



distances, creates many changes in world politics that include growing political relationships at the global level, erosion of local space and time as structures of economic life, and uniformity of social life (Keohane & Nye 2000). Due to the limited amount of research on local governments acting within the global environment, it is often difficult for cities to learn how to structure city government and policies to ensure their success in a global economy (Metcalf 1994). Political scientists must analyze the successes and failures of city governments in pursuing a share of the global market as nation-states become less successful in generating economic development (Savitch & Kantor 2004). As an emerging topic in political science, theories recognizing cities as places for major external economic activity in the increasingly borderless global economy have produced such terms as metropolitan agglomeration (Markusen 1999; Krugman & Venables 1993; Eng 1999), regional growth management (Leo 1998; Baldassarre 1986; Anttiroiko & Kainulainen 1998), and urban regime theory (Stone 1989; Hamilton 2002; Davies 1996; Elkin 1987) to analyze types of government strategies. As a result, cities are ranked according to how they utilize their regionally specific assets and resources in order to develop appropriate strategies to respond to globalization.

Prior to describing and explaining the differences between each model, it is important to note that all are grounded on the response of cities to the delegation of power from larger-scale units of governance, or decentralization theory (Stallman 2000; Tewdwr-Jones, Phelps 2000). As global integration increases pressure on city governments to provide for the interests of their citizens, these smaller-scale governments become increasingly accountable in relation to the federal government (Kahler and Lake 2003). Stallman (2000) notes the importance of decentralization as it relates to the institutional issue of “devolution,” whereby increasing competition between regions for inward investment leads polities to concentrate on financial

incentives for investment and reducing transaction costs for investors. Furthermore, the models based on decentralization theory become progressively more complex as the literature moves from the most basic model, metropolitan agglomeration toward the more complex regional growth management and finally to urban regime theory, which involves the most complex web of decision-makers at the local level.

The first model, metropolitan agglomeration, explains that economic and political actors intersect at the local level (Markusen 1999; Krugman & Venables 1993; Eng 1999). While Eng (1999) defines agglomeration simply as “the concentration of economic activities from related sectors in a geographic area,” metropolitan agglomeration refers to a model that encourages a cohesive, multi-level coalition of political and economic participants who guide decision-making at the local level (Markusen 1999; Krugman & Venables 1993; Eng 1999). Metropolitan agglomeration finds that the local economy works within the market environment to shape the interests and activities of local government officials, thereby influencing decision-making within the coalition (Eng 1999).

As globalization proceeds and liberalized economic exchange encourages sharing technologies, transportation, and communication within productive coalitions of decision-makers, metropolitan agglomeration highlights the need for cohesion of political and economic groups within city level governance (cf. Krugman & Venables 1993). A metropolitan agglomeration model not only encourages coalitional decision-making, but also expands on the idea of political and economic cohesiveness to promote local innovation and a competitive edge in response to the market economy (Eng 1999). Hence, metropolitan agglomeration provides that a metropolitan area will be competitive where local political and economic decision-makers create a positive coalition that encourages entrepreneurialism in response to the economy.

The second model, regional growth management, assumes collaboration between political and economic decision-makers at the local level and expands the model to consider how a city's surrounding areas contribute to its economic success (Leo 1998; Baldasarre 1986; Anttiroiko & Kainulainen 1998). Regional growth management assumes that city governments must collaborate with state and county governments in order to create the rules for developing and preserving the economic viability and attractiveness of an area as a whole (Leo 1998; Baldasarre 1986). Regional growth management is a valuable model for developing outlying areas outside of the jurisdiction of a city government, which is often important to understanding the dynamics of an entire metropolitan region. The model allows local governments to implement their political agenda beyond their boundaries through the successful appeal to the collective local interests within an entire metropolitan region. Therefore, regional growth management theorizes that the economic capabilities and overall appeal of a metropolitan area are dependant upon the successful collaboration of state and local governments.

Regional growth management is also closely associated with the concept of the growth machine, which defines modern cities as “engines of economic development for business interest” (Anttiroiko & Kainulainen 1998). While the policy model emphasizes the political power of the business community, it is more so focused on democratic and collective decision-making among various levels of government (*ibid*). Thus, regional growth management and related growth concepts are comprehensive in their focus on collaborative arrangements among levels of government along with the economic interests of the business community.

Third, urban regime theory defines an urban regime as an informal coalition of public and private entities working toward an end that combines urban decision-making, politics, and economics (Stone 1989; Hamilton 2002; Davies 1996; Elkin 1987). Urban regime theory

understands that competition among cities encourages increased cooperation at the local level that expands beyond political and economic environments alone, as it highlights the importance of local governance as a web of government, business community, and civil society (Stoker 1995). According to urban regime theory, effective governance depends upon a complex policy environment of longstanding cooperation between governmental and non-governmental actors to govern independent fluctuating economic forces (Stone 1989). Furthermore, urban regime theory recognizes an intervening variable surrounding the extent to which economic development plans focus on business retention and development as a measure of a city's ability to adapt and the crucial nature of securing the city's economic viability amid the decentralizing trends of globalization (Stone 1989; Hamilton 2002; Davies 1996; Elkin 1987).

The political economy structure of an urban regime necessarily includes business participants; yet, some researchers seek to determine if urban regime theory's assumed collaborative relationship between city governments and business is designed in a way that business interests are privileged to constrain the discretion of local governments in policy development (Elkin 1987). While it is plausible that the decentralization trends of globalization render businesses in the U.S. reliant upon city governments and stimulate business participation in local government (Harding 1994), it is more likely that the financial dependence of city government on business predisposes the government to respond to business interests (Davies 1996). In fact, Lindblom (1977) noted the privileged position of business in modern capitalism, long before globalization became a major theme in the literature. This symbiotic relationship between government and business is especially relevant for studying cities competing for trade because cities must invest in the infrastructure used in trade and offer a competitive economic environment to encourage business activity.

The broad nature and limited empirical support for the theoretical literature on regional growth management, metropolitan agglomeration, and urban regime theory provides little guidance in testing the theories' validity. Although all three models provide valuable insights regarding autonomy and decision-making at the local level and recognize the privileged position of business, each model differs in regard to which actors it finds essential to effective decision-making coalitions. As the models build upon one another, the local government collaboration with county and state governments working within the local economy recommended by regional growth management becomes an expansion from metropolitan agglomeration and its basic premise of political and economic collaboration at the local level. In succession, urban regime theory, building upon metropolitan agglomeration and regional growth management, is the most complete model of the three because it recommends collaboration among governments, business and civil society, thereby recognizing the scope and value of all types of political actors in both the public and private sectors. Hence, I will examine all three models, particularly focusing on how urban regime theory best explains the decentralization of government and how the relationship between business and government affects cities' responses to trade.

### ***Public and Private Sector Responses to Globalization***

This section first focuses on how city government affects international trade. City governments granted the most autonomy from higher levels of authority at the state and national levels will be most successful in achieving international trade and investment goals. Cities must create international trade policy to satisfy business needs and provide social services to stimulate trade and investment. International trade policy is measured by such things as expenditures for

infrastructure, economic impact indicators, and measures of sister cities arrangements, protocol offices and trade missions.

The section then concentrates on the role of the private sector in city government international trade initiatives. Business organizations are of major importance to city governments because business investment and taxes support cities' economic vitality and provide employment for its citizens. Based partly on cities' roles and economic status in the global environment, the number of large and small businesses will vary from city to city. In order to be competitive, cities must support the type of businesses that contribute to their existing business environments. Hence, autonomy, business facilitation and support of large firms at the city level should all lead to increased international trade and investment.

### *Globalization and Local Autonomy*

Globalization has made cities more important within the economy as increased capital mobility and the territorial dispersion of economic activity has lead their host national economies have become less instrumental in national economic success (Markusen 1999; Savitch & Kantor 2004). The growth in the importance of cities has necessitated a new term, "global city," to qualify their expanded activities in the global economy, including international trade (Sassen 1994). Contemporary global cities compete for access to larger markets to integrate their local economies into the global economy, wherein gains from trade and finance become dominant or production becomes more efficient (Markusen 1999). In the U.S., a city's ability to readily access the resources of the globalized economy and affect the collaborative efforts for regional growth management rests in part in its autonomy from the state to which the city belongs. Furthermore, states are often comprised of numerous regions and cities with varying strengths

and strategic needs; therefore, city governments need some autonomy to develop the most effective programs based on their individual capacities for both the cities' and the states' benefit, particularly in the area of international trade (Sassen 1994).

As stated in the 10<sup>th</sup> Amendment to the U.S. Constitution, "The powers not delegated to the U.S. by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or the people." While the people signified may sometimes refer to the local governments, the ultimate level of autonomy of local governments still lies at the hands of states. More specifically, states operate under either Home Rule, which grants broad, flexible powers to local governments, or Dillon's Rule, which gives local governments only those powers specifically delegated to them by state law (Richardson 2002). Frequently, southern states have advocated states' rights, or the decentralization of federal government activities to the states, to increase the authority of states (Stallman 2000). This, like the Dillon Rule, logically should allow local governments less autonomy.

The Brookings Institute ranks Louisiana above Texas and Florida in degree of local discretionary authority.<sup>1</sup> Yet, Texas ranks first in degree of local discretionary authority when considering cities only. As major global cities of these states - New Orleans, Houston, and Miami - compete in the global economy, their success is partly dependant upon the local arrangements they create according to the discretionary authority delegated by their respective states (Stallman 2000). While a city government with high discretionary authority from its state may have carte blanche to create and implement competitive economic policy, other city governments may have to work harder to create policies to compete with other cities (Harding 1997). Whether or not a city has a great deal of autonomy from a state, increased competition

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<sup>1</sup> This is including all types of local units, cities and counties/parishes combined (Puentes 2003).

between cities means that cities must install the most appropriate system of policies in order to compete. Therefore, the ability of governments to respond positively to decentralization, resulting in greater local autonomy, is important for cities responding to globalization.

Especially as it relates to their unique positions to harness international trade from Latin America, city governments in New Orleans, Houston, and Miami logically want reasonable autonomy from their states to take advantage of the broader economic opportunities globalization offers. Officials in these cities must develop strategies to compete with each other, specifically in the area of international trade, which recognize place-specific assets and elements of competitiveness such as regional growth management. Just as cities cannot follow a standard procedure for economic success that worked for a city in another state, they may also be unable to follow state policies created to be effective in each of their regions. Moreover, cities may compete more effectively and with greatest ease when they seek to meet their local needs, rather than following “one-size-fits-no-one programs” that cannot account for variation between cities (Stallman 2000). In terms of economic policy on international trade, the broad needs of states like Louisiana, Texas, and Florida are not generally as focused on policies directed toward international trade, as are those of their port cities. This does not indicate a conflict of interests between states and cities; rather, as states must focus on broad economic issues and demands affecting the entire state, they may be well advised to segment some programs like those related to international trade to the city-level (Wilkinson, et al, 2002).

This discussion suggests my first hypothesis, which is derived from regional growth management and its proposed collaboration between political and economic leaders within metropolitan regions:



H1: The degree of local autonomy New Orleans, Houston, and Miami have from the state governments in Louisiana, Texas, and Florida, respectively, will positively correlate with greater policy to stimulate international trade with Latin America.

*Autonomy, Knowledge and Influence of Business in Cities*

Metropolitan agglomeration theories indicate that it is due to the emerging importance of cities as a result of globalization that the influence of local business elites is growing in local economic policy-making. Local business elites are among those most immediately and directly affected by globalization, and their response is likely to be determinant in the success of a city's drive to respond to global opportunities and threats. As Lindblom (1977) recognizes, business enjoys a privileged relationship with government, since its investment and production decisions often determine the nature of job markets for workers and revenue opportunities for government. This is especially true at the local level where decentralization has shifted the responsibility to guide and regulate economic considerations down from federal to state level and from state to local level, providing economic actors greater access to and influence on government. Still, as other actors outside of the business community such as labor unions and community groups seek to affect local politics, business elites are not able to effortlessly direct city government toward satisfying business needs (Savitch & Kantor 2004).

As business and non-business groups articulate their interests to city governments, democratic accountability requires that there be some give and take in the allocation of resources available for adjusting to globalization (Kahler & Lake 2003). The result is conflict over the budget recommendations of city government, but it is nearly inevitable that as business influence increases, cities will divert more resources toward business needs, leaving fewer resources to

satisfy other demands. Initially, diverting money towards the needs of business seemingly leaves fewer resources to satisfy other demands, but the increased tax revenue from increased business makes more money available for social needs (Eng 1999). This does not assume that all business interests are alike or opposed to directly satisfying social needs, which is particularly relevant when considering the desirability of promoting trade. While some businesses such as those in the shrimp and sugar industries oppose increased trade with Latin America, they will by definition seek action from the federal government and have little effect on overall business community interest articulation to city government.

It is also important to recognize that even as globalization encourages local politicians to adapt to and compensate for increased fragmentation at higher levels of government, U.S. cities still face important mandates from the national and state level governments that affect resource allocations, namely those for business. For example, a recent federal government mandate on local governments requiring cities to provide greater security against terrorist attacks has necessitated diversion of resources from other groups like the business community to fund homeland security efforts. Hence, the degree of policy-making autonomy cities enjoy constrains the capacity of business leaders to translate higher levels of influence into greater local level policy for the needs of business.

In addition to the degree of autonomy constraint, cities are constrained by the level of knowledge actors enjoy about the nature of globalization and the threats and opportunities it induces for cities in the realm of business. Although both business leaders and city officials are unlikely to be fully aware of the implications of globalization, this knowledge gap may be expected to be greater for city politicians than for business leaders, who are intrinsically connected with the economy. While economics may drive some politicians to seek the

wherewithal to handle global change in the face of market control over loss of jobs and tax revenue, political preferences may shape economic preferences of other politicians (Savitch & Kantor 2004). Thus, general knowledge gaps may constrain the capacity to translate business influence into city policy. Nonetheless, the coalition of multi-level political and economic decision-makers outlined in a metropolitan agglomeration model, suggests Hypothesis 2.

H2: The greater the level of business influence in city government, the more resources will be directed toward policy to support business needs such as those concentrated on international trade with Latin America, controlling for local autonomy in policy making and degree of interest in globalization.

### *Size of Firms*

Because businesses are responsible for bolstering the economic base of cities by providing jobs, income from property and income taxes, and licenses and permits, their interests should be of great concern to city governments. City governments often create economic development policies to address business concerns such as business retention and attraction so that they can ensure a stable local economic base for voters and compete effectively against other cities for emerging business opportunities. In the globalized economy, cities most greatly benefit from multi-national corporations (MNCs) for economic success and financial security they provide, while the economic benefits from small and medium-sized firms (SMEs) is less. Hence cities should primarily develop a business environment that attracts MNCs, although they should also consider the profitability of nurturing businesses of varying size in order to advance shared regional interests.

Even though there are only two Fortune 500 companies headquartered in New Orleans and three headquartered in Miami while there are 19 in Houston, New Orleans and Miami may

continue to compete with Houston in attracting business by focusing on ensuring a successful business climate for large firms and MNCs (Hoover's, Inc. 2006). The success of such a climate is a result of flexible specialization, which Markusen (1999) distinguishes as a mode of production based on an innovative balance of competition and cooperation among firms.<sup>2</sup> Flexible specialization is encouraged by the government, but it is maintained by bargaining systems that unite government, economic actors, and social actors (*ibid*), which are the three entities highlighted by urban regime theory (Stoker 1995, Stone 1989, Anttiroiko & Kainulainen 1998). Moreover, as globalization allows large firms to cross political boundaries and expand to large cities, flexible specialization also provides smaller cities the chance to compete as local firms increasingly develop strong coalitional tendencies. Nevertheless, because cities are better placed to compete independently of national central governments than in the past, business preferences are better voiced to politicians at the city level.

Urban regime theory emphasizes that among other policy objectives, city-level politicians must work with businesses in attracting firms to settle in an area and ensuring they do not exit. In order to benefit from the new and active role of cities in the globalized world, regional interests of governments center on bringing economic development to their cities, providing adequate services, and protecting and improving the quality of life of residents (Hamilton 2002). In the relationship between firms and city government, strengths and weaknesses of cities come from the relative abilities of locales to afford the greatest benefits for business attraction and retention, especially of large businesses. Especially as firms encourage cities to upkeep business-friendly policies and to create policy for their growth, MNCs have greater freedom to locate where they can maximize their potential, including international trade. Firms decide

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<sup>2</sup> Markusen (1999) claims that flexible specialization is an imprecise term, but finds that its post-Fordist reorganization of industry has benefited smaller networks of firms. Others, such as Hirst and Zeitlin (1991), find the regulation and balancing of cooperation and competition to be problematic for the overall international economy.

where they will settle based on the profitability of being located there, which depends on net *locational* benefits, or the difference between gross locational benefits and locational costs (Gambarotto & Maggioni 1998).

Positive net locational benefits may come from a city's strategic use of space for tourist attractions, convention halls and sports arenas to attract revenue (Savitch & Kantor 2004). Other cities may induce capital investment via reducing risks for businesses by underwriting loans or forming public-private partnerships, lobbying for private capital, bidding for company headquarters, or establishing international offices to stimulate trade (*ibid*). A particularly important element of costs and benefits for firms to consider is transportation infrastructure, which means that city governments must invest in rail lines, airports, roads, and ports. Transportation infrastructure that is technologically advanced, has great capacity, and has the ability to create networks induces economic development through trade. Oftentimes, business works together with city government to develop and maintain infrastructure for the benefit of the city; therefore, the better the relationship between the two entities, the greater efficiency and revenue that results.

Thus, the cooperation between government, business communities and civil society working toward business retention and development that is observed in urban regime theory suggests Hypothesis 3.

H3: The size of firms in a city is related to the amount of policy for trade with Latin America. There is a positive relationship between the economic activity of large firms and the amount of international trade policy in a city.

### *Trade Policy and Success*

When city governments direct resources toward business interests, cities may experience increased economic activity. Growth may in turn encourage other cities to increase their policy for business as competition between cities drives them to learn from each other and to develop innovative methods for promoting a particular competitive sector (Eng 1999). Increased economic activity includes increasing production and job creation and/or foreign direct investment in cities. In addition to the wealth a city generates from this economic activity, the resultant increase in policies for business in other cities also leads to increased competition for both domestic and foreign investment across cities. A focus on economic and pro-business activities is very important in guaranteeing the financial success of New Orleans, Houston, and Miami, especially in that the success of one city marginalizes competitor locations, effectively crowding them out of the sphere of competition (Kingman and Obstfeld, 1991).

Still, as urban regime theory finds, satisfying business interests to increase economic activity in a city requires not only the provision of low costs for business, but also a good quality of life for employees. Combined concern for meeting political, economic and social needs for long-term growth requires diversified economic development plans that satisfy social needs in such sectors as culture, education, and industry (Markusen 1999). To this end, cities will weigh the importance of creating a profitable business environment against the importance of creating a favorable social environment. While it is commonly understood that increased business activity boosts the local economy with increased tax returns, this is not the only goal of cities. Taxes provide a starting point for further implementation of social programs and improvements to the standard of living.

When assessing a city's competitiveness, it is also important to consider the adeptness of a government in orienting itself toward constituents' interests and circumventing excessive taxation and regulation. As indicated by urban regime theory, city policies oriented toward the interests of business and trade will increase economic activities and are crucial to a city's ability to compete with other cities. Hence, the discussion suggests my fourth hypothesis:

H4: Increased international trade policy at the local level will lead to increased competitiveness with other cities for international trade and investment.

In this study, which focuses on economic ties between U.S. cities and Latin American countries, this will be taken to mean increased trade and investment with Latin American countries.<sup>3</sup>

### *Summary*

First, Hypothesis 1 suggests that the degree of local autonomy New Orleans, Houston, and Miami have from the state governments in Louisiana, Texas, and Florida, respectively, will positively correlate to greater international trade policy. Hypothesis 2 suggests that the greater the level of business influence in city government, the more resources will be directed toward policy to support business needs such as those concentrated on international trade with Latin America, controlling for local autonomy in policy making and degree of interest in globalization. Hypothesis 3 states that the size of firms in a city is related to the amount of international trade policy with Latin America. There is a positive relationship between the economic activity of large firms and the amount of international trade policy in a city. Finally, hypothesis 4 states that increased international trade policy at the local level will lead to increased competitiveness with

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<sup>3</sup> While this raises potential endogeneity, there is a lag effect in examining trade and investment over time. I am considering the level of policy already in place in these cities, and hypothesizing that the rate of change in the variable will yield an increase in trade and investment.

other cities for international trade and investment. Hypothesis 4 hinges on the first three hypotheses in that greater autonomy, business influence and number of large firms in a city will lead to increased international trade policy and therefore increased levels of trade.

### *Data Sources, Variables, and Operationalization*

The case study methods use three cases for observation, New Orleans, Houston and Miami. The number of cases was chosen based on consistency of qualities of the three Southeastern U.S. cities, mainly as port cities with international trade relationships with Latin America. The study includes a collection of data on three independent variables and one intervening variable to explain the dependant variable across the cases. Where possible, the study method is a focused comparison of the three cases; however, where data are unavailable or insufficient, the cities' governing states are the cases for comparison of the three cities.

The study is organized in a comparative case study of the current relationships between Latin America and New Orleans, Houston and Miami. I will determine which city has developed the most successful trade relationships with Latin America and then propose the implications for the other cities in terms of improving trade relations with the region. The data for the study will come mainly from trade statistics across the port regions provided by the U.S. Department of Commerce Office of Trade and Economic Analysis, the U.S. Department of Transportation Marine Administration, Port Import/Export Reporting Services, the U.S. Small Business Administration Office of Advocacy and the Latin American Trade and Transportation Study. In addition, qualitative data will be drawn from municipal websites, the Brookings Institution, the Progressive Policy Institute, and local business publications in each city. Where local data are unavailable, I will refer to state-level data.



Generally, the study presents three independent variables as causal mechanisms that link the intervening variable to the dependant variable. The causal mechanisms are local autonomy, business influence in local government, and size of firms in cities. The intervening variable is increased international trade policy, and increased trade with Latin America is the dependent variable. Measures of policy within the study come from data on expenditures for infrastructure, economic impact indicators and social services that include protocol offices, sister city arrangements and trade missions.

The independent variable for Hypothesis 1 is local autonomy. Specifically, I will analyze the delegation of powers between local and state governments in each case to determine the degree of autonomy cities enjoy from states. The data will come partly from The Brookings Institution, which has classified states as Home Rule or Dillon's Rule states. Further data will come from the U.S. Census Bureau, which publishes local and state government expenditures and revenue associated with transportation infrastructure. This will indicate levels of local governmental involvement in and control over resource allocation for international trade across the three states. I will then seek to verify that where expenditures, or policy, is greatest at the local level is also where constitutional autonomy at the local level is greatest.

For Hypothesis 2, the independent variable is business influence in government. I will first determine which local government has the greatest business influence on inducing trade policy by classifying local politicians as business or non-business oriented based on biographical backgrounds posted on municipal websites (New Orleans: <http://www.citofno.com>; Houston: <http://www.houstontx.gov>; Miami: <http://www.ci.miami.fl.us>). I will also compare business influence across the cities using Latin American Trade and Transportation Study (LATTS) data on trade volume and value by transportation mode to indicate international trade policy through

spending over time on transportation infrastructure. In addition to infrastructure, I will also survey city-level international trade promotion programs with Latin America, as indicated by Sister Cities International online information on number of sister-city arrangements with Latin America, municipal website information on protocol offices, and information on trade missions with Latin America for each city.

The independent variable for Hypothesis 3 is size and type of firm. I will compare the economic activity of large firms to that of SMEs in each city using the U.S. Small Business Administration Office of Advocacy data on size of firms, payroll and employment across the cities. In addition, I will use U.S. Department of Commerce Office of Trade and Economic Analysis data to determine the economic value of exports from SMEs to Latin America from each city's state. Using U.S. Census Bureau data comparing total U.S. merchandise export values of SMEs versus large firms, I will then examine the relative economic activity of firms exporting manufactured products and those exporting non-manufactured products. Finally, using the Progressive Policy Institute's *The Metropolitan New Economy Index*, I will examine the economic impact of businesses in each city as it relates to international trade policy. In sum, I will determine which combination of size and type of firm will afford the greatest prospect for increased trade policy with Latin America.

The fourth hypothesis will link the first three hypotheses to the dependant variable, increased trade with Latin America. I will analyze the port statistics regarding tonnage and value of cargo moving through the ports of each city as an indicator of how spending, or policy, for business infrastructure needs leads to increased trade. I will first include statistics from the Latin American Trade and Transportation Study (LATTTS) regarding transportation infrastructure and trade throughput versus capacity in each state, as an indicator of trade policy. Trade volume and

value data by imports and exports between each city all international destinations will come from the U.S. Department of Transportation Marine Administration, and trade volume and value overall from the top 25 U.S. ports will come from the Port Import/Export Reporting Services. Further information on export values, as well as export type from each state to Latin American markets will come from the U.S. Department of Commerce Office of Trade and Economic Analysis. Moreover, type of export traded with Latin America provides an effective indicator of each state's success in attracting businesses that provide the most lucrative and desirable products exported to Latin American markets.

## **Chapter 3: Public Sector Responses to Globalization**

### *Introduction*

The relationship between state and local government is very important to the globalizing local economy. The degree of local autonomy the Cities of New Orleans, Houston, and Miami enjoy from their states is directly related to the amount of government expenditures for transportation infrastructure in support of trade with Latin America; however type of local governance is also related. Whereas local governance in New Orleans and Houston refers to the city-level, it refers to both city-level and metropolitan-level governments in Miami. Local autonomy is just one factor leading to increased international trade policy. In addition to the significance of local autonomy, influence of business in cities is necessary to effect public sector involvement and resource allocation toward increasing trade with Latin America, and the size of firms also has a bearing on the success of cities in increasing trade with Latin America.

Influence of business in cities will be measured by the backgrounds of politicians and spending over time on trade and gateway infrastructure will indicate international trade policy. Additionally, trade promotion programs with Latin America, indicated by sister-city programs, international trade missions and protocol officials will also indicate international trade policy. Finally, the role of firms in trade will be measured through payrolls and export values to indicate the economic contributions of firms of varying size, and economic impact of business in local economies will indicate international trade policy. In sum, local autonomy, business influence and size of firm are all directly related to the degree of success of international trade policy in each city, which in turn ultimately dictates the level of trade each city enjoys with Latin America.

### *Globalization and Local Autonomy*

Hypothesis 1: The degree of local autonomy New Orleans, Houston, and Miami have from the state governments in Louisiana, Texas, and Florida, respectively, will positively correlate with greater policy to stimulate international trade with Latin America.

Cities want substantial autonomy from their states in order to pursue their goals.

International trade goals are particularly important to international cities with ports and airports, especially when they are in close proximity to competing cities. New Orleans, Houston, and Miami are three cities within close proximity that share goals to increase international trade, with Latin America specifically. One way for cities to increase international trade is to budget expenditures for port and airport facilities so that they may provide competitive stimuli for trade. The first hypothesis is derived from regional growth management and suggests that the degree of autonomy each city enjoys from its state will positively correlate with policy development to stimulate trade with Latin America, measured here by expenditures. While the addition of state expenditures could increase local autonomy, I will test the hypothesis according to the opposite.

Cities may find that some state goals are too general for their specific needs, and they may pursue goals such as increasing international trade that are tailored to their specific needs more readily than to broad goals. Generally, states must account for the interests of all of their regions, even if important city-level activities warranting attention are neglected as a result. As such, it is important that city governments, especially those in large port cities, use their powers and abilities to lobby state governments to affect important local goals. For example, the Port of New Orleans is a state agency, yet because the Louisiana Department of Transportation allocates just \$3 million to the port, the Port of New Orleans must rely on its own efforts to accomplish

goals (*City Business*, October 16, 2006). In contrast to the Port of New Orleans, the Ports of Houston and Miami are funded through property taxes and “general obligation funds.” In fact, the Port of Houston receives over \$35 million annually from Harris County property taxes (*ibid*).

Greater local autonomy allows the cities and ports to prioritize goals, rather than relying on their states. Autonomy at the local level yields greater results, based on the “immunity” and ‘initiative” at work in autonomous localities (Clark 1984). Immunity refers to the authority of local governments to operate without the oversight of higher levels of government, and initiative refers to the authority of local governments to create legislation and regulations within their localities (Ibid). Hence, cities may attain goals within their range of autonomy by developing programs that are implemented and funded by city governments and their local partnerships and/or by the successful appeal to state and federal government for program aids (Kahler & Lake 2003). This study focuses on the role of cities relative to their autonomy from state in successful trade involvement with Latin America.

#### *Balance of Power: State and Local Government*

As with any goal, increasing international trade requires funding to implement the necessary programs and improvements. Such funding may come from various sources, governmental and non-governmental, but it is up to the governments to regulate the actions of all parties of involved. Concern over who should be held responsible for fiscal responsibilities has led state and local governments to address and sort out the issue of which should administer funding and deliver services (Advisory Commission 1999). In sorting out responsibilities, legislatures also must determine the roles of the public and private sector in providing services and financial responsibility.

The Advisory Commission on Intergovernmental Relations for the Louisiana State Senate has stated that because local governments derive their powers from the states, it is the responsibility of the state legislature to sort out the roles and responsibilities of state and local governments. The Advisory Commission, comprised of state and local representatives, also considers that it is possible and oftentimes very beneficial to create private-public partnerships that combine government and nongovernmental efforts. For instance, if policymakers determine that private or nonprofit sectors are the most appropriate providers of a service, then the government may be involved by providing incentives or minimizing regulatory impediments (Advisory Commission 1999). Moreover, if the government is to financially support private or nonprofit service providers, it often will factor in the degree of efficiency, cost effectiveness, accountability, and political considerations. With respect to increasing international trade, once states have delineated their financial roles and responsibilities and those of local governments, they may collaborate with ports and businesses to provide the most effective services.

U.S. states are given the constitutional right to choose between delegating certain powers to cities and withholding autonomy from them. States operate under either Home Rule or Dillon's Rule.<sup>4</sup> Those operating under Home Rule grant broad, flexible powers to city governments, whereas those functioning under Dillon's Rule give city governments specific powers they have delegated to them (Richardson 2002). As a result of varying degrees of state power, the ability of city governments to manage development in their cities and surrounding metropolitan areas varies across states (Richardson 2002). City governments under Dillon's Rule claim that the policy framework hinders their ability to pursue regional growth management efforts for the benefit of their jurisdictions (Richardson 2002). As such, cities under Home Rule

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<sup>4</sup> According to the National League of Cities website, Dillon's Rule emerged in 1868 from the written decision of Judge John F. Dillon on Iowa. It is at the basis of municipal law and is used in interpreting state law when a local governmental power is questioned.

should be better able to pursue trade policies and other trade-related goals than those under Dillon's Rule and have an economic advantage as a result. Cities with broad powers enjoy this advantage largely because trade-related goals tend to be specific to a city or metropolitan region, as opposed to those goals that apply to all regions of a state. That is not to say that states do not pursue increasing trade, but that it is cities that will directly benefit from it economically that typically pursue this most actively.

New Orleans, Houston, and Miami are all under Home Rule, which gives the cities a level playing field in terms of autonomy from their states when competing for trade with Latin America. However, they differ in their sub-state systems of government. While New Orleans, Houston, and Miami all have city governments that regulate their activity, only Miami has a two-tiered system of government that includes a city government and a county government. According to the Miami-Dade County website, the two-tiered system of government was established by the State of Florida's Constitution as a Home Rule Charter, enabling Miami-Dade County to create commissioned districts, pass ordinances, govern certain transportation systems, and levy and collect taxes to support a centralized metropolitan form of government. Most importantly, the Charter specifies that the Board of County Commissioners has the power to "provide and operate air, water, rail and bus terminals, port facilities, and public transportation systems" (*Miami-Dade County website*). An Executive Mayor and Board of County Commissioners lead Miami-Dade County with jurisdiction over 30 incorporated municipalities and one unincorporated area. Drawing on the international recognition of Miami, the Miami-Dade County website also explains that although it was originally called Dade County in 1956 when the Charter was established, the county became Miami-Dade County in 1997.



While the three city governments enjoy similar degrees of autonomy from their state governments according to their U.S. Constitution classification of Home Rule states, the combined efforts of the City of Miami and Miami-Dade County governments somewhat skew the comparison. Miami is part of the successful development of the outlying areas of its jurisdiction into a metropolitan region resembling a regional growth management model (Leo & Baldassarre 1986). Although it seems that a metropolitan-level government deflects some of the accountability increasingly assumed by local governments as decentralization increases (Kahler & Lake 2003), it can actually lead to insufficient focus on the specific governance of the City of Miami itself (Anttiroiko & Kainulainen 1998). For instance, in Coma County, Texas, commissioner Jay Millikin has found that the county's 4.6% annual growth has created a need for increased authority from the Legislature to manage the increase (*San Antonio Express News*, March 16, 2006). In this case, the expanding metropolitan area includes rural areas surrounding large cities and requires increased autonomy from state to more effectively guide growth management for roads, air quality maintenance, water and schools.

On one hand, Miami has an advantage due to its additional resources of congruent objectives from the people of Miami-Dade County. Miami also benefits from the autonomy of its larger metropolitan government to adopt its own rules of governing. On the other, this benefit may come with potential bureaucratic difficulties in that there is still another level of government with which to coordinate. Nevertheless, the metropolitan areas of New Orleans and Houston may remain competitive with Miami by coordinating efforts to pursue common goals, but the degree of competitiveness would be increased through formal incorporation with a metropolitan-level government.

Certainly, high-level constitutional autonomy from state and further freedom to compete in attracting investment and a talented workforce will aid cities in creating economic development policies needed to increase trade (DADCO & Regional Strategies, Inc.). Generally, as Home Rule states, New Orleans, Houston and Miami share equal autonomy; however, it is still debatable whether or not there is greater autonomy at the sub-state level when a county-level government is in place. In terms of local autonomy to influence trade, where autonomy is the greatest is also where expenditures to stimulate trade are greatest. In this case, expenditures are the measures that will determine degree of autonomy.

#### *Government Expenditures for Transportation Infrastructure*

One measure of policy to stimulate increased international trade by cities is the investment in and maintenance of transportation infrastructure needed for trade. Infrastructure is the most tangible form of regional growth management and investment by a government interested in international trade because it encourages business activity and serves as a local asset for competitiveness. In order for a state or city to increase trade, it must cultivate the three contributors to a transportation system (*LATTS*, Summary). These include gateways such as ports and airports, corridors such as railroads and highways, and the connectors between them. New Orleans, Houston and Miami have each emphasized trade with Latin America. Consequently each city must appropriate the necessary capital to support economic development through improved transportation for trade (Kahler & Lake 2003).

As suggested by Hypothesis 1, greater trade policy development in a city should correlate with greater autonomy from state. Policy is measured by expenditures for infrastructure in this case. The U.S. Census Bureau posts government expenditures and revenue values from both

airports and sea and inland ports by level of government. The values are gathered for each state government and for the combined local governments of each state. Although the focus on expenditures is relative to city governments, expenditures from state governments contribute to the success of their local governments in trade as well. The Census results should reveal the extent to which each state government and its local governments have pursued efforts to increase trade relative to each other. Because some states and cities have greater resources from which to draw upon than others, expenditures and revenue are best compared as a percent of total government expenditures and revenue.

The U.S. Census Bureau reports that Louisiana state government expenditures for air transportation (airports) for fiscal year 2001-02 were \$3.7 million, with revenues of \$0.75 million.<sup>5</sup> Louisiana state government expenditures for sea and inland ports facilities were \$123.5 million, with revenues of \$47.8 million. As a percent of total Louisiana expenditures, airport and port facilities combined equaled 3.1 percent of expenditures. As a percent of total Louisiana state revenue, the two categories combined equaled 0.3 percent of revenue. In contrast to the role of the state government in Louisiana in budgeting for air and water transportation, the state governments of Texas and Florida do not have expenditures for trade and therefore do not have a role in providing expenditures for airports and ports. This means that New Orleans should have an advantage over Houston and Miami because it is the only city of the three to receive funding from its state.

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<sup>5</sup> Taken from "State and local government finances by level of government and by state: 2001-02." Retrieved June 22, 2004, from [http://www.census.gov/govs/estimate/02191as1\\_1.html](http://www.census.gov/govs/estimate/02191as1_1.html).

Table 1.  
State and Local Transportation Expenditures/Revenue

	Total Government Expenditures	Total Government Revenue	Expend. for Air	Expend. for Ports	Revenue from Air	Revenue from Ports	Percent Total Gov't. Expend.	Percent Total Gov't. Revenue
Louisiana (state)	4168290	18078549	3698	123481	75	47794	3.1	0.3
Texas (state)	70274342	21384628	0	0	0	0	0	0
Florida (state)	51833803	47890399	0	0	0	0	0	0
Louisiana (local governments)	13523445	13553512	132557	57161	86349	40133	1.4	1
Texas (local governments)	77107740	71361737	1418397	200395	807568	183292	2.1	1.4
Florida (local governments)	61756340	60028305	1593289	330767	1327498	264213	3.1	2.7
Louisiana (state + local)	17691735	31632061	136255	180642	86424	87927	1.8	0.6
Texas (state + local)	147382082	92746365	1418397	200395	807568	183292	1.1	1.1
Florida (state + local)	199215885	107918704	1593289	330767	1327498	264213	1.7	1.5

*U.S Census Bureau, 2002*

\*In thousands of dollars

Despite the role of state governments in developing policy for ports and airports, the local governments in all three states are responsible for providing the majority of government expenditures for air and water transportation facilities. As such, local governments must have enough autonomy from states to prioritize ports and airports in the budget process if they want to compete in international trade. The amount of expenditures local governments provide is especially important for cities like Houston and Miami, if they are to effectively compete with nearby New Orleans for international trade with Latin America. Because New Orleans is the only city of the three to receive state funding for ports and airports, local governments like Houston and Miami must provide more expenditures than New Orleans in order to be competitive.

In a comparison of revenue and expenditures relative to local governments within each state, there is significant variation across the three states. Local governments as a whole in Florida allocated the greatest percentage of expenditures to airport and port facilities in fiscal

year 2001-2002, as well as received the greatest percentage of resultant revenue from the two categories. 3.1 percent of the total expenditures from local governments in Florida is for airport and port facilities and 2.2 percent of its revenue comes from them. Local governments combined in Texas allocated the second greatest percentage of expenditures to airport and port facilities, 2.1 percent of total expenditures from local governments in Texas is for airport and port facilities, and 1.4 percent of revenue comes from them. Finally, the local governments in Louisiana both allocate the least percentage of expenditures to airports and ports, as well as receive the least percentage of revenue from them, totaling 1.4 percent and one percent, respectively.

When expenditures and revenue from each state government and the local governments are combined, Louisiana actually has the greatest percent of expenditures for ports and airports, 1.8 percent; Florida is second, 1.7 percent; and Texas is last, 1.1 percent. In contrast, revenue follows the opposite pattern, wherein Florida is first with 1.5 percent, Texas is second with 1.1 percent, and Louisiana is last with 0.6 percent. Because this study is focusing on expenditures to stimulate trade from local governments, revenue is not as relevant as expenditures; however, revenue is a significant indicator of the vested interests of governments in creating policy for ports and airports. While Louisiana state and local governments combined have the greatest percent of expenditures for trade, local governments in Florida still display the most autonomy. Essentially, the most significant figures relative to local autonomy come from the local governments' data, wherein Florida's local governments have the greatest percent of expenditures for trade, as well as the greatest percent of revenue in relation to expenditures.

Miami is the only city of the three cases to have both a metropolitan and state government. This arguably decreased level of autonomy for Miami actually provides it with

greater autonomy from Florida than New Orleans and Houston enjoy from Louisiana and Texas, as the local government expenditures data shows.

Indeed, Miami is able to accomplish more in the area of international trade than New Orleans and Houston in that the Home Rule Charter for Miami-Dade County specifies that it has control of transportation systems. Miami benefits from having transportation systems governed by a county, which has greater resources than a city alone. Miami also has the advantage of belonging to a metropolitan government with high potential for cohesive regional growth interests and bargaining power of many policy-makers.

Miami has the greatest degree of local autonomy and the greatest resources for trade with Latin America, which indicates it is most highly correlated with international trade policy. New Orleans and Houston have equal autonomy from state. Yet, local governments in Texas, including Houston, have greater resources from expenditures for trade with Latin America than local governments in Louisiana, including New Orleans. Hence, autonomy is greatest in Miami, followed by Houston, and then New Orleans, in correlation with the pattern of international trade policy, or resources and expenditures. This supports the predicted outcome of Hypothesis .

Table 2.

Hypothesis 1: Autonomy  $\approx$  Policy

Legend (\*See Table 1.)

	autonomy	expenditures*
New Orleans	1	1.4
Houston	1	2.1
Miami	2	3.1

### *Autonomy, Knowledge and Influence of Business in Cities*

Hypothesis 2: The greater the level of business influence in city government, the more resources will be directed toward policy to support business needs such as those concentrated on international trade with Latin America, controlling for local autonomy in policy making and degree of interest in globalization.

When there is a great deal of influence from the business community in city government, the needs and interests of business are likely to be satisfied. Business influence in a city comes from business people in city government and the voice of businesses creating positive economic impact on a city. The interests of business are generally related to the market forces of the economy, wherein goals of improving an economy must be met before other public sector goals can be successfully attained (Eng 1999). Assuming local autonomy in policy-making and interest in globalization, New Orleans, Houston and Miami share similar business needs pertaining to international trade with Latin America. Hypothesis 2, derived from metropolitan agglomeration models, suggests the greater the level of business influence in each city, the greater the amount of resources there will be in support of trade with Latin America.

Assuming a city has a moderate degree of local autonomy in policy-making and an interest in trade, it must be able to fund and support business needs, namely those related to trade with Latin America and the transportation infrastructure necessary to support it. This effort to aid a local economy through increased trade will be expedited by influence from business on city government. The number of city politicians with business backgrounds indicates business influence toward the outcome of city-sponsored methods for increasing trade in a city. Transportation infrastructure indicates city spending over time and the influence of business on

international trade policy objectives. In addition to infrastructure, trade promotion programs with Latin America indicate the successful articulation of business interests to local governments. Trade programs are measured by the number of sister city programs with Latin American cities, existence of a protocol person in city government, and amount of trade missions sent to Latin American countries.

### *Business Influence in Local Government: Backgrounds of Local Politicians*

The local economy, according to metropolitan agglomeration theorists, shapes the interests and frames of reference for city-level politicians and further influences their decision-making (Eng 1999). As such, the first test of the business influence considers the number of city level politicians with backgrounds in business, as these politicians should be more likely than those with other backgrounds to align with what the economy dictates. The professional background of politicians may be grouped as business versus non-business. Those with business backgrounds will likely pursue business interests reliant upon the economy like economic development, business attraction and retention, and trade. Conversely, politicians with non-business backgrounds such as education, law, or health will likely pursue educational and social interests independent of the economy surrounding public schooling, workforce training, and social programs. Thus, when considering business influence in New Orleans, Houston, and Miami, the professional backgrounds of the prominent politicians may serve as an indicator of the interests they will pursue in each city, namely increasing international trade.

Specifically, the backgrounds of politicians from the three cities studied should indicate the degree of influence and therefore success each will have in business, particularly in international trade with Latin America. Elected city-level politicians, who represent the interests



of citizens more than appointed politicians do, include a mayor and a city council in most cities. While Houston and New Orleans have both a mayor and a city council, the City of Miami does not have a city council, resulting in inconsistency across the three cities. In addition to the Mayor of Miami, the Mayor of Miami-Dade County and the 13-member Miami-Dade Board of Commissioners are elected to govern the city, along with the County's 30 other municipalities.<sup>6</sup> As a result to the intertwining local politics of the City of Miami with Miami-Dade County, data are often inconsistently compiled for the two. However, because a metropolitan-level government does not govern New Orleans and Houston as Miami is governed, city-level data for these cities do not include the surrounding municipalities and cities that contribute to their metropolitan areas. Furthermore, the metropolitan areas of New Orleans and Houston span seven parishes and 10 counties respectively, making it more difficult to gather information on the larger areas of these cities than it is for the metropolitan region of Miami, which is contained within one county.

Table 3.  
Elected Backgrounds of City Politicians by Sector

	Total: Elected Politicians	Non-business Sectors	Business Sector	Percent Non-business	Percent Business
New Orleans	8	5	3	63	37
Houston	16	10	6	63	37
Miami	21	12	9	57	43

First, New Orleans Mayor Ray Nagin has a strong background in business, as reported by the City of New Orleans website (<http://www.cityofno.com>). In review of the biographies of the seven elected members of the City Council of New Orleans, only one member has a specific educational and professional background in business, whereas four members have educational

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<sup>6</sup> The Miami-Dade County website reports that with all of the municipalities considered together, it would comprise the third largest municipality in the country.

and professional backgrounds in law, civil service, or other related sectors. The remaining two members each have combined backgrounds in business and law. Hence, 63 percent of elected New Orleans politicians have non-business interests, while 37 percent have business interests.

Houston Mayor Bill White has a business background, according to the City of Houston website (<http://www.houstontx.gov>). The City Council of Houston is comprised of 14 elected members, four of which have professional and educational backgrounds in business. The remaining 10 members have backgrounds in education, civics and law, and/or other sectors of social/public service. In addition, the City of Houston elects a City Controller, who is also the CFO of Houston, to aid and work with the mayor. Including the City Controller and her professional background in business, there is a 63 percent majority of elected Houston politicians oriented toward non-business and a 37 percent minority oriented toward business.

Mayor Manny Diaz of the City of Miami has a known background in law. There are also five elected commissioners in the City of Miami, four of which have professional and educational backgrounds in business and one that has a professional background related to public/social sector interests. Thus, there is a 67 percent majority of elected politicians associated with the non-business sector and a 33 percent minority linked to business. Nonetheless, because the City of Miami collaborates with Miami-Dade County in regard to local and regional issues, the backgrounds of county politicians must also be included in the study in order to ensure its completeness.

When considering the broad arm of the county-level government over Miami, Mayor Carlos Alvarez of Miami-Dade has a definite association with business. He is especially concerned with trade, such as improving Miami International Airport, the Port of Miami, and establishing in Miami the Secretariat of the Free Trade Area of the Americas. County Manager

George Buras, who is elected to carry out the policies adopted by the Board of County Commissioners (BCC), has an educational and professional background in education. Within the 13-member BCC, nine have education and/or professional backgrounds with public/social sector interests, and four have educational and/or professional backgrounds with business interests. Hence, considering the 15 elected Miami-Dade politicians, there is a 67 percent majority in non-business sectors and a 33 percent minority in business. Combined, the City of Miami and Miami-Dade politicians have a 57 percent majority in non-business sectors and a 43 percent minority in business.

In New Orleans, Houston and Miami there is a majority of elected politicians with non-business interests and a minority with business interests. Business-oriented politicians in both New Orleans and Houston comprise 37 percent of elected politicians, while business-oriented politicians make up 43 percent of the total in Miami and Miami-Dade. Consequently, even though there is a minority of business interests in each city, Miami still has a greater percentage of elected politicians oriented toward business than does New Orleans or Houston. Still, using professional and/or educational background in business as the criteria, most officials in all three cities are not oriented toward business interests. Hence, it might be expected that each city be guided by a majority of public or social interests, with little variation in depth of majority across the cities.

The success of Miami in maintaining the largest concentration of business-oriented politicians makes it most likely to realize business goals throughout its entire metropolitan region. Recently, within the New Orleans metropolitan region, the New Orleans and Jefferson Parish councils have agreed to work together to address regional issues such as crime, healthcare, federal rebuilding assistance and hurricane protection (Gordon & Moran, November 9, 2006).

The unprecedented collaborative efforts of New Orleans metro region politicians have also addressed important issues to improve the business climate, such as expanding the number of daily flights at Louis Armstrong International Airport and working toward affordable insurance for homeowners and businesses (Ibid). The local governments efforts in New Orleans are particularly important for the region if it is to recover from the effects of Hurricane Katrina and retain a competitive and viable business environment.

*Business Influence in Local Government: Spending on Trade and Gateway Infrastructure*

Cities must be able to accommodate increases in international trade so that their local economies may reap maximum benefits from international market opportunities. International trade statistics indicate levels of business activity in international trade itself, as well as business influence in developing and maintaining the infrastructure needed to support it. Both trade volume and trade value provide indicators of how much international trade moves through ports, airports, and road and railways. The potential effect of increased trade with Latin America on the economic development of New Orleans, Houston, and Miami is significant, especially when considering transportation infrastructure. This is because increased cargo traffic directly impacts ports, highways, railways and airports, thereby affecting the general economic development of the regions surrounding each city (Latin American Trade and Transportation Study Sec.B4, p.1).

Spending on transportation infrastructure is important for supporting business needs that involve international trade, as firms decide which ports they will ship goods through based on efficiency (White September 13, 2006). International trade activities rely on the proper infrastructure to transport and warehouse goods efficiently and properly. A prime example of the importance of port infrastructure for warehousing goods surrounds the import of coffee.

Although this study will primarily focus on the export of goods, importing coffee has a great impact on port cities because the storage and service costs associated with grading, inspecting and packaging this commodity generates great revenue as it advances from fresh beans to roasted coffee grounds (Bonura, September 18, 2000). The Ports of New Orleans, Houston and Miami are three of the four U.S. ports<sup>7</sup> approved to handle and warehouse coffee beans traded on the New York Coffee, Sugar and Cocoa Exchange, although New Orleans has the largest market share and is therefore the largest U.S. coffee port (ibid). According to the Port of Houston website, the port earned its designation in April of 2003 (<http://www.portofhouston.com>) after efforts to expand its coffee cargo, touting a cost advantage for shipping Mexican coffee via rail despite setbacks from the inventory tax Harris County collects on goods stored in warehouses (ibid).

Moreover, U.S. ports have become financially challenged in spending on infrastructure as a result of federal requirements for increased spending on homeland security (ibid). The Latin American Trade and Transportation Study (LATTS) was released in 2001 based on information gathered from 1996, to identify trade patterns between the U.S. and Latin America, including important information on infrastructure. The combined study team of state transportation agencies, the Federal Highway Administration and the Wilbur Smith Associates Consultant Team created LATTS and compiled the information in an extensive database of trade data on international trade passing through international gateways (ports, airports, border posts) to individual U.S. states and Bureau of Economic Analysis (BEA) zones. The study notes that it was the first attempt to link international trade data with domestic production and consumption data.

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<sup>7</sup> The Port of New York is the other approved port.

LATTS focuses on trade patterns between Latin American countries and Southeastern Alliance states individually and as a region.<sup>8</sup> The study is a collection of data from three sources<sup>9</sup> that address its three international trade components: international sea borne trade, international trade by rail or truck with Mexico, and air cargo trade. For each of the categories, the data report flow of trade through U.S. gateways where international shipments are cleared, as well as information about the shipments and the U.S. shipper/receiver. While these gateways for international trade generally include airports, railways and ports, the latter is the most crucial. Therefore, spending on port infrastructure is most important for supporting international trade by businesses.

Table 4.  
Trade Volume and Dollars by Transportation Mode

	Trade Vol. Per Transport. Mode (SE US/Lat. Am.)*	Trade Dollars Per Transport. Mode (SE US/Lat. Am.)*	Trade Vol. Per Transport. Mode (U.S. Total)**	Trade Dollars Per Transport. Mode (U.S. Total)**
Water-borne	80%	61%	66%	28%
Air	.5%	2%	1%	34%
Rail/Truck	19.5%	38%	18%	23%
Other	N/A	N/A	14%	14%

\*LATTS 2001

\*\*Bureau of Transportation Statistics

According to LATTS (Sec. B1 p.9), eighty percent of trade in tons between the Southeast U.S. and Latin America is sea-borne, about 20 percent is carried by rail/truck, and a small percentage is air-borne (Sec. B1, p.9). Not only does trade volume indicate that water transportation infrastructure is essential for increased commodities trade but total trade dollars does, as well. In dollars, 61 percent of trade between the Southeast U.S. and Latin America is

<sup>8</sup> The Southeastern Alliance includes Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Missouri, North Carolina, Puerto Rico, South Carolina, Tennessee, Texas, Virginia, and West Virginia.

<sup>9</sup> Journal of Commerce's Port Import/Export Reporting Service (PIERS); Bureau of Transportation Statistics' Transborder Surface Freight Database; U.S. imports and exports for selected airport codes; Department of Commerce, Bureau of Census; and Trade with U.S. Possessions, Annual EA695, Department of Commerce, Bureau of the Census.

water-borne, 38 percent is carried by rail/truck, and two percent is air-borne (LATTS Sec. B1, p.9).

Similarly, trade volume for U.S. overall trade is also primarily transported by water, followed by rail/truck, and then air. However, trade dollars for overall U.S. waterborne trade comprise a significantly lower percentage of overall trade than that between the Southeast U.S. and Latin America. Trade dollars for overall U.S. airborne trade comprise a substantially greater percentage of overall trade than does airborne trade between Southeast U.S. and Latin America. Evidently, these disparities are due to the proximity of the Southeast U.S. to Latin America and the consequent ability to ship between the regions via more affordable means, that is ports and rail or truck. In other regions of the U.S., shipping high value goods via air proves most efficient.

#### *Ports*

Trade volume is a useful measure of trade for the study of ports because it can identify the role of local governments in investing resources in support of trade with Latin America, as in the influence of local business elites in local economy policy-making found in metropolitan agglomeration theories. Specifically, spending on infrastructure in terms of capital facilities and equipment needs associated with accommodating trade tonnage indicates the success of a city in pursuing trade (LATTS Sec. B1, p.8). Throughput refers to the amount of trade volume that moves through a port; yet, it does not always reflect the trade capacity of port infrastructure, which is the estimated capacity of terminal storage area and number of berths (LATTS, Sec. D). Throughput and capacity are very relevant to studying the degree of competitiveness among New Orleans, Houston and Miami because they reasonably indicate the capabilities of the port industry and businesses as a whole for each port (LATTS, Sec. D1, p.2). Furthermore,

throughput and capacity values provide a quantifiable starting point for overall trade for U.S. states that should also reflect actual trade volume and dollar value.

The Port of New Orleans website provides noteworthy information on the port's infrastructure, which includes the world's longest wharf, a 2.01 mile long quay that can accommodate up to 15 vessels simultaneously (<http://www.portno.com>). More impressively, the Port of New Orleans is also America's most *intermodal* port, meaning it is the only deepwater port in the U.S. that is served by six class one railroads, 50 ocean carriers, 16 barge lines and 70 truck lines. While the Port of Houston website highlights that the port ranks first in U.S. foreign waterborne tonnage (<http://www.houstontx.gov>), and the Miami-Dade County website touts that more than 40 percent of all U.S. exports to Latin America goes through the Miami Customs District (<http://www.miamidade.gov>), the impressive data on international trade do not directly address infrastructure. Hence, New Orleans seems to have the greatest policy on port infrastructure as indicated by the implied spending on infrastructure.

#### *Rail and Truck*

Clearly, water borne trade is the most profitable and has the greatest capacity to handle the greatest volume of trade between Southeastern U.S. and Latin America, as well as for overall U.S. trade. Nevertheless, land transportation is also an important consideration for trade as a source of competitive advantage, especially as certain port-related activities have now led to the development of port networks inland (O'Farrel, Wood & Zheng 1998). Port networks may include major roads and/or rail systems connected to a port that facilitate further business opportunity for a city. While LATTs figures report that railway systems are used more often than trucks and transport the greatest amount of tonnage, rail is generally used less than trucks for transporting more valuable goods (LATTs Sec. B1, p.21). For this study, New Orleans has



the advantage over Houston and Miami of being connected to all six of the major U.S. rail systems, as opposed to being connected to three rail systems and two, respectively (Association of American Railroads 2005).

*Air Transportation*

Shipping imports and exports by air is still an important avenue for trade between the Southeast U.S. and Latin America and an important area for cities to improve their opportunities relative to the others, even though it is less crucial than shipping by water or land. Primarily, air transportation provides a way to ship valuable or fragile items safely, but it also provides passenger air travel for those involved in or interested in nurturing trade relationships with another city (Hakfoort & Rietveld 2001). First, air transportation creates a niche market for some highly valuable goods as it is becoming increasingly cost effective to ship goods by air, particularly when they have great value compared to weight and are perishable (LATTTS Sec. B1, p.9). Second, cities with easy access by air support the business community and international trade opportunities by providing greater means to facilitate business relationships through human contact.

Table 5.  
Air Cargo Trade with Latin America by State

	Airborne Cargo Tonnage*
Louisiana	N/A
Texas	8
Florida	488

*LATTTS 2001*

\*In thousands of tons

Florida far exceeds both Texas and Louisiana in air-borne trade with Latin America in the extent that trade volumes for Texas and Louisiana are negligible in comparison to Florida.

According to LATTTS figures on Southeast Alliance Gateway States Air Cargo Trade with Latin

America, Florida totaled 488,000 tons of airborne trade, while Texas totaled 8,000 tons and data for Louisiana were not included, possibly indicating that its airborne trade with Latin America is insignificant (Sec. B1, p.26). Much of the airborne trade from Florida is likely to be attributable to Miami, which is the number one U.S. airport for international freight. Furthermore, Miami has more non-stop flights to Latin America and the Caribbean<sup>10</sup> than all other U.S. airports combined. Although there is no available direct measure of flights across the three cities, this great number of flights gives Miami a great advantage in airborne trade and business relationship building over New Orleans and Houston. There are no additional data on the number of non-stop flights to Latin America from New Orleans and Houston.

Miami provides 1, 196 non-stop flights weekly to Latin America due partly to its large Latin American population (Oppenheimer 2003). As a result of the so-called microcosm of the Americas in Miami-Dade County, wherein U.S. Census figures of documented immigrants report that Cubans comprise roughly 50 percent of the Hispanic population (525,000), followed by large percentages of Nicaraguans, Columbians, and Haitians, among others, it is logical that Miami has great demand for so many non-stop flights to Latin American (Oppenheimer 2003). Therefore, Miami is given a natural source of growth for airborne trade due to the demand for direct flights to Latin America. This not only gives Miami an advantage in airborne trade relative to competitor cities in the U.S., but also to all Latin American cities, as they compete with Miami for capitol of the Americas under the ongoing rounds of negotiations for the Free Trade Agreement of the Americas (FTAA). Moreover, if Miami is chosen as capitol of the FTAA, it will become an obvious focal point for Latin American countries involved in trade with the U.S.

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<sup>10</sup> There are 1,196 non-stops flights per week from Miami to Latin America. The data reflects November 2002 figures, as reported by Miami airport spokeswoman Trenae Floyd, in Miami Today (10/20/2003).

ence, ports, highways, railways and airports directly impact international trade levels in a city, thereby affecting the general economic development of surrounding regions. Because water borne trade is the most profitable, spending on ports is most important for supporting business needs surrounding international trade policy. Notwithstanding indicators of business influence in city government surrounding interest in trade, financial contribution of business and backgrounds of elected politicians, both trade volume and trade value will provide measurable indicators of how much international trade actually moves through the ports of New Orleans, Houston, and Miami.

#### *City-Level Business Interest in International Trade Programs*

In addition to spending on infrastructure, trade promotion programs provide another measure of international trade policy development. First, the number of sister city programs in New Orleans, Houston, and Miami is a measure of each city's interest in trade promotion. Sister cities, according to the Sister Cities International website, belong to a nonprofit citizen diplomacy network of partnerships between U.S. and international communities to increase globalization at the city level, promote cultural understanding and stimulate economic development (<http://www.sistercities.org>). Houston has established sister city programs with 17 foreign cities, two of which are in Latin America; Miami has 16 sister city arrangements, seven of which are with Latin American cities; and New Orleans has 12 sister city arrangements, including six with Latin American cities (Sister Cities International). Of the three cities, New Orleans has the greatest ratio of sister city arrangements with Latin American cities to its population, while Miami narrowly outnumbers New Orleans in the total number of sister city

arrangements. Most importantly, New Orleans has the greatest number of arrangements with Latin America per capita, while Miami and Houston follow with significantly less.

Table 6.  
Sister City Arrangements: Weight by Population

	Population (millions)	Number of Sister-Cities	Number of Latin Amer. Sis. Cities	Lat Am. Sister Cities Ratio to Population
New Orleans <sup>11</sup>	.48	12	6	1:8,000
Houston	1.95	17	2	1:975,000
Miami**	2.25	16	7	1:321,429

*Sister Cities International, 2005*

\*\*The City of Miami has a population of 362,470; however, as the urban center of Miami-Dade County (Greater Miami), its statistics generally reflect the County's population.

Second, the existence of a protocol office or official within city government is another indicator of trade promotion, as it reflects deliberation on the part of a city to facilitate relationship building with all cultures (Wilkinson, et al., 2002). The Department of State website claims that the "Office of Protocol of the U.S. Government advises, assists, and supports the President of the United States, the Vice President, and the Secretary of State on official matters of national and international protocol, and in the planning, hosting, and officiating of related ceremonial events and activities for visiting heads of state" (Office of the Chief of Protocol). At the city level, it appears that New Orleans is the only city of the three studied with a dedicated Office of Protocol and International Relations within city government itself. The City of New Orleans website explains that the Office of Protocol, a department of the Mayor's Office, works closely with city government and international community organizations to support activities that drive international cooperation and understanding, and acts as the official host for visiting dignitaries (<http://www.cityofno.com>). In Houston, there is a group called the Houston International Protocol Alliance that works with the Greater Houston Convention and Visitors Bureau on behalf of the city in advising the corporate community and general public in matters

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<sup>11</sup> The population of New Orleans is before Hurricane Katrina.

of protocol (*Greater Houston Convention and Visitors Bureau website*). Whereas the Office of Protocol in New Orleans is a department of the local government and funded by it, the Houston International Protocol Alliance is not part of the local government and is funded by the private sector and in small part by a portion of the hotel bed tax (*Ibid*). Miami does not have a protocol office.

Third, the final indicator of trade promotion considers trade missions, which show a specific interest in developing trade relationships with a particular trade region. Trade missions create significant networking opportunities and a better understanding of economic situation and legal requirements for trade in other countries (Boyer 2003). The National League of Cities website reports that from 1999 to 2003, New Orleans sent trade missions to four Latin American countries including Costa Rica, Honduras, Nicaragua, and Panama. From 1998 to 2002, Houston sent trade missions to 15 nations, but only two of these were within Latin America. According to the Miami-Dade website, the county that includes Miami has sent missions to six nations since 2002, three of which were within Latin America (<http://www.miamidade.gov>). Because each city reports trade mission data across inconsistent years, no accurate conclusion may be made, but it appears that New Orleans has expended the greatest effort in sending trade missions to Latin America.

These indicators of trade promotion with Latin America regard the implementation of policy that actively encourages trade, as distinguished from tax incentives and economic development funding (Wilkinson, et al., 2002). These types of programs are more likely to be induced by city governments with a large degree of business influence, as in a metropolitan agglomeration model that encourages a coalition of political and economic decision-makers. Despite the somewhat inconsistent data sources for business influence on trade policy, it seems

that New Orleans city government has the greatest interest in promoting trade with Latin America. Specifically, New Orleans has devoted more of its sister-city arrangements to the region than Houston and Miami; it has a protocol person in city government, as opposed to Houston and Miami; and, it has sent the most trade missions to the region in recent years.

In conclusion, it is the interests and activities of politicians that often reflect their professional backgrounds and can collectively sway a local government toward a majority interest in business and international trade. Miami has the greatest business influence within the local-level of government, followed by New Orleans alongside Houston. International trade policy, as indicated by infrastructure measures across the cities, does not follow this pattern. Based on port infrastructure, which is the most essential type of infrastructure for supporting international trade with Latin America, spending over time on infrastructure is greatest in New Orleans, followed by Houston, and then Miami. This discrepancy in favor of international trade policy for New Orleans likely results from the high volume exports typically associated with the Port of New Orleans, which necessarily requires expansive port infrastructure.

As such, the outcome of Hypothesis 2 is not as predicted. While Miami's degree of business influence does not correlate to the amount of international trade policy observed in spending on infrastructure in New Orleans, further data within the study suggests the infrastructure in Miami reasonably reflects high value exports moving through the Port of Miami that are typically lower in volume. However, international trade policy measured by trade promotion indicators also adds to the disparity between the predicted and actual outcomes of Hypothesis 2, as the greatest trade promotion is also found in New Orleans. Thus, business influence is greatest in Miami; yet, international trade policy is greatest in New Orleans.

Table 7.

Hypothesis 2: Business Influence and Trade Policy

<b>Independent Variable</b>	<b>Predicted Outcome</b>		<b>Actual Outcome</b>	
<b>Business Influence in Government</b>	<b>Spending on Infrastructure</b>	<b>Trade Promotion Programs</b>	<b>Spending on Infrastructure</b>	<b>Trade Promotion Programs</b>
Miami	Miami	Miami	New Orleans	New Orleans
New Orleans/ Houston	N.O./Houston	N.O./Houston	Houston	Houston
	N.O./Houston	N.O./Houston	Miami	Miami

*Size of Firms and their Economic Impact*

Hypothesis 3: The size of firms in a city is related to the amount of policy for trade with Latin America. There is a positive relationship between the economic activity of large firms and the amount of international trade policy in a city.

Not only does a strong business presence encourage international trade policy and increased international trade and investment at the local level, but the size of these businesses also determines the degree of success for such policy. The size of firms in a city is related to the amount of policy for trade with Latin America. Accordingly, the economic activity of MNCs is positively related to the amount of city expenditures for trade in a city and indicates a city's success in attracting and retaining firms as urban regime theory suggests. Size of firms may range from small and medium-sized enterprises (SMEs) on one end of the spectrum to multinational corporations (MNCs) on the other. Large firms and MNCs, generally defined as enterprises that market goods and services in several countries (Spero & Hart 1999), typically have an advantage over SMEs, which are defined as having fewer than 500 employees<sup>12</sup> and work on a much smaller and localized scale. Payroll data from MNCs and export values of SMEs will indicate the economic activity of firms, and economic impact indicators across New Orleans, Houston and Miami will indicate success in international trade policy.

<sup>12</sup> Small and medium-sized enterprises have fewer than 500 employees. Small firms have fewer than 100 employees, and medium-sized firms have from 100 to 499 employees (McCurdy 2003).

### *Multinational Corporations and Large Firms: Payroll Data*

Multinational corporations are very important to the relationships between Latin American countries and New Orleans, Houston and Miami, because globalization and trade agreements between the regions have created opportunities for firms with the resources to expand their operations internationally. Especially as the recent and prospective trade agreements with Latin America and the U.S. progress and develop, it is increasingly important for these cities to attract and/or retain MNCs in their cities. For instance, NAFTA has increased trade levels between the U.S. and Mexico generally by 16 percent a year from about \$100 billion in 1994 to \$248 billion in 2000, according to the Bureau of Transportation. Large firms and MNCs provide an overall economic advantage to local economies where they are located; however, they can also effectively influence lobbying efforts in favor of international trade.

Because data on MNCs are unavailable at the local level, data on large firms are substituted. Large firms, commonly defined as having 500 or more employees, reflect the international tendencies of MNCs. The influence of large firms in a city may be measured by number of firms, yet measures of financial contribution to the local economy are more accurate, i.e. payroll. For example, although there is one large firm out of every 20 firms in New Orleans, 1 in 30 in Houston, and 1 in 40 in Miami, neither the relative payroll nor the number of employees for large firms reflect this pattern (U.S. Small Business Administration 2002).

According to 2002 data from the U.S. Small Business Administration website, large firm payroll as a percent of total payroll was greatest in Houston, where large firms provided 61.3% of the city's payroll in 2002, followed by New Orleans (52.1%), and then Miami (49.7%). Furthermore, the number of large firm employees as a percent of total employees was also greatest in Houston, where large firms employed 55.7% of the working population in 2002,



followed by New Orleans (48.6%) and Miami (46.5%). Payroll is the most significant indicator of the actual economic activity of firms in a city because it reflects actual dollar flow within a local economy; however, number of employees is still important as an indicator of the role of large firms. Large firms provide an overall greater percentage of payroll and greater employment levels than SMEs. Therefore, MNCs provide greater tax revenue to cities, as well as potential voters to further local political objectives.

Table 8.  
Small and Large Firm Payroll and Employment by City

	Firms				Payroll (millions)				Employment (thousands)			
	Total	<20	<500	500+	Total	<20	<500	500+	Total	<20	<500	500+
<b>New Orleans</b>	26362	21565	25107	1255	\$16.15	\$2.59	\$7.74	\$8.41	531	92	273	258
<b>Houston</b>	81569	68219	78898	2671	\$76.29	\$10.14	\$29.51	\$46.78	1855	282	821	1034
<b>Miami</b>	62690	56269	61163	1527	\$27.27	\$5.82	\$13.72	\$13.55	820	186	439	381

*U.S. Small Business Administration, Office of Advocacy 2002*

Table 9.  
Large Firm Payroll and Employment as Percent of Totals by City

	Ratio: Large Firms to Small	Large Firm Payroll, % Total	Large Firm Employees, % Total
<b>New Orleans</b>	1:20	52.1	48.6
<b>Houston</b>	1:30	61.3	55.7
<b>Miami</b>	1:40	49.7	46.5

*U.S. Small Business Administration, Office of Advocacy 2002*

#### *Multinational Corporations and Large Firms: Export Data*

Multinational corporations are responsible for the greatest percent of exports of products in the U.S., while small and medium-sized firms account for a smaller percentage of exports. Although SMEs comprise the largest percentage of all firms across Louisiana, Texas and Florida, the value of exports from SMEs is significantly less than that of MNCs across the states, except Florida. The U.S. Department of Commerce, Office of Trade and Economic Analysis reports that SMEs comprised 93 percent of all Florida firms exporting in 2003 and SMEs in Florida

accounted for 52 percent of the known value<sup>13</sup> of total merchandise exports from Florida in 2003 (Office of Trade and Industry Information 2005). While SMEs in Florida accounted for the greatest percent of exports, SMEs in Louisiana accounted for just 23 percent of known export value of merchandise from Louisiana and comprised 82 percent of all firms exporting from the state. SMEs in Texas accounted for 22 percent of known export value of merchandise from Texas and comprised 90 percent of all firms exporting from the state.

Table 10.  
2003 Merchandise Exporting Firms by State

	Total	Small	Medium	Large	% SMEs	MNC export value (millions)	SME export value (millions)	MNC export value as % state total	SME export value as % state total
Louisiana	3,104	2,252	299	553	82.2	\$36.96	\$11.04	77	23
Texas	25,694	20,455	2,761	2,478	90.4	\$14.47	\$4.08	78	22
Florida	31,396	26,290	2,743	2,363	92.5	\$18.00	\$19.5	48	52

*U.S. Department of Commerce, Office of Trade and Economic Analysis, 2003*

Although MNCs in Florida accounted for just 48 % of exports, MNCs in Louisiana and Texas accounted for the majority of exports from their states, 77% and 78%, respectively. Overall, size and typical financial advantages of MNCs outweigh the contributions of SMEs toward the total export value of merchandise from states. Large firms and MNCs are widely acknowledged for their international scope and economic contributions pose greater economic advantages than SMEs. However, neither large nor small firms are unequivocally linked to greater business influence on international trade policy across the three cases. Thus, I will further examine the type of firm in conjunction with size of firm.

Exporting firms, which may be divided into exporters of manufactured products and exporters of non-manufactured products, are the most important type of firm to the study of

<sup>13</sup> “Figures include only identifiable or ‘known’ exports -- i.e., exports that can be linked to individual firms using information on U.S. export declarations. Exports are allocated to states on an ‘Origin of Movement’ basis – i.e. an export is credited to a state when it is shipped from that state to a port or other exit point from the United States. Source: U.S. Dept. of Commerce, Exporter Data Base.” (McCurdy 2003).

trade. Manufactured exports include products that range from computers and electronic products to petroleum and coal products, and also include fabric mill products, beverages and tobacco, chemical manufactures, and many other products that are manufactured (U.S. Census Bureau, Administrative & Customer Services Division 2002). Non-manufactured exports include agricultural, forestry, fishery products, mineral commodities, oil and gas, scrap, waste, and used or second-hand merchandise (ibid). All exports, including manufactured exports, are usually attributed to the port through which they exit; however, the port of exit for non-manufactured products usually reflects their state of origin, as well (ibid). Not only do exports of manufactured products typically export greater value per ton of cargo than exporters of non-manufactured products, but they are also typically more organized and centralized, giving them greater leeway in deciding which ports to ship their goods through most efficiently.

#### *Relationship Between Size of Firm and Type of Industry*

Type of firm is an important consideration when determining the role and influence of SMEs and MNCs in expenditures for international trade. For instance, U.S. Census Bureau data on U.S. merchandise exports illustrate how the prevalence of manufacturing versus non-manufacturing companies varies between SMEs and MNCs. According to 2003 data from the U.S. Census Bureau, the dollar value of manufactured exports from the U.S. to the world, \$575.9 billion, is much greater than that of non-manufactured exports, \$53.9 billion. Hence, there is a positive relationship between expenditures for trade and the economic activity of manufacturing firms in a city. In addition, manufactured products are exported to a much greater extent by large firms (75%) than SMEs (25%), while non-manufactured products are exported very slightly more by SMEs (50.6%) than large firms (49.4%).

Table 11.  
2003 Value of U.S. Merchandise Exports to World

	SME Export Value*	% Total (SME)	Large Firm Export Value	% Total (Lg.Firm)	Total Export Value*
All Products	171,459	27.2	458,290	32.8	629,749
All Manufactured Products	144,255	25	431,654	75	575,879
All Non-manf'd. Products	27,233	50.6	26,636	49.4	53,869
Petroleum and Coal	1,918	22	6,806	78	8,724
Machinery Manufactures	19,718	30.3	45,412	69.7	65,131
Transportation Equipment	17,121	14.6	100,355	85.4	117,476
Computers/Electronic	31,976	23.4	104,415	76.6	136,391
Chemical Manufactures	15,803	18.5	69,571	82.5	85,374

*U.S. Census Bureau, 2003*

\*Millions of dollars

The top four U.S. dollar value exports to the world include machinery manufactures, transportation equipment, machinery manufactures and chemical manufactures, all of which are manufactured exports and exported to the greatest extent by MNCs. Although the contributions of SMEs vary within the manufactured product category, the economic activity of SMEs remains largely focused around non-manufactured exports, whereas that of MNCs is centered on manufactured exports. As such, expenditures will be greatest where there is a presence of firms with a manufactured exports focus, and these firms are likely to be MNCs.

In sum, the economic activity of large versus small firms is largely dependent upon the prevalent industries in a city. As Table 8 shows, SMEs in Florida contribute slightly more to the total value of exports from the state than MNCs. In Louisiana and Texas, SME export value as a percent of total value reflects the values for U.S. exports to the world, wherein SME export value comprises approximately one quarter of the total value. When type of product is introduced, the ratio of SMEs to MNCs exporting in a city becomes more important. The fact that SMEs export the greatest percentage of non-manufactures, coupled with the fact that the export value of non-

manufactures typically reflects the state of origin and the state of the U.S. port of exit logically suggests that SMEs typically export from ports within their states. Hence, in order to maintain business from SMEs and attract MNCs to export through their ports, cities must focus on improving cost-effectiveness to retain SMEs while taking advantage of the concentrated efforts and decision-making autonomy of MNCs to export their products where efficiency is the highest.

### *Industry Clusters*

While a concentration of MNCs and large firms in a city may greatly contribute to a local economy and a positive export environment, a combination of small and large firms may also positively affect the economy and export climate. MNCs account for a great deal of the capital within a business community, but firms of all sizes may add value. Nevertheless, with the goal of attracting businesses and increasing international trade policy, firms will locate where the business climate is most profitable regardless of the prevalent size of firms. For example, in 2004, both Tulane University and Chevron Texaco expanded from New Orleans to Houston, the energy capital of the U.S. and seemingly the world (Yerton, May 30, 2004). Houston has established itself as the energy capital through the consolidation of major oil and gas industries following the energy boom, as well as creating a successful incubator for investors and entrepreneurs to corroborate ideas in the energy sector (ibid).

Clusters, defined as groups of similar businesses that are important to a regional economy, can enhance a business climate by their ability to formulate a specialized skill set that is more valuable than the sum of its parts (LATTs B4-12). A city focused on cluster development seeks to create private investment and competitive advantage through partnerships among industries, economic development, the public sector and other supporting entities

(DADCO & Regional Strategies, Inc.), in something that represents an urban regime model. Moreover, clusters generate competitive advantage for companies and regional economies, thereby creating the capacity for members to better access added value than non-members (DADCO & Regional Strategies, Inc.).

Firms of all sizes organize formal and informal arrangements such as clusters that help make their interactions and information transfers more efficient, establish trust, and promote common objectives (Asheim, 2000; Becattini, 1990). Most importantly, LATTIS (B4-12) indicates that industry clusters may be a key determinant in a region's success in increasing export earnings, by connecting the national and global markets where it intends to prosper. Furthermore, industry clusters focus on strengthening the business environment by establishing a complex series of buyer-seller relationships over goods and services, regardless of the concentration of MNCs or SMEs in a city, (DADCO Consulting Services, Inc. & Regional Strategies, Inc.). Essentially, an export focus on manufacturing builds true wealth within a region for businesses and for the clusters that they support (Atkinson, R. & Gottlieb, P. 2001).

### *Economic Indicators at the City Level*

The economic impact of business and its various sectors links important measures of firms' activities with measures of international trade policy in a city. The Progressive Policy Institute creates an annual index to indicate the economic impact of business in the fifty largest U.S. metropolitan areas in *The Metropolitan New Economy Index* (Atkinson & Gottlieb 2001). The authors have defined the *New Economy* as a policy framework for metropolitan regions grounded in developing new strategies and goals of prospering and improving. These strategies include developing an awareness of the economic function of metropolitan regions in the global

economy and the ability to foster an innovative business climate. As such, the index measures policy across metropolitan regions using economic impact indicators.

The New Economy is measured according to 17 factors grouped into five key categories. These include knowledge jobs, globalization, economic dynamism and competition, the transformation to a digital economy, and technological innovation capacity, all of which indicate the types of business industries cities must focus on to support and attract firms. In the latest data available from 2001, New Orleans, Houston and Miami all scored in the top 50 (overall) in the following order: Miami (13<sup>th</sup>), Houston (14<sup>th</sup>), and New Orleans (38<sup>th</sup>). Table 9 elaborates on the index to indicate the directional movement of the scales measured within it.

The two categories most relevant to this study are *Aggregated Globalism Scores*<sup>14</sup> and *Aggregated Economic Dynamism Scores*.<sup>15</sup> All three cities scored very well for *Aggregated Globalism Scores*: Miami (2<sup>nd</sup>), Houston (5<sup>th</sup>), and New Orleans (7<sup>th</sup>). More specifically, all three cities and their metropolitan areas have a very high export focus on manufacturing, compared to other U.S. metropolitan areas. Even though the *Aggregated Globalism Score* illustrates that the cities are relatively on par with one another in this scale, it does not reconcile the disparity between New Orleans, and Houston and Miami within the overall Metropolitan New Economy Index Score.

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<sup>14</sup> This scale measures export focus on manufacturing and is derived from manufacturing export sales per manufacturing worker.

<sup>15</sup> This scale measures the number of companies with annual sales revenue growth of at least 20 percent for 4 straight years (i.e., “gazelle” jobs), the number of new start-ups and business failures (i.e., job churning), and the number of newly publicly traded companies.

Table 12.  
Economic Impact by City

	Metro New Economy Index Score	Aggregated Globalism	Aggregated Economic Dynamism	Gazelle Jobs	Job Churning	Newly Publicly Traded Co.'s
New Orleans	38	7	32	27	23	42
Houston	14	5	7	6	8	14
Miami	13	2	11	8	10	13

*The Metropolitan New Economy Index, 2001*

For *Aggregated Economic Dynamism Scores* among the top 50 metropolitan areas, Miami scored 11<sup>th</sup>, Houston scored 7<sup>th</sup>, and New Orleans scored 32<sup>nd</sup>. Thus, Houston and Miami score very closely for economic variables related to businesses and their success rates, while New Orleans remains far behind. *Aggregated Economic Dynamism Scores* help to explain why New Orleans lags significantly behind Houston and Miami in the overall index score while it appears relatively competitive in the globalism score. More specifically, within *Aggregated Economic Dynamism Scores*, the scores for the subcategories “*Gazelle Jobs*,” *Job Churning*, and *Newly Publicly Trade Companies* help explain further where the business climate of New Orleans is lacking. While New Orleans received average scores for the *Gazelle Jobs* and *Job Churning* scales, 27<sup>th</sup> and 23<sup>rd</sup>, respectively, *Newly Publicly Trade Companies*, where New Orleans scored 42<sup>nd</sup>, is the most important scale for understanding the relatively low *Economic Dynamism* score for New Orleans.

Although New Orleans scored relatively poorly in the *Newly Publicly Trade Companies* scale, Miami and Houston scored fairly well with scores of 13<sup>th</sup> and 14<sup>th</sup>, respectively. The scale provides a more specific indicator of the economic impact and contribution of publicly held business in each city than the broader *Aggregated Economic Dynamism* scale. *Newly Publicly Trade Companies* measures the number of publicly traded companies’ initial public stock



offerings as a share of gross metropolitan product. Initial public offerings indicate to what extent an economy creates companies with potential for growth (Atkinson & Gottlieb 2001).

Long-term growth provides greater tax revenue from the stock shares, as well as the new jobs these companies may create. For example, International Shipbuilding Corporation, a publicly traded shipping company founded in New Orleans in 1947 recently announced it plans to move its headquarters employing 135 people to Mobile, Alabama (White, June 27, 2006). The move is very discouraging to the maritime community and results from the uncertainty of the Mississippi River Gulf Outlet following Hurricane Katrina and its potential for encouraging growth (ibid). Hence, as indicated by publicly traded companies alone, business in Houston and Miami contributes greatly to the gross metropolitan product of their cities, whereas contribution of business is less in New Orleans.

The economic activity of MNCs is greatest in Houston, followed by New Orleans and then Miami, based on payroll data as well as export value data. Because there is no conclusive indication that the economic activity of MNCs is overwhelmingly related to policy, notably observed in the elevated role of SMEs in Miami, type of firm also becomes important. Moreover, firms that export manufactures produce greater economic activity than those that export non-manufactured exports. Hence, MNCs and firms with an export focus on manufacturing should be positively related to the amount of city expenditures for trade, or international trade policy. Based on the economic activity of MNCs, the predicted outcome of Hypothesis 3 would suggest that international trade policy is greatest in Houston, followed by New Orleans, and then Miami; however, economic impact indicators regarding globalism and economic dynamism reveal that international trade policy is greatest in Miami, followed by Houston and then New Orleans.

Table 13.  
Hypothesis 3: Firms and Policy

MNCs	SMEs	Economic Impact
Houston	Miami	Miami
Miami	New Orleans	Houston
New Orleans	Houston	New Orleans

Type of Firm:  
Exporters of  
Manufactures

### *Conclusions on Public & Private Sector Responses to Globalization*

New Orleans, Houston and Miami are all equally autonomous from the states of Louisiana, Texas, and Florida, according to U.S. Constitution criteria. As a result, their sub-state systems of government are more indicative of how their respective autonomy correlates to the amount of international trade policy each city develops to increase trade with Latin America. Specifically, local governments in Florida allocate the greatest percent of expenditures for trade as well as maintain the greatest bargaining-power resources. Therefore, the City of Miami, combined with Miami-Dade County, has the greatest local autonomy among the three cities.

Not only is local autonomy important for expanding trade with Latin America, but business influence in a city is also important for funding and supporting business needs associated with trade. As indicated by its high number of elected politicians oriented toward business, relative to New Orleans and Houston, Miami has the greatest influence of business in local government. As a result of business influence, funding to support international trade should focus primarily on port infrastructure, as the greatest percent of trade between the three

cities and Latin America is waterborne; however, it is also important to support rail/truck and air infrastructure for their respective inland port networks and niche markets. Although Miami has the greatest business influence in local government, New Orleans seems to have the greatest spending over time on port infrastructure in support of trade with Latin America. This discrepancy in favor of New Orleans likely results from the high volume exports typically associated with the Port of New Orleans, which necessarily requires expansive port infrastructure. However, considering programs that encourage interest in trading with Latin America as a measure of international trade policy, New Orleans has the greatest interest, again pointing to New Orleans as having the greatest international trade policy.

The effect of size of firm on trade policy involves an overview of large and small firms and the overall economic impact of firms within a city. Payroll values and export values reveal that large firms in Houston account for the greatest economic activity among the three cities, followed by New Orleans and then Miami. Although data on size of firm point narrowly to the advantages of MNCs, data on type of firm indicate that expenditures will be greatest where there is a presence of exporters of manufactured products, as opposed to non-manufactured products. Furthermore, MNCs are the dominant exporters of manufactured and hence higher-value products, while SMEs are associated with the export of non-manufactured, or lower-value products. Finally, *New Economy* economic impact indicators based on an export climate emphasizing manufacturing and the success of firms rate Miami first, followed by Houston and then New Orleans. Hence, it is not only the size of firm but also the type of firm that is related to international trade policy, and policy is assumed to be greatest in Miami, where the economic impact indicators are greatest.

## **Chapter 4: Policy on Business and Increased International Trade**

### *Introduction*

Cities will expand trade and investment with Latin America by increasing international trade policy. International trade policy is affected by local autonomy from state, business influence at the local level, and a presence of large firms and MNCs in a city. There are a number of indicators of local level policy in support of international trade, including data on port throughput and capacity as a measure of expenditures for transportation infrastructure, and international trade tonnage and values as indicators of success in attracting trade. Export values from each city to Latin America, as well as export values of manufactured exports to Latin American trade regions, provide additional measures of trade across the cities that are the most direct measures of trade with Latin America specifically. Finally, the ability to attract Latin American business travelers with the potential for networking opportunities is also a significant variable to the level of success in international trade across the cities.

As the cities compete for international trade by creating a profitable business environment, they also must focus on securing a favorable social environment. While it is understood that economic development plans reflect long-term goals for creating a positive business environment, it is also understood that this environment must create opportunities for constituents in jobs, public education and safety, for example (King, June 15, 2006). The cities must consider their constituents' interests and avoid excessive taxation and regulation, as well. Properly investing in business will break away from stagnation and create an environment that invites sales, has low operating costs and a talented labor force (ibid). Hence, policy on business is the starting point for investing in an overall local environment of economic vitality that is also mindful of its social responsibilities.

For example, *Expansion Magazine*, which has distribution among 45,000 executives including most Fortune 500 companies, has recently ranked New Orleans number one among 40 metropolitan markets for relocation (Thomas, October 10, 2006). The high ranking is a result of Hurricane Katrina, which created federal and state incentives, a competitive cost of living, a stable, middle-class labor force and low wages. While some in New Orleans are happy with the possible press, they also feel the study ignores the high taxes, crime and high insurance costs present in the city. However, the relief money available for the New Orleans metropolitan area and promises of political reform, as in the recent amendment to reduce the number of tax assessors from seven to one, will attract investors (ibid).

This section will link the intervening variable, increased international trade policy, with the dependant variable, increased international trade and investment with Latin America. Hypothesis 1 demonstrates that Miami has the greatest local autonomy and local government expenditures and resources in support of international trade policy. Hypothesis 2 illustrates that although Miami has the greatest influence of business in local government, New Orleans has the greatest spending over time on transportation infrastructure and business interest in support of international trade policy. Hypothesis 3 finds that in addition to the economic activity of MNCs, that of exporters of manufactures is also positively related to the amount of city expenditures in support of international trade policy in a city. Although the economic activity of MNCs is greatest in Houston, *New Economy* economic impact indicators suggest that international trade policy is actually greatest in Miami. In sum, based on the first three hypotheses, it seems international trade policy overall is highest in Miami. Hypothesis 4 will test the dependant variable across the cities with the following: trade volume capacity, trade value, trade value per

ton, export value to Latin America, manufactured export value to CAFTA and percentage of business travelers.

### *International Trade Policy and Success*

Business influence in government allows for increased international trade policy, and promotes more international trade and investment, measured by tonnage and dollar value. Still, in addition to policy, cities involved in international trade must identify the needs of target regions and specialize in services to meet these needs. The degree of competitiveness among the three cities in expanding trade and investment with Latin America depends upon the development of businesses that export the goods and services that meet the needs and interests of Latin American countries. Moreover, the better able a city is at easing transitions for Latin American countries trading with the U.S., the more likely it will be for these countries to conduct business with such cities. Hence, trade statistics for the ports of New Orleans, Houston and Miami indicate the extent to which policy affects trade; yet, the type of product traded should also correlate to these values.

Hypothesis 4: Increased international trade policy at the local level will lead to increased competitiveness with other cities for international trade and investment with Latin America.

### *Trade Volume and Trade Value: Throughput Vs. Capacity*

Spending on infrastructure, measured in terms of capital facilities and equipment needs associated with accommodating trade tonnage, indicates the capacity of a city to generate trade (LATTS Sec. B1, p.8). Throughput refers to the amount of trade volume that moves through a port; yet, it does not always reflect the trade capacity of port infrastructure, which is the

estimated capacity of terminal storage area and number of berths (LATTTS, Sec. D). Throughput and capacity are very relevant to studying the degree of competitiveness among New Orleans, Houston and Miami because they reasonably indicate the capabilities of the port industry and businesses as a whole for each port (LATTTS Sec.D1, p.2). While trade volume, capacity and throughput indicate infrastructure investment associated with accommodating future trade with Latin America, trade value is also a very important indicator of business success. As such, I will examine international trade by volume and by dollar value, as well as infrastructure throughput and capacity, to determine the extent that international trade policy affects trade levels.

I will consider throughput and capacity first as these variables provide a starting point for overall trade for U.S. states that should reflect actual trade volume and dollar value. There are two terms associated with capacity in LATTTS, including maximum practical capacity (MPC), which refers to the total capacity of a terminal, and sustainable practical capacity (SPC), which is generally 75 percent of a terminal's MPC, and refers to the realistic and economical long-term level of operation. According to the 1996 LATTTS study of southern U.S. states, Louisiana's throughput to Latin America was at 85% of its MPC; Texas' throughput was at 107% of its MPC; and Florida's throughput was less than half of its MPC, only 49%. The MPC of port terminals in millions is 23.1 in Louisiana, 20.1 in Texas, and .86 in Florida. While Louisiana has the greatest MPC for trade, Texas has the greatest throughput, which indicates that ports in Texas are operating at an uneconomical or unsafe level that may only be sustained by building additional or expanding existing terminals (LATTTS Sec. D, p.7). Meanwhile, Florida trails far behind Louisiana and Texas for both throughput and capacity. The significant variance across the three states is somewhat attributable to the type of cargo each port handles.

Trade throughput statistics can favor ports and gateways such as Louisiana that accommodate a great volume of break bulk and dry bulk because these types of cargo create a large volume of weight, but usually not a large volume of dollars (LATTS Sec. B1, p.8). Throughput in break bulk and dry bulk for Louisiana accounts for a large percentage of its total throughput compared to Florida and Texas. LATTS (Sec. D1, p.8-10) reports Louisiana's throughput as 30.15 million tons of break bulk and 73.78 million tons of dry bulk. Texas had 2.64 million tons of break bulk and 32.71 million tons of dry bulk. Florida had just 4.82 million tons of break bulk and 10.29 million tons of dry bulk.

Table 14.  
Throughput Versus Capacity

	<b>Throughput</b>	<b>Capacity</b>	<b>Capacity %</b>	<b>Break Bulk</b>	<b>Dry Bulk</b>
<b>Louisiana</b>	197,439,540	230,998,433	85	30,150,172	73,780,859
<b>Texas</b>	214,052,393	200,532,419	107	2,464,419	32,711,877
<b>Florida</b>	42,590,504	86,476,427	49	4,815,814	10,287,399

LATTS, 2001

In addition to the LATTS statistics on throughput, there are three sources of data for trade statistics between cities or states and Latin America specifically. These include the U.S. Department of Transportation Marine Administration, Port Import/Export Reporting Services (PIERS), and the U.S. Department of Commerce Office of Trade and Economic Analysis. While this paper focuses specifically on trade between cities and Latin America, the available data cover statistics on international trade at the city-level, between U.S. ports and all international destinations combined, and at the state level, between U.S. states and Latin America, respectively. There is no available study for trade with Latin America specifically across U.S. cities or ports. As such, city and port websites for New Orleans, Houston and Miami provide self-reported data on trade with Latin America, but a comparison of such data is neither as consistent across all three cases nor as conducive to a thorough study as is using external data



from the Marine Administration, PIERS, and the U.S. Department of Commerce. I will emphasize the latter to rule out potential selection bias from data from cities and avoid observations that may lend themselves to the expected outcome of the research.

#### *Trade Volume and Trade Value: Marine Administration Data*

Because the ports of New Orleans, Houston, and Miami are all part of larger waterway networks, each is connected to nearby ports that may be considered extensions of the major port. As such, the U.S. Department of Transportation Marine Administration has gathered import and export data on the combined ports for each U.S. Customs District. These statistics are significant because by including the supporting ports, the data more accurately represent the success of each port region in attracting trade. According to the 2002 Marine Administration data, the port of New Orleans includes ports in Morgan City, New Orleans, Baton Rouge, Avondale, Lake Charles, and the Port of South Louisiana; the Port of Houston includes ports in Houston, Texas City, Galveston, Freeport, Corpus Christie, and Port Lavaca; and, the Port of Miami data include ports in Miami, West Palm Beach, Fort Pierce, and Port Everglades.

The Marine Administration trade statistics provide measures of comparison across the three cities that include cargo weight and cargo value for exports. According to Marine Administration import statistics, from 1998-2003 measuring total cargo weight in billions of kilograms, the Port of Houston consistently exported greater cargo dollar value than the Ports of New Orleans and Miami. The Port of New Orleans followed in second place each year, and Miami followed in third. Marine Administration statistics measuring export tonnage follow a different pattern, wherein New Orleans far exceeds Houston and Miami in export tonnage, respectively. With further analysis of export dollars per ton, the pattern varies yet again. More

precisely, Miami has exported the greatest dollars per ton across the years, while Houston and New Orleans have respectively trailed far behind. Nonetheless, the clear conclusion is that the Port of Miami exports the greatest value per tonnage of cargo, while the Port of Houston is second and the Port of New Orleans is third.

Table 15.  
Export Weight and Value by Port

Exports by U.S. Custom District & Port												
	Tonnage*						Dollars**					
	1998	1999	2000	2001	2002	2003	1998	1999	2000	2001	2002	2003
New Orleans	86.87	94.41	95.44	92.26	90.42	88.31	18.22	16.33	17.21	16.67	17.29	18.52
Houston	43.96	43.76	46.41	41.92	44.97	48.27	23.45	21.60	24.60	23.69	25.37	27.05
Miami	4.16	4.44	4.47	4.13	4.69	4.18	14.10	12.68	14.18	13.80	14.96	11.97

*U.S. Department of Transportation Marine Administration, 2002*

\*Billions of kilograms

\*\*Billions of dollars

Table 16.  
Export Dollars per Ton\*

	1998	1999	2000	2001	2002	2003
<b>New Orleans</b>	0.21	0.17	0.18	0.18	0.19	0.21
<b>Houston</b>	0.53	0.49	0.53	0.57	0.56	0.56
<b>Miami</b>	3.39	2.86	3.17	3.09	3.19	2.86

*U.S. Department of Transportation Marine Administration, 2002*

\*Billions of dollars

#### *Trade Volume and Trade Value: PIERS Data*

While the Port of Miami imports and exports the greatest value per tonnage of cargo, it is also important to determine how the three ports compare in a ranking of all U.S. ports based on total international trade tonnage and value. Port Import/Export Reporting Services (PIERS) published a U.S. Waterborne International trade Total report on international trade tonnage and value for the Top 25 U.S. Ports from 1997-2003. In this study, the Port of New Orleans and the Port of Houston were included in the Top 25 ports for both international trade and tonnage and value, but the Port of Miami was only included in the Top 25 for trade value and not tonnage. In

the total tonnage category, Houston ranks first every year from 1997-2003 for millions of metric tons traded and New Orleans ranks from second to fourth from 1997-2003, oftentimes alternating rank with the Port of South Louisiana within the metropolitan region of New Orleans. Miami does not rank in the Top 25 U.S. Ports for tonnage in any year. In the total dollars category, Houston consistently ranks fourth from 1997-2003 for millions of dollars traded, New Orleans ranks from ninth to 12<sup>th</sup>, and Miami ranks from 11<sup>th</sup> to 13<sup>th</sup>, always following New Orleans.

The Port of Houston trades the greatest dollar value and greatest tonnage in comparison to the Ports of New Orleans and Miami. While the Port of New Orleans is a close second in tonnage, both it and the Port of Miami rank rather distantly from the Port of Houston's level of trade dollars. In a further test of international trade dollars per ton across the years, Houston also traded the greatest dollars per ton. New Orleans was second, but because Miami did not rank in the Top 25 U.S. Ports, its dollars per ton are indeterminable. Thus, while a 'dollars per ton' value is more applicable to the Marine Administration data, rank comparing actual international trade tonnage and dollar value is more applicable to the PIERS data. Moreover, PIERS provides a more level playing field by which to compare the ports by including only those ranked in the top 25 in the U.S.

Table 17.  
Total International Trade Tonnage and Dollars by Port

<b>Tonnage*</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
New Orleans	63.2	78.9	69.7	67.2	65.3	74.3	73.1
Houston	91.4	97.8	95	109.2	118.2	101.4	118.3
Miami	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Dollars**</b>							
New Orleans	18.1	18.9	16.5	18.8	17	18.8	19.6
Houston	37	36.4	34.1	43.4	44.5	41.9	49.9
Miami	14.9	15.6	15.4	17.5	16.6	16.8	16.6

*Port Import/Export Reporting Services, 2004*

\* thousands of metric tons \*\* millions of dollars

Table 18.

Total International trade Dollars per Ton\*

	1997	1998	1999	2000	2001	2002	2003
<b>New Orleans</b>	2.9	2.4	2.4	2.8	2.6	2.5	2.7
<b>Houston</b>	4.0	3.7	3.6	4.0	3.8	4.1	4.2
<b>Miami</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A

*Port Import/Export Reporting Services, 2004*

\* thousands of dollars

*Latin American Trade Regions and Market Needs by Export Category*

New Orleans, Houston, and Miami have opportunities to expand trade and investment with Latin America that begin with identifying the product or service needs in Latin American trade markets. The cities will be most successful if they are able to attract and retain businesses that can meet the identified needs and interests of the Latin American market. Therefore, a city with an active interest in international trade has the responsibility to determine a need and to satisfy business interests in order to increase trade and generate revenue for the city. The U.S. Department of Commerce Office of Trade and Economic Analysis website identifies the particular interests of Latin America in certain types of products in its export statistics from 1999-2004, which first analyze trade from Louisiana, Texas and Florida specifically to Latin America and its sub-regions and then consider type of exports to these regions.

First, the Office of Trade and Economic Analysis export statistics from 1999-2004 provide export values from Louisiana, Texas and Florida to the Latin American and the Caribbean overall, CAFTA-DR<sup>16</sup> nations, and the Southern Cone Common Market (Mercosur)<sup>17</sup> nations. According to data combining values for all products exported to Latin America, CAFTA-DR, and Mercosur, Florida consistently generates the greatest dollar value from 1999 to

<sup>16</sup> CAFTA-DR nations include El Salvador, Nicaragua, Guatemala, Honduras, Costa Rica and the Dominican Republic.

<sup>17</sup> Mercosur nations include Argentina, Brazil, Paraguay, Uruguay, Bolivia, and Chile.

2004, followed by Texas and then Louisiana<sup>18</sup>. Using 2004 data for example, Florida generated \$14.56 billion in product exports to Latin America, CAFTA-DR, and Mercosur combined, Texas generated \$9.49 billion, and Louisiana generated \$3.68 billion. In a similar pattern, Florida generated \$4.13 billion dollars in products exported to Mercosur nations alone in 2004, Texas generated \$2.39 billion, and Louisiana generated \$0.55 billion. Again, Florida similarly generated \$3.24 billion dollars in products exported to CAFTA-DR nations alone in 2004, Texas generated \$1.76 billion, and Louisiana generated \$1.17 billion. The 2004 data illustrate how Florida has had the greatest success in exporting products of the greatest dollar value to all of Latin America and its sub-regions every year from 1999 to 2004, followed by Texas and then Louisiana.

Table 19.  
Export Dollar Values Between Latin America and States

<b>CAFTA-DR</b>						
	1999	2000	2001	2002	2003	2004
Louisiana	954,412	1,056,197	1,022,635	1,058,944	1,067,147	1,173,551
Texas	887,909	1,111,819	1,158,365	1,239,663	1,667,207	1,761,550
Florida	3,301,236	3,343,690	3,242,366	3,233,570	3,148,891	3,238,575
<b>Latin America and Caribbean</b>						
	1999	2000	2001	2002	2003	2004
Louisiana	3,079,704	3,242,556	3,220,675	3,000,654	3,076,824	3,678,273
Texas	6,798,835	7,650,841	8,423,484	7,425,582	7,939,283	9,487,629
Florida	12,454,857	13,623,669	14,572,973	12,706,028	12,478,285	14,558,615
<b>Mercosur</b>						
	1999	2000	2001	2002	2003	2004
Louisiana	481,450	612,094	590,051	381,223	420,056	550,114
Texas	2,319,200	2,633,634	2,891,626	2,300,530	2,105,583	2,386,202
Florida	3,788,699	4,481,676	4,760,850	3,414,906	3,473,908	4,129,676

*U.S. Department of Commerce Office of Trade and Economic Analysis, 2002*

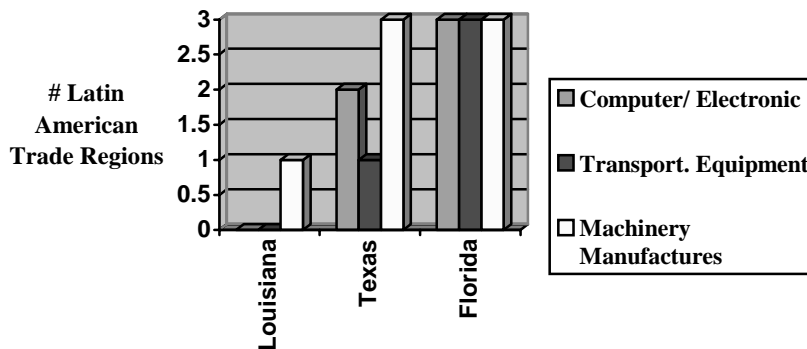
\*In thousands of dollars

There is an additional pattern for exports among the three states based on type of product that illustrates why Florida generates the highest dollar value from exports to Latin America,

<sup>18</sup> The exception is that Louisiana generated a greater dollar value than Texas in 1999 for exports to CAFTA-DR.

Texas follows, and Louisiana trails far behind. The Office of Trade and Economic Analysis breaks down exports into numerous categories according to type of product traded by each state and rates them in descending order by dollar value. Three categories appear constant in the top four product categories by dollar value for exports from Florida to Latin America and the Caribbean overall, CAFTA-DR nations only, and Mercosur nations only. The categories, all of which are manufactured goods, include: *computers and electronic products*, *transportation equipment* and *machinery manufactures*. These product categories provide an important frame of comparison among the three states. Florida leads Texas and Louisiana in dollar value of exports to Latin America because it exports high value products. All three categories appear in the top four product categories 100 % of the time for exports from Florida to Latin America overall, to CAFTA-DR and to Mercosur; however, they are among the top four categories for exports from Texas 50% of the time and from Louisiana just about 8% of the time.

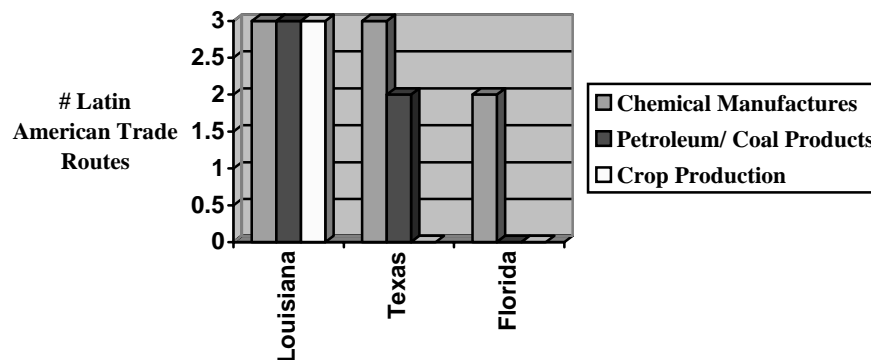
Table 20.  
 High Dollar Value Exports to Latin American Regions by State I  
 U.S. Department of Commerce Office of Trade and Economic Analysis, 2002



*Chemical manufactures* and *petroleum and coal products* are two of the top-four, dollar value product categories common to both Texas and Louisiana, but the dollar values associated with these products are lower than the value of products exported from Florida. While the *chemical manufactures* category is actually among the top five dollar value product categories

for every Latin American trade route from all three states, the *petroleum and coal products* category is of little significance to Florida. Besides being a high dollar value export category for Louisiana and Texas, the petroleum and coal products category is also responsible for the high tonnage values associated with the two states. *Chemical manufactures* and *petroleum and coal products* are obviously lucrative export categories to Latin America yet they do not yield the high values of leading computer/electronic, transportation, and machinery products exports on a per ton basis. In fact, the actual values of chemical manufactures and petroleum and coal products exported from Louisiana to Latin America, as well as exports of the latter from Texas to Latin America, are lower than computer/electronic, transportation, and machinery products exports from Florida to Latin America, and the actual value of chemical manufactures from Texas to Latin America is lower than computer/electronic exports from Florida to Latin America.

Table 21.  
 High Dollar Value Exports to Latin American Regions by State II  
*U.S. Department of Commerce Office of Trade and Economic Analysis, 2002*



Louisiana dominates exports to Latin American and its sub-regions in the *Crop Production*<sup>19</sup> category; yet, dollar value of these products is clearly not as high as that of

<sup>19</sup> The Crop Production category is understood include the following North American Industry Classification System (NAICS) agricultural products: soybeans, oilseeds (except soybeans), dry peas and beans, wheat, rice, other grains, potatoes, other vegetables (except potatoes) and melons, oranges, citrus fruits (except oranges), grapes, strawberries, berries (except strawberries), tree nuts, other non-citrus fruits, mushrooms, nursery products and trees, fresh flowers,

manufactured products categories like computers, transportation equipment, machinery, and chemicals. However, exports in the crop production category satisfy an important need of Latin America and provide a great deal of volume by tonnage. The infrastructure capacity of Louisiana to warehouse and transport a large amount of products indicates it has the ability to export great trade volume. This may also indicate the city's inability or insufficient focus on developing the export potential of its business.

While the Caribbean and MERCOSUR are also significant to international trade for the U.S., CAFTA-DR is the only region of the three so far with which the U.S. has forged a trade agreement. As such, the U.S. Department of Commerce Office of Trade and Economic Analysis (OTEA) has singled out CAFTA-DR for a report on U.S. merchandise exports to the region, which further explores the importance of manufactured versus non-manufactured exports. The development of trade relationships between the U.S. and CAFTA-DR is a very important issue for New Orleans, Houston, and Miami, as the close proximity provides great logistical advantages. Moreover, this advantage is particularly noteworthy for SME exporters, of which 90 percent are single-location exporters. The merchandise export overview will focus on the CAFTA-DR region, which accounted for 30 percent of U.S. exports to Latin America in 2003, up from 23 percent in 1999 (Office of Trade and Industry Information 2005).

Florida, Texas and Louisiana have particularly affected this increase in merchandise exports, by shipping 21 percent, 11 percent, and seven percent of the U.S. total to the region, respectively. The leading merchandise export category of U.S. exports to CAFTA-DR countries is manufactured, as opposed to non-manufactured exports, according to the 2003 Office of Trade and Economic Analysis report. Florida exported \$3.1 billion of merchandise to CAFTA-DR in

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seeds and foliage, tobacco, cotton, sugarcane, hay, alfalfa hay, and clover, sugar beets, peanuts, and other miscellaneous agricultural products.



2003, of which \$3.0 billion or 97% was comprised of manufactured exports. Texas followed Florida by exporting \$1.7 billion to CAFTA, \$1.6 billion or 94% of which was comprised of manufactured exports. Louisiana followed with \$1.1 billion of exports, 43% of which were manufactured exports. Again, exporters of manufactured products are correlated with greater expenditures for trade with Latin America.

Table 22.  
State Exports to CAFTA-DR Nations

	Dollar value: merchandise*	Percent of US total to region	Dollar value: non-manufactures*	Percent of state total to region	Dollar value: manufactures*	Percent of state total to region
Louisiana	1.1	7	0.61	57	0.49	43
Texas	1.7	11	0.11	6	1.6	94
Florida	3.1	21	0.09	3	3.0	97

*U.S. Department of Commerce, Office of Trade and Economic Analysis, 2003*

\*In billions of dollars

Although most non-manufactured products are not as lucrative as manufactured products, comprising just twelve percent of total U.S. merchandise exports to the region in 2003, this category is essential to many Louisiana exporters. Louisiana leads all U.S. states in revenue from non-manufactured goods, exporting 57 percent of total U.S. merchandise exports to the region. Texas was responsible for six percent of the total U.S. exports to the region, and Florida was responsible for three percent of the total U.S. exports. Key non-manufactured products include oilseeds and grains, agricultural products and oil and gas. Notably, non-manufacturing companies comprise an essential segment of SMEs in the overall U.S., as they dominate exporting by SMEs. For instance, U.S. wholesalers and other non-manufacturing firms comprised 68 percent of all SME exporters and generated 60 percent of total SME exports in 2003.

*Foreign Travel and Investment Interests of Latin America*

The type of products traded with Latin America can indicate infrastructure capacity and the export focus of each state, but reason for travel for Latin Americans visiting the U.S. also indicates each state's success in constructing and conveying a strong image that attracts foreign tourists and foreign investments. LATTS further explores the needs of Latin Americans by categorizing primary purposes for Latin American visitors' expenditures on the tourism industry (B3-8). While data on actual numbers of travelers were unavailable, the percentage of business travelers among all travelers to each state provides information on the relative business environments of each state. Based on their expenditures, 55 percent of visitors traveling to Texas travel for the purpose of business, whereas 35 percent travel to Louisiana for business, and 27 percent travel to Florida for business. (LATTS B3-9). Not only does this study show the stratification of reasons for travel, but it also shows the level of success of each state in constructing an effective business climate for attracting Latin American travelers and ultimately foreign investment.<sup>20</sup>

Table 23.  
Travel Expenditures of Latin Americans by Category

	% Leisure Travelers	% Business Travelers	% Study/Gov't. Travlers
Louisiana	61%	35%	4%
Texas	38%	55%	7%
Florida	70%	26%	4%

LATTS, 1996

Besides having an interest in business and personal travel to U.S. cities, Latin American countries also want to establish favorable investment climates to attract foreign investors, mainly

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<sup>20</sup> DADCO Consulting reports that some leading information sources on business climates come from: business travel, visiting a region (52%) and personal travel, tourist visits (21%).

through privatization. In terms of investing, free markets help determine the most effective allocation of resources (LATTTS Sec. A11, p.8), which is oftentimes privatization efforts. Privatization efforts by local businesses are an important way that cities may grow in relation to their competitor cities without the hassle of government bureaucracy. For instance, increased spending on homeland security has forced U.S. ports to divert spending from infrastructure improvements, a financing dilemma that ports may solve by seeking public-private partnerships to finance improvements.<sup>21</sup> In another example, two New Orleans businessmen, John Wheelock and Prescott Follett have created the privatization of Nicaragua's Puerto Cabezas (Bonura 2001). This privatization effort develops a method for identifying a need of the Latin American market and a means of inducing trade to move through the city's port without active government participation.

### *Conclusions on International Trade Policy and Success*

Local autonomy, business influence in local governments, and a strong presence of large firms and exporters of manufactured products in New Orleans, Houston and Miami will lead to increased international trade policy. Cities will expand trade and investment with Latin America through increased policy, measured by port infrastructure capacity and throughput and by trade volume and value. Considering port infrastructure, ports in Louisiana have the greatest capacity, while ports in Texas operate well beyond economically safe levels and secure the greatest throughput. Both states have significantly greater capacity and throughput than Florida as a result of the great bulk cargo and coal and petroleum that moves through ports in Louisiana and Texas.

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<sup>21</sup> According to Gerald Shaheen, chairman of the U.S. Chamber of Commerce. White, J. (2006, September 13) U.S. ports described as aging, inefficient. [Times-Picayune](#)

While capacity and throughput data indicate that the Ports of New Orleans and Houston have greater transportation infrastructure policy in support of business than the Port of Miami, the aforementioned has the greatest success in attracting international trade. Specifically, international trade data on volume and value reveal that Florida trades the greatest value per ton of cargo, and the Port of Miami exports the greatest value per ton to Latin America. Miami has succeeded in attracting the most international trade as a result of the type of products it exports. According to state-level data, Miami exports high dollar value products such as computers and transportation equipment to Latin America, while Houston and New Orleans export high tonnage cargo like chemical manufactures. Moreover, Miami has developed the most successful trade relationship with CAFTA-DR, the Latin American trade region within closest proximity to the Southeastern U.S, by focusing on the export of manufactures over non-manufactures. In addition to international trade data, the travel expenditures of Latin Americans prove that Houston attracts the most foreign business travel to increase investment interests and networking opportunities for Latin Americans. To sum up all of the observations, international trade is greatest in Miami, followed by Houston and then New Orleans.

Table 24.  
Hypothesis 4: Trade Policy and Success

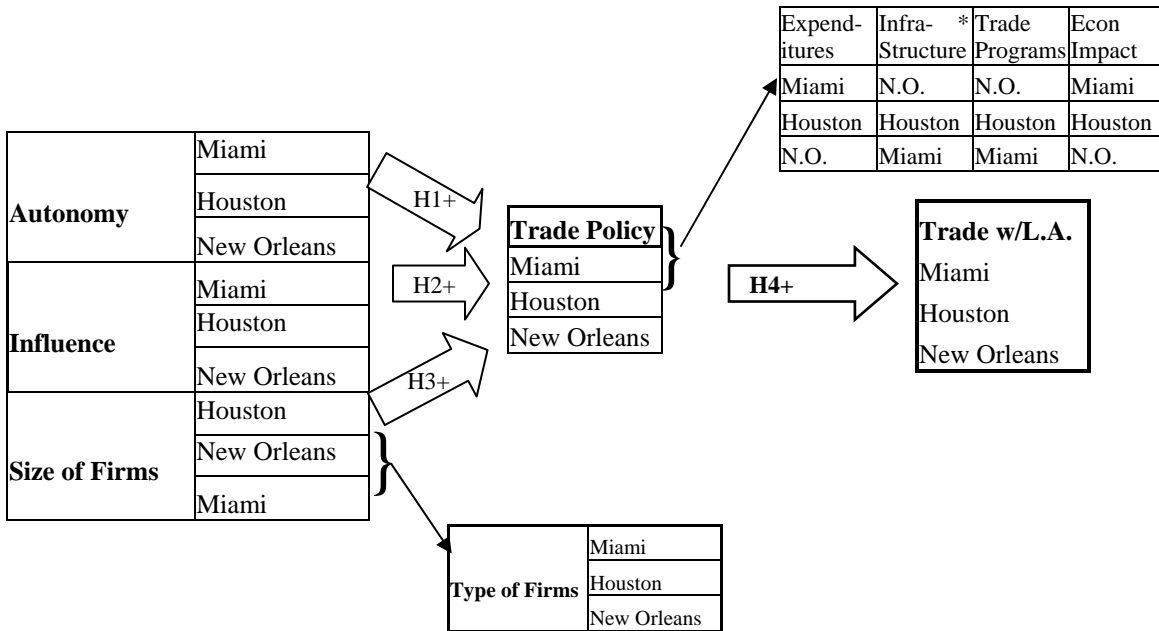
	<b>1st: Most Success</b>	<b>2<sup>nd</sup></b>	<b>3<sup>rd</sup></b>
Capacity/ Bulk Volume	New Orleans	Houston	Miami
Export Value	Houston	New Orleans	Miami
Export Value/ Ton	<b>Miami</b>	Houston	New Orleans
Export Value to Latin America	<b>Miami</b>	Houston	New Orleans
Manufactured Exports to L.A.	<b>Miami</b>	Houston	New Orleans
Business Travel	Houston	New Orleans	Miami

## **Chapter 5: Conclusions**

As globalization has elevated the role of local governments in international relations, local governments have assumed greater responsibility in certain areas like international trade. The purpose of this study has been to explore the implications of competitive advantage in international trade for the Cities of New Orleans, Houston and Miami, and to propose strategies to improve their international trade relations with Latin America. The three cities share an interest in increasing trade with Latin America because expanding Latin American markets, shared cultural background, and the close proximity of the region to the Southern U.S. gives each an advantage in trade with Latin America over other U.S. ports; yet, the cities also compete with each other. To facilitate the expansion of trade and investment with Latin America, the cities must develop international trade policy. Moreover, international trade policy is contingent upon several variables, including local autonomy from the state, business influence at the local level, and the size and type of firms in a city.

Figure 2 summarizes the predicted and observed relationships in the model tested here. As noted in Chapter 4, Miami is generally the most successful city in exporting to Latin America. Thus, if the model developed here holds, we would expect that Miami should rank highest on all the independent variables examined. Yet, this is not the case.

Figure 2.  
Hypothesis 1-4: Predicted Versus Actual Outcomes



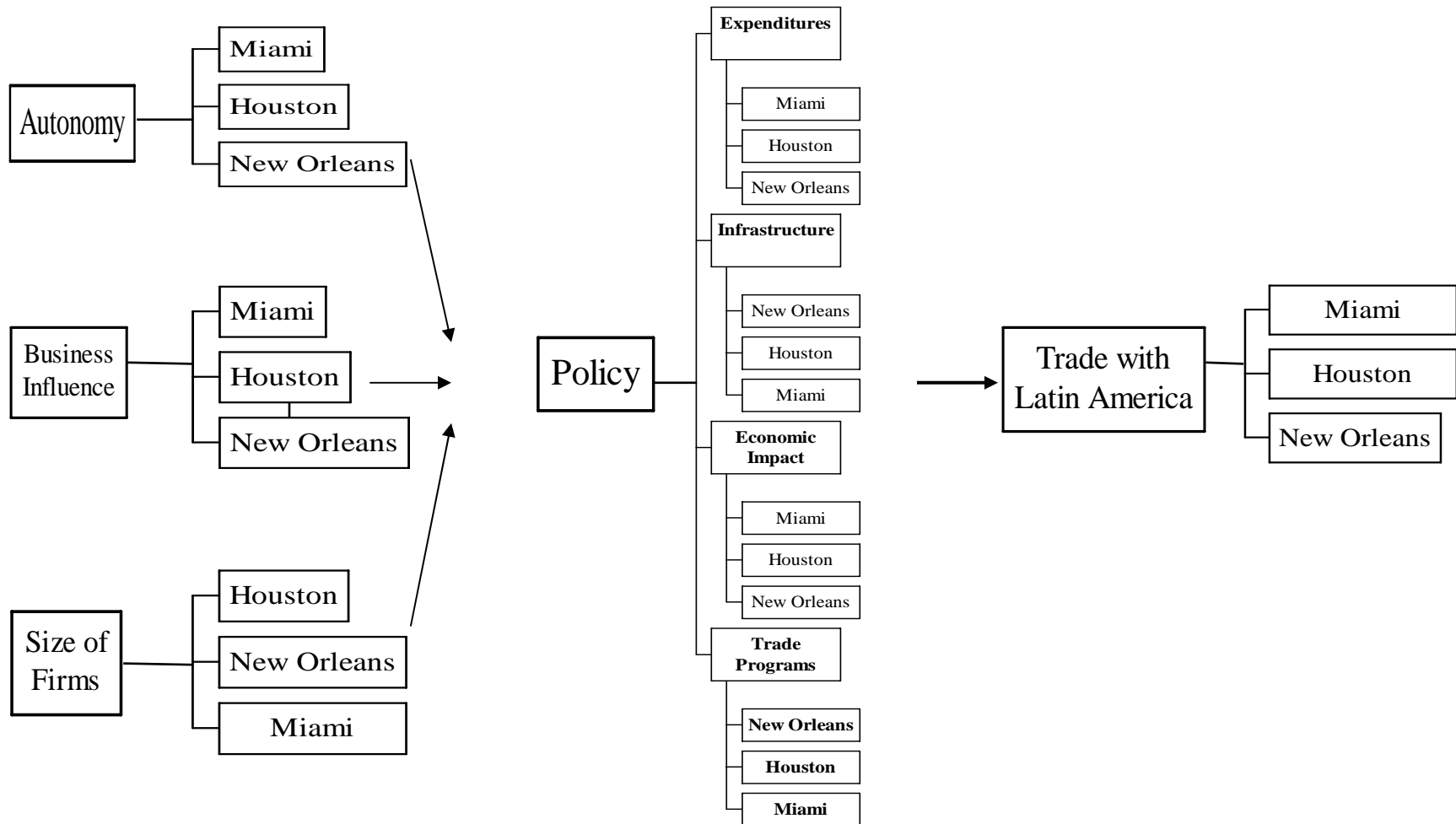
\* The robust infrastructure in New Orleans reflects the type of exports handled by the port, which suggests biased results. As such, the overall results for trade policy remain in the favor of Miami.

As Figure 2 illustrates, Miami ranks the highest in trade with Latin America, followed by Houston and New Orleans, respectively. Miami also ranks highest for the independent variables autonomy and business influence, although it ranks last behind Houston and New Orleans, respectively for size of firms when the variable is not modified to include type of firm. As such, type of firm is explored within the data for Hypothesis 4, wherein Miami has the greatest expenditures from exporters of manufactures, followed by Houston and then New Orleans. Miami also ranks highest overall for the intervening variable international trade policy, as indicated by expenditures and economic impact, even though it ranks last for trade programs and expenditures over time for infrastructure. Although New Orleans ranks highest for infrastructure capabilities, this measure is understood to reflect the city's existing

infrastructure for high tonnage cargo rather than the active investment in high value cargo observed in Miami.

Thus, despite some variation within the independent and intervening variables, Miami is still the most successful city in exporting to Latin America. The following discusses each hypothesis.

Figure 2. Modified Case Study Model





Prior to discussing the hypotheses, a review of the literature reinforces the relevance of cities and international trade as a political science topic. The emerging political salience of local governance within the global environment recognizes cities as places for major external economic activity, and provides cities with tools on how to structure policies. Three important models based on local-level governance theories include metropolitan agglomeration theory, regional growth management, and urban regime theory. The three models provide valuable insights regarding autonomy and decision-making at the local level and recognize the privileged position of business; yet, each model differs in regard to which actors it finds essential to effective decision-making coalitions. Urban regime theory, building upon metropolitan agglomeration and regional growth management, is the most complete model of the three because it recommends collaboration among governments, business and civil society, thereby recognizing the scope and value of all types of political actors in both the public and private sectors. Generally, the models help explain how the relationship between business and government affects the three cities' responses to trade.

### *Hypothesis 1*

Beginning with the first variable for increasing policy for business, Hypothesis 1 is derived from regional growth management theories and states that the amount of local autonomy the Cities of New Orleans, Houston, and Miami enjoy from their states is directly related to the amount of policy in support of trade with Latin America. While all three cities are categorized as Home Rule states according to U.S. constitutional criteria, Miami enjoys the greatest autonomy from state. Because Miami is governed both at the local level and at the metropolitan level, the additional resources from Miami-Dade County policy-makers and the autonomy of its larger metropolitan government to adopt its own rules of governing provide an advantage for Miami.

Accordingly, local governments in Miami and throughout Florida provide the greatest percent of total expenditures for transportation infrastructure in comparison to New Orleans and Houston. While Miami has the greatest autonomy and greatest resources for international trade policy from personnel and expenditures for trade, local governments in New Orleans and throughout Louisiana have the least autonomy and the smallest amount of expenditures and personnel resources. It is interesting that the Louisiana state government is the only one of the three to assume partial responsibility for providing expenditures for trade, which suggests stymied authority at the local level and greater bureaucracy than the other states.

Hypothesis 1 is supported by the data. The best level of government for providing transportation services is the local level because it aligns most closely with local interests surrounding ports and airports. This assertion is especially true when referring to the metropolitan level because metro governments represent regional interests. The success of Miami reflects a regional growth management model in that collaboration among various levels of government contributes to the greatest support of international trade and inherently also considers the economic interests of the business community. As such, New Orleans and Houston would benefit from considering the addition of metropolitan level governments to develop and preserve the economic viability and attractiveness of the cities and outlying areas as a whole. Moreover, local governments in New Orleans and Houston would be better able to implement their political agendas beyond their boundaries by successfully appealing to the collective local interests within an entire metropolitan region.

### *Hypothesis 2*

Hypothesis 2 explores the relationship between business leadership and policy for business, and is derived from metropolitan agglomeration theories. It asserts that the greater the

level of business influence in city government, the more resources will be directed toward policy to support business needs such as those concentrated on international trade with Latin America. Business influence, measured by the percentage of elected local politicians with backgrounds in business, is greatest in Miami. Although there is a minority of business interests and a majority of non-business interests represented by the backgrounds of politicians in all three cities, the greatest percentage of politicians with business backgrounds is greatest in Miami. While Miami reflects a regional growth management model in Hypothesis 1 through the success of its multi-level local governments, it also illustrates a metropolitan agglomeration model in Hypothesis 2 through its cohesive, multi-level coalition of political and economic participants who guide decision-making at the local level. It is largely at the discretion of the voting population in New Orleans and Houston to increase the percentage of local politicians with business backgrounds; however, it is also the responsibility of politicians to promote local innovation and a competitive edge in response to the market economy.

Business influence in local government is also determined by policy on trade and gateway infrastructure. Specifically, port, airport, highway and railway infrastructure impact international trade levels in cities, as well as affect the general economic development of surrounding regions. The most important type of infrastructure for trade between Latin America and the Southeast U.S. is port infrastructure because the majority of trade volume and value between the regions is waterborne, although railways and highways are also significant and airways carry a small percentage of total trade. Because ports handle the greatest amount of trade volume and value, the greatest expenditures for trade and gateway infrastructure should be allocated for ports. Spending over time on business needs surrounding port infrastructure seems to be greatest in New Orleans because it is the most intermodal port in the U.S., although this

largely reflects the city's location on the Mississippi River and the subsequent necessity to accommodate high volume cargo. In addition, New Orleans is connected to the most railway systems, which reflects the greatest policy on railway infrastructure. Policy on airport infrastructure is greatest in Miami, according to state-level data. Florida ships the most tons of airborne trade to Latin America and has established itself as a niche for shipping high value items and providing flights to facilitate international trade opportunities.

New Orleans also reflects the greatest international trade policy development by its trade programs, through which it has sent the most trade missions to Latin America within the recent past, it maintains the most sister-city arrangements with Latin American cities, and it is the only city among the three to have a protocol office within city government. Thus, New Orleans has had the greatest implementation of programs to encourage trade, excluding the use of tax incentives. In accordance with Hypothesis 2, Miami has the greatest influence of business in local government; however, New Orleans has the greatest support of international trade policy through its transportation infrastructure, as well as the greatest visible interest in international trade through its programs. Hence, infrastructure in New Orleans reflects the highest level spending over time across the cities as result of the high volume products New Orleans has historically exported. The high value exports from Miami are of lower volume and thus do not require the expansive infrastructure necessary to New Orleans. As such, influence of business is not correlated with international trade policy, and Hypothesis 2 is therefore not fully supported, although the caveat for type of products exported through the cities helps explain the discrepancy.

### *Hypothesis 3*

Hypothesis 3 explores the third variable surrounding increasing spending for business and is derived from urban regime theory. The hypothesis proposes that the economic activity of MNCs is positively related to the amount of international trade policy in a city. The economic activity of firms is indicated by payrolls and export values across the cities. Multinational and large firms contribute greatly to the dollar flow within the local economies where they are located, generally providing greater payroll per employee than small and medium-sized firms.

For example, large firms in Houston, which are the greatest contributors to local payroll across the cities, provide 61.3 percent of the city's payroll, yet they employ 55.7 percent of the working population. New Orleans and Miami also follow the same pattern of large firms providing greater percentages of total payroll per employee than SMEs. MNCs contribute more economically to local economies than MNCs, as indicated by data on payroll and the value of exports across the three cases. Whereas export value as a percent of state total in Florida is actually greater from SME than large firms, export value in Louisiana and Texas from MNCs is much more significant than that of SMEs. Hence, because both MNCs and SMEs are positively related to international trade policy, as indicated by variation in firms' economic activities across the cities, the data on size of firm is inconclusive and suggest further analysis of type of firm.

The relationship between size and type of firm is an important consideration in determining where international trade policy is greatest, especially when considering manufacturing versus non-manufacturing companies. Manufactured products in the U.S. are exported to a much greater extent by large firms than SMEs, as well as these products are valued at approximately eleven times that of non-manufactured products. Non-manufactured exports from the U.S. are exported relatively equally by large firms and SMEs; therefore, the role of

SMEs in the export of non-manufactures is greater than that of manufactures. Hence, New Orleans, Houston and Miami must attract large firms in manufactured exports industries in order to add value to their local economies by increasing trade value to the local economy and enhancing the business climate for investors. Although SMEs add value to the local economy because they are typically single-location exporters, exporting products from their state of origin and keeping export dollars in the local economy, MNCs are still related to expenditures for trade to the greatest extent. The cities may also benefit from encouraging large firms and SMEs to create industry clusters so that they may forge mutually beneficial relationships in the broader effort to increase international trade and improve their local economies, as in an urban regime model of combined urban decision-making, politics and economics.

The economic impact of business across the cities within the *New Economy* is an additional indicator of international trade policy. According to *The Metropolitan New Economy Index* published by the Progressive Policy Institute, overall economic impact scores across the top 50 U.S. metropolitan areas score Miami first among the three cities, followed by Houston and then New Orleans. Economic impact scores measuring the export focus on manufacturing in cities are highest in Miami, followed by Houston and then New Orleans. In contrast, the index score measuring the economic dynamism of firms in a city is highest in Houston, followed by Miami and then New Orleans. The values measuring stock offerings of newly publicly traded companies as a percent of gross metropolitan product indicate that business in Houston and Miami contribute greatly to the GMP of their cities, whereas the contribution of business is considerably less in New Orleans.

Overall economic impact scores and scores for the export focus on manufacturing are greatest in Miami, while the economic impact of large firms is greatest in Houston, and firms

with an export focus on manufacturing are most prevalent in Miami. Economic indicators reveal that New Orleans, in particular, must expand its business environment to attract both large firms and those firms an export focus on manufacturing in order to expand international trade policy with Latin America. As suggested by the New Economy results, international trade policy is greatest in Miami, followed by Houston and then Miami. In sum, Hypothesis 3 is partially supported. Although the data suggests the economic activity of MNCs is greatest in Houston, further data supports Hypothesis 3 by suggesting the economic activity of exporters of manufactures and the economic impact of business is greatest in Miami, where economic impact indicators of policy are also greatest.

#### *Hypothesis 4*

Hypothesis 4 tests the intervening variable, international trade policy with Latin America, to find where trade with Latin America is greatest. Local autonomy, business influence and a presence of MNCs and export manufacturing firms all lead to increased policy with Latin America. Consequently, Hypothesis 4 finds that increased international trade policy at the local level will lead to increased competitiveness with other cities for international trade and investment with Latin America.

The Latin American Trade and Transportation Study notes that spending on infrastructure and equipment needs associated with accommodating trade tonnage promotes the success of cities in the pursuit of trade. Trade capacity and throughput data provide quantifiable values for infrastructure resources in support of trade with Latin America and reasonably indicate the capabilities of the port industry and businesses as a whole for each port. Throughput refers to the amount of trade volume that moves through a port, and trade capacity of port infrastructure refers to the estimated capacity of terminal storage area and number of berths. While trade capacity is

greatest in Louisiana, trade throughput is greatest in Texas. Throughput is also great in Louisiana; however, large amounts of break and dry bulk moving through Louisiana ports skew the state's values because they are high volume but not high value goods. Consequently, New Orleans has the greatest capacity for waterborne trade; yet, the implicit levels of trade policy are minimized as corresponding levels of throughput suggest that businesses and the local economy have not secured sufficiently profitable international trade business.

In addition to throughput and capacity values, trade volume and trade value provide very important indicators of trade moving through ports. The U.S. Marine Administration measured trade volume and trade value from 1998 to 2003 for the Customs Districts surrounding each port, which represent the success of each port region in attracting trade. Export tonnage was greatest in New Orleans, but export value was greatest in Houston. Remarkably, Miami exports the greatest value per ton of cargo. Port Import/Export Reporting Services (PIERS) measured international trade volume and value from 1997 to 2003 and rated the top 25 U.S. ports based on the data. While the Port of Miami was not ranked in the top 25 ports, both New Orleans and Houston were ranked for all years included, and the latter generated the greatest tonnage and dollars.

In a more narrowly focused study of trade with Latin America specifically, the U.S. Department of Commerce has generated data on U.S. exports from each state to Latin American trade regions. The data from 1999- 2004 proved that Florida exports the greatest dollar value to the three identified Latin American trade regions including CAFTA-DR, Latin America and the Caribbean, and MERCOSUR, followed by Texas and then Louisiana. Furthermore, the study identifies U.S. exports by type of product traded with Latin America. Leading exports from Florida to Latin America include computer and electronic products, transportation equipment and



machinery manufactures. While Florida's leading export categories have proven most profitable, leading exports from Texas and Louisiana are still valuable and include chemical manufactures and petroleum and coal products. It is noteworthy that Louisiana dominates the non-manufactured exports category of crop production exports; yet, these exports are not nearly as profitable as the leading manufactured exports from Florida.

The Department of Commerce has further explored the important issue of manufactured versus non-manufactured exports in a study of state exports to CAFTA, the only Latin American region with which the U.S. has forged an official trade agreement. According to the data, the value of manufactured exports to CAFTA is significantly higher from Florida and Texas, respectively than from Louisiana. In contrast, the value of non-manufactured exports to CAFTA is significantly higher from Louisiana than from Texas and Florida. Hence, in order to increase trade value with CAFTA and Latin America as a whole, both sets of Department of Commerce data prove that Louisiana should focus on attracting businesses that will focus on exporting manufactured products and maintaining an attractive business climate that encourages investment in related manufactures industries.

Especially as the Port of New Orleans boasts the greatest port capacity and export tonnage, it proves capable of maintaining a very positive trade relationship with Latin America. However, the City of New Orleans must invest in its business environment in order to increase the export of manufactures and thereby expand international trade with Latin America. Even though the Port of Houston has the greatest throughput and export value, it too must focus more on maintaining a business environment of manufactures exporters in order to increase trade with Latin America. It is interesting that the Port of Miami lags significantly behind the Ports of New Orleans and Houston in overall tonnage and value; however, it produces the greatest value per

ton of cargo. The most significant data to the study are the U.S. Department of Commerce data revealing that Florida exports the greatest dollar value to Latin America. Moreover, the data show that Florida has been the most successful in exporting the greatest value of manufactured products to Latin America. Thus, Hypothesis 4 is strongly supported, as greater international trade policy in Miami correlates to greater international trade with Latin America.

### *Summary*

In sum, New Orleans has the greatest interest in international trade promotion and it has the transportation infrastructure in place to produce the greatest export tonnage, while Houston has the greatest capital from its large firms and produces the greatest export value. However, Miami has the greatest grasp of what is necessary to excel in international trade with Latin America specifically, and maintains the most promising outlook for continuing a prosperous trade relationship with Latin America. Miami has the advantage of its progressive local governance, including city and metropolitan level governments. Within its governments, Miami is aided by a comparatively strong presence of business-oriented politicians who are most willing to work within the local economy for the best interests of all civil needs, business and not. What is more, firms in Miami of all sizes maintain a robust focus on the export of the most lucrative type of products, manufactures. The state of Florida extends the success of Miami in trade with Latin America by surpassing Louisiana and Texas in export value to Latin America. Miami best embodies an urban regime model, by excelling against the competition in the combined areas of urban decision-making, politics and economics for the outcome of the most profitable trade relationship with Latin America.

While Houston has many financial resources through its MNCs to increase international trade levels with Latin America, New Orleans faces greater challenges as a result of Hurricane

Katrina. International trade, growth, jobs and standard of living have been dramatically affected in New Orleans, and progress in these areas will take much time to improve. Investment and economic activity are needed for growth in the deficient economy and as a financial starting point to eventual reassurance that the city is capable of sustaining a quality standard of living. As local governance in Miami has used its combined power to affect positive results in international trade, New Orleans can benefit from this time as a starting point to encourage local and state officials to work together to attract businesses to the metropolitan area. Additionally, the private sector can work to create a positive investment climate, leading the recovery through business partnerships such as clusters. Most importantly, port and waterways infrastructure will be an integral factor for New Orleans metro area growth following Hurricane Katrina, starting with the economic activity of international trade.

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## **Vita**

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