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# Intern Newsletter

July 2013



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### Completion of Berth 12 Dredging Project

Berth 12 Dredging Project was the largest new construction dredging project on Tampa Bay in years and has just been completed. It launches from South Port and was part of Port Manatee's \$200-million expansion. Berth 12 is 1,584 feet long with a 40-foot draft which is capable of Panamax-sized vessels and sits next to a new container terminal, which is still under construction, aimed at attracting new Gulf of Mexico cargoes coming from the expansion of the Panama Canal. Port Manatee now trades with ports around the world, including those in China, Central and South America, the Caribbean Basin, Europe, and Australia. Port Manatee has also put in a second mobile harbor container crane.

### Two New Energy-Efficient Locomotives

In October 2012 the Manatee County Port Authority approved the acceptance of \$2.5 million in federal TIGER II grant funding for the acquisition of two new energy-efficient switch locomotives. This is in addition to the \$9 million the port was given in 2010 for the extension of its Berth 12 and construction of a new container terminal. The new energy-efficient locomotives enhance Port Manatee's growing operational efficiencies, supporting its eight miles of track, 19 switches, nine crossings and 300-plus rail car capacity, and is estimated to cost around \$3 million with the port matching 20 percent. The track, which is connected with the CSX mainline, provides fast moving cargo and intermodal capabilities to all of North America.

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Finding cities in which manufacture has traditionally been a difficult process. However, two companies have released articles that give tips to make your search a little bit easier. Forbes recently released a list of the ten best cities in America for manufacturing jobs. This list includes two cities in Texas in the top 5 (Houston and San Antonio), major ports on both coasts, and traditional manufacturing cities, like Detroit. This article also includes statistics about each city. For example, Virginia Beach's 1-year growth rate is recorded at 3.9%. As an added bonus, many of the cities on the list are homes to World Trade Centers as well. As wonderful as these cities may be, others may actually be better for your company. In her article for *Industry Week*, Jill Jusco mentions several things that companies should take into account when choosing a location, such as energy sources. With the growing emphasis on renewable energy, many companies have chosen areas with great potential for solar or wind power. Similarly, the environment is an important factor. Certain materials may be more difficult to use or produce in rainy climates or year-round warm weather. Other factors to consider include size, finances, and customer and supplier locations. Jusco suggests writing out a list of criteria, such as those above, and then searching for a place that fits the criteria that are important for your company. As Edward Hill said, "There's no one location that's good for all manufacturing."

Sources:

<http://www.industryweek.com/global-economy/search-americas-best-manufacturing-locations>

<http://www.forbes.com/pictures/edgl45jgg/no-1-houston-texas/>



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Two new major trade agreements, the Trans-Pacific Partnership (TPP) agreement and the Transatlantic Trade and Investment Partnership (T-TIP), are currently being negotiated. The TPP is being headed by the U.S. and includes 10 countries of the Pacific Rim, including developing countries such as Peru, Malaysia and Vietnam. The major and possibly most dramatic trade partnership will be the T-TIP.

The T-TIP "could be the biggest bilateral trade deal in history," UK Prime Minister David Cameron said at the G8 Summit. According to a recent White House press release, the first round of T-TIP negotiations will take place the week of July 8 in Washington, D.C., under the leadership of the Office of the U.S. Trade Representative. T-TIP will aim to boost economic growth in the United States and the EU and hopes to add more than 13 million American and EU jobs already supported by transatlantic trade and investment. T-TIP will eliminate all trade tariffs with Europe and significantly reduce the cost of differences in regulations and standards.

The reason for these new trade agreements is to cater for 21st-century international trade. Aspects of this new trade include global value chains, or the fragmentation of production processes and lengthening of supply chains. Different parts of the value chain have come to be located in different countries. This is mostly seen in manufacturing, but it is also shown in services like finance and telecoms.

Although average import tariffs are now fairly low, it is still too high when multiple countries' tariffs add to each other as products cross borders multiple times. Additionally, nontariff barriers, such as safety standards or regulatory hurdles for services trade and foreign direct investment, can no longer be overlooked in trade negotiations.

Leaders are beginning to recognize that 21st-century trade is now. With negotiations currently taking place, there may soon be no limits in opportunity for U.S. international trade.

<http://online.wsj.com/article/SB10001424127887323855804578508221619355736.html#articleTabs%3Darticle>

[http://www.wto.org/english/tratop\\_e/dda\\_e/dda\\_e.htm](http://www.wto.org/english/tratop_e/dda_e/dda_e.htm)

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<http://www.whitehouse.gov/the-press-office/2013/06/17/fact-sheet-transatlantic-trade-and-investment-partnership-t-tip>



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Gasoline and diesel prices have been dropping, according to recent reports from the Department of Energy. Diesel's average price went down about 0.6 cent recently, so that it is currently priced at about \$3.909 per gallon. Gasoline dipped about 1.4 cents, bringing the current price to about \$3.632 per gallon. The drop in diesel prices follows a ten-cent rise over the last month, while gasoline prices have fallen nearly 25 cents in the same period. Compared to the same week last year, however, diesel is about 6 cents more expensive now; gasoline is just over 1 cent cheaper than last year. Bloomberg News reports that oil is still over \$106 per barrel, despite a 38-cent drop this week.

Source:

Transport Topics: The Newspaper of Trucking and Freight Transportation

Telecommunications is an important growing sector in the economy in its own right. Their exports now represent more than 1/3<sup>rd</sup> of the telecommunication market, with prospects of a continued rise in the market. The boom in the market has largely been driven by the increase in demand of telecommunication services as well as the rebuilding of construction industry. In recent years, trade and telecommunication issues with regards to services have been a significant international foreign policy issue due to the massive trade, industrial and strategic risks in the international information economy.

Trade plays an important role in today's economy, and its influence is growing. By the end of this decade, for example, many believe that one out of every two jobs in Florida will be directly related to trade. Besides allowing countries to focus on producing things they do well, rather than spreading their resources thin, trade has also been found to increase the likelihood of peace between partners. That is to say, when countries trade with each other, they are less likely to go to war with each other. Among the many reasons is the countries' expectations of future trade. This essentially means that countries that trade with each other will not go to war for fear of losing not only their imports, but also an export market. The coal agreement between France and Germany is an oft-cited example of this. After a long history of war between the two countries, they finally agreed to more open trade. Over the last few score years, this has grown into the European Union. Trade, then, is beneficial not only for companies, but for countries, as well, and the people, generally.



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Are Americans falling into the deception of trading with China in the belief that they have a beneficial exchange rate? According to Sam Williford, “this currency policy hurts American manufacturing and hinders job creation.” Given that China’s yuan value is below that of the dollar, it is advantageous for the Chinese to trade with the United States. Since the yuan is not freely traded in exchange markets because it falls below the value of the dollar it is easier to buy Chinese goods in the U.S. and more difficult to sell U.S. products in China. Even though the U.S. is able to import goods at a cheaper cost in China, Americans are not able to balance their trading system by exporting an equivalent amount. As stated in *Economy in Crisis*, in May the U.S. imported twenty-five billion dollars in goods while only exporting seven billion dollars. This currency war is harming the creation of offshore jobs for Americans. Peter Morici, a business professor, says that this currency war is hurting American growth. He claims that currency manipulation is shifting growth and jobs from the U.S. to China and other Asian countries.

Frauenheim, Ed. "The Currency of Offshoring." *CNET News*. CBS Interactive, n.d. Web. 18 June 2013.

[http://news.cnet.com/8301-10784\\_3-5555457-7.html](http://news.cnet.com/8301-10784_3-5555457-7.html)

Williford, Sam. "Currency Manipulation Explained | Economy In Crisis." *Economy In Crisis RSS*. N.p., n.d. Web. 18 June 2013.

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#### Pro-Outsourcing

Foreign outsourcing is a very big deal in the United States. In recent years the outsourcing of jobs is not only composed of labor workers but of white-collar worker as well. Anyone looking to expand their jobs will always look beyond their borders and that is part of globalization. Beside India being the No. 1 spot of IT outsourcing, South America is also getting strong.

But outsourcing has its good points, too. By exporting jobs to areas with cheaper labor, corporations are able to sell their products at a lower price for consumers. It also allows companies to increase their profit margins, providing a boost to the economy.

Colombia has become the leading outsourcing destination according to Global Outsourcing Information Inc.” With security concerns declining and economic reforms and free trade agreements in place to attract investors – including a free trade agreement with the U.S. signed in 2012 – Colombia has been experiencing a surge in foreign direct investment (FDI) in recent years” (Prussen Spears). Colombia is surpassing the 100 percent in the improvement of hardware and software industries. “Colombia’s work force is among the most highly qualified and educated in the region” (Prussen Spears). English training is also dramatically improving to open for globalization. Colombia has also improved dramatically in the aspect of its economy and the globe is taking advantage of it.

Source:

Prussen Spears, Victoria. "A South America Jewel, Colombia shines as leading outsourcing destination." (n.d.).

#### Anti-Outsourcing

In accordance with the school of thought concerning comparable advantage, every country should be more inclined to produce products that can be made or produced most efficiently in their country. This allows countries to produce products more cheaply than it would be to purchase the good or service abroad. Although outsourcing can be cheaper, there are a few inherent disadvantages. For example, businesses may have to confront linguistics barriers and a lack of in-depth company knowledge.

To begin, linguistic barriers may cause communication issues when outsourcing for branches of a business such as call centers or service centers. The foreign workers employed to manage the phone lines for service requests may have a difficult time effectively communicating certain directions to the customer especially if it concerns a complex technological issue with computer hardware. This may in turn lead to customer dissatisfaction and loss of future business. There may also be a lack of company knowledge because of this linguistic barrier. Outsourcing impedes employees from being as familiar with company knowledge since these foreign workers have not been exposed to the same amount of company culture, coaching, and information which explains a company’s processes.