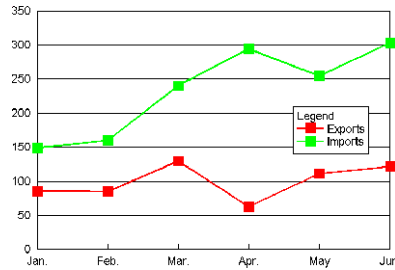


Trafficking in Trade: A Look at Tennessee's Ports

That international trade is becoming an increasingly important part of our economy is no longer a revelation. But the economic importance of foreign trade is actually much broader than is often understood. The effects of international trade are not limited to just manufacturers, farmers, or other producers of exported (or imported) goods and services. The very flow of trade itself is becoming an important part of many local economies. A variety of important services are necessary to take a product from the producer's door to the foreign consumer, and, while little public attention is paid to this process, it has become a multimillion dollar industry in its own right. Any consideration of the total impact of international trade on Tennessee must include not only the raw trade statistics, but also the economic effects of handling the large volume of imports and exports which course through the state.

Few would guess the size of this activity in our state. Because Tennessee does not front an ocean, it is easy to underestimate how much international trade travels through this state. Many people are not aware that this state contains *four* international port cities: Chattanooga, Knoxville, Memphis, and Nashville, as well as a special Federal Express port in Memphis. And the value of the goods going through these ports may surprise you. In 1995, \$3.859 billion of merchandise, involving over 100 countries, went through Tennessee ports. At a shade under \$2 billion through June, 1996 figures will likely exceed that. As with most of the U.S., the bulk of this trade is imports. In 1995, imports into Tennessee ports ran better than \$2.3 billion ahead of exports. The state port's "trade deficit" however, has markedly slimmed in 1996, though it is still in the

1996 Trade "Balance" of Products Through Tennessee (in \$Millions)



neighborhood of \$900 million. To put the size and importance of this flow of trade in perspective, if international trade were to be considered as its own economic sector, it would rate as seventh largest of the state's twenty major industries based on value of shipments.

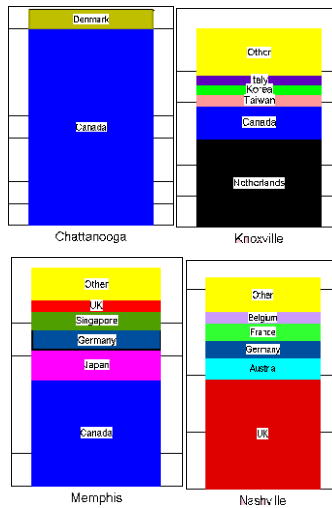
The range of the products being shipped through these ports is vast. Automobile parts, aircraft parts, computer and office machinery parts, and apparel are some of the leading products moving through the state's international gateways, but products from 184 different SITC industry codes were exported from Memphis alone over the last year.

Leading Products by Port

	Top Export, 1995	Top Export, 1996	Top Import, 1995	Top Import, 1996
Chattanooga	Aircraft & Parts	Mattresses & Beds	Nitrogen-Function Compounds	Transmission Equipment
Knoxville	Men's & Boy's Coats	Automobiles	Tobacco	Women's & Girl's Coats
Memphis	Computers & Parts	Office Machine Parts	Aircraft & Parts	Natural Gas
Nashville	Aircraft & Parts	Office Machine Parts	Auto Engines & Parts	Auto Engines & Parts

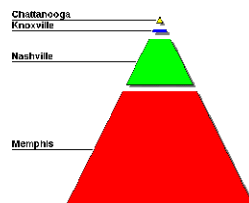
Canada is the largest source of imports and the largest destination for exports through Tennessee. But it is hardly the only foreign trade partner using this state's ports. Mexico is the major exporter into the Port of Nashville; while, in 1995, the Netherlands was the largest destination for goods leaving Knoxville.

Exports from Tennessee Ports by Country



As you might expect, Memphis is by far the largest of the state's ports. An important entrepot since the nineteenth century, Memphis remains one of America's leading trade centers. In 1995 over \$668 million in goods were shipped abroad from Memphis, while roughly \$2.5 over a quarter of which were aircraft parts entered the U.S. through its port. Memphis is showing particularly strong 1996 exports: year-to-date shipments as of June are already approaching the total 1995 figures.

Relative Size of the Four State Ports

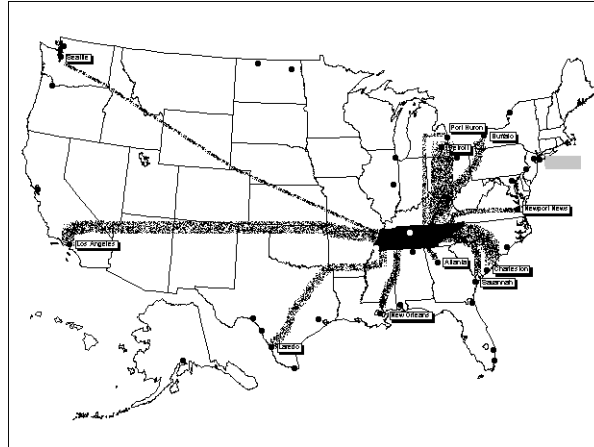


The state's other ports are newer and smaller, but equally dynamic. Nashville has grown rapidly. Here imports dominate: the port will surpass \$600 million in imports this year. As those who know the midstate economy can probably guess, the large majority of those imports involves motor vehicles. Car parts accounted for two-thirds of 1995 imports and are currently running at almost three-quarters of 1996 imports (and this is excluding engines and engine parts, which are counted as a separate SITC sector). The port of Knoxville, too, has grown over the past years. Based on annualized figures, 1996 shipments are up almost a quarter over those of 1995. As might be expected given its local economy, textile products and automobiles dominate among exports and imports. Chattanooga is the smallest of the state's ports, but even here goods involving twelve different countries have been shipped through the city during 1995 and 1996. Chattanooga has been importing and exporting a wide variety of goods, including aircraft equipment, auto parts, and textile products.

The state's ports are hardly provincial and do not serve Tennessee alone. Most of America uses Tennessee ports. During 1996, firms in forty-three states and Puerto Rico have shipped through Memphis. In fact, less than five percent of the goods exported through Memphis has come from in-state. (And, on the other hand, only one percent of this state's exports has gone through in-state ports!) Tennessee's \$27.3 million in exports pales beside the \$79.2 million in exports coming from Colorado, the port's biggest source of exports this year. The situation is similar for the other state ports. California is a major exporter out of Knoxville, while Minnesota and North Carolina firms are using the port of Chattanooga. Seventeen states are using Nashville's port, with Alabama in the lead.

This raises the question, "If most Tennessee exporters are not using Tennessee ports, where *are* they exporting from?" We map the flow of state exports below. State exporters have used 166 U.S. ports to ship their products this year. Thirty-nine ports, all shown on the map, shipped out more than \$10 million in Tennessee goods in 1996. Memphis is one of these ports, ranking 22nd largest for Tennessee exports, and Nashville is another, placing 39th (Knoxville, with less than \$10 million in state exports, ranks 92nd). But the bulk of exports is concentrated in a few major ports. Ten U.S. ports account for three-quarters of the state's exports, and the top five ship out half of the state's products. The map shows these ten largest ports by name; the size of the arrow indicates the relative size of state export's moving to that city. As you can see, Detroit is that state's largest port, with over \$745 million of the state's \$4.023 billion 1996 exports. But Tennessee trade flows all directions on its way overseas.

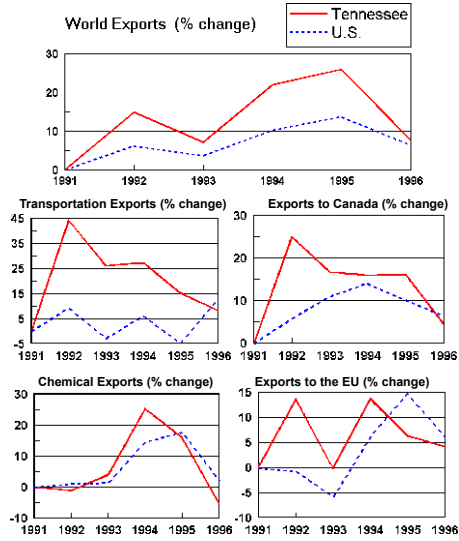
Mapping the Flow of Tennessee's Exports



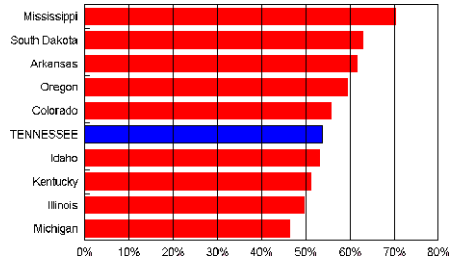
It is easy to forget that international trade has effects far beyond the initial purchase of foreign goods or services. This brief look at the flow of trade through Tennessee should convince us that the very size of this flow is itself becoming an important part of the state's economy.

Tennessee Trade in Comparative Perspective

Tennessee's exporters have prospered over last several years, with the state as a whole posting one of the strongest export growth rates in the nation. The accompanying charts compare the annual growth rates of state exports to overall American export growth. We also look at the growth in sales of Tennessee's major export, transportation equipment, and to Tennessee's largest market, Canada. As you can see, Tennessee has generally bettered the national rate of export growth. Further confirmation of the state's exporting success: Tennessee compiled the sixth fastest rate of export growth of any American state during the years 1993-1995, expanding exports by 53.8 percent, as shown in the graph below.



Export Growth: Top Ten American States, 1993-95



(from the International Trade Administration)



Fall 1996 - Volume 2, No. 2

MTSU College of Business Wins Major International Grant

The College of Business at Middle Tennessee State University has been awarded a Business and International Education Grant from the United States Department of Education. The grant, entitled **ENHANCING INTERNATIONAL ECONOMIC UNDERSTANDING AND ENTERPRISE IN TENNESSEE**, is for a period of two years and totals approximately \$175,000 which is matched by resources from the University. This grant continues and expands the work accomplished with previous grants from the USDOE under the same program. BellSouth-Tennessee, Ambassador Joe M. Rodgers (holder of the Jennings A. Jones Chair of Excellence in Free Enterprise), and the World Trade Council of Middle Tennessee are partners in this grant.

The grant calls for six specific activities:

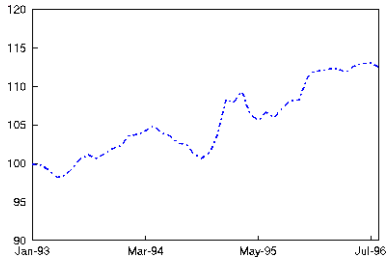
1. Providing **Faculty Fellowships in International Business** for MTSU faculty to enhance their skills and perspectives concerning international business.
2. Establishing **Student Internships in International Business** to afford students at MTSU an opportunity to gain first hand experience in the global economy.
3. Developing a **Global Business Institute** for Tennessee college students.
4. Developing a **Certificate in International Business Studies** program
5. Establishing an **International Business Conference**
6. Expanding the international trade database and this newsletter.

These six activities will increase skills in international commerce, make the public more aware of the international component of our economy, create linkages with other schools, and utilize the facilities of MTSU to assist businesses with manpower and information needs. The grant will also assist nontraditional, mid-career, part-time, and non-degree students interested in international commerce.

Project Directors are Dr. Jim Burton, Assistant Dean for Conferences and External Relations and Dr. Reuben Kyle, Director of the Business and Economic Research Center.

Tennessee Trade Weighted Dollar Index

The August Tennessee Trade Weighted Dollar Index stood at 112.57, just a bit above April's 112.25. In fact, the index has remained virtually flat since the end of last year. Most European currencies strengthened slightly against the dollar over the second quarter, but this was counteracted by equally slight falls in many emerging market currencies. The values of the Canadian dollar, the Japanese Yen, and the Mexican Peso (the currencies of the state's three largest trade partners) have hardly changed at all. Only two currencies made anything more than minimal moves during the last quarter: the Italian lira gained a little over 3 percent against the dollar, while Korea's Won fell about 4.75 percent. Changes in the value of the Dollar Index have fairly accurately predicted changes in Tennessee's rate of export growth about six months ahead of time. This suggests that state exporters may now be shaking off the effects of the steadily rising index of the last half of 1995. On the other hand, they may have but a short time to catch their breath: most commentators are anticipating the dollar to rise again in the coming months.



Tennessee International Trade Report 2nd Quarter 1996

Second quarter state exports fell 3.43 percent from a year ago. At \$2.251 billion, foreign sales were also down about \$52 million from the first quarter of this year. This is mostly explained by a significant decline in Tennessee chemical exports. Traditionally one of the state's two largest export sectors, chemical sales were off \$80 million from 1995, accounting for virtually all of the state's decline this quarter. Tennessee was not unique in this respect. Texas suffered an even more dramatic loss in chemical industry sales. This more than erased continued healthy showings by the state's other large export sectors. The transportation sector and the manufacturers of scientific, medical, and industrial instruments, in particular, posted large gains. Indeed, the transportation sector has by now clearly established itself as far and away Tennessee's major source of exports. It was also a good quarter for the state's mining industries, which together made double-digit export gains. The apparel industry, which has suffered major export reverses in other states, also turned in a healthy quarter; its sales increased by roughly a fourth.

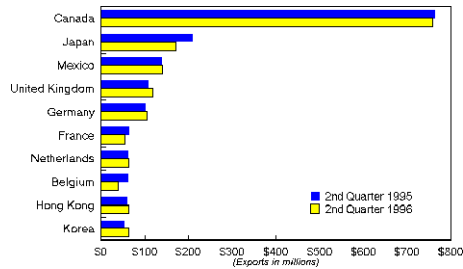
"Emerging markets" were not kind to Tennessee exports during the second quarter. East Asia saw some major reverses in the state's fortunes. China, where sales were off 56.6 percent, was the largest problem, but almost all the state's East and Southeast Asian markets were off. The Indian subcontinent was a disaster; exports to Bangladesh and Pakistan each fell over 90 percent, making them two of the state's five worst performing second quarter markets, while India, down nearly 54 percent, was number six. It seems clear the state has not been able to hang on to 1995's large increase in exports to that part of the world. Unfortunately, exports elsewhere could not pick up the slack. Though Japan was a terrific market, with exports there rising almost 22 percent, sales to Mexico and Canada were basically flat, while only modest gains were made in exports to the European Union (about \$800,000) and South America (some \$1,000,000). There were bright spots, however. Sales to Russia grew dramatically (279 percent), and two of the largest African markets, Nigeria and South Africa, also posted big increases in Tennessee sales.

The third quarter seems to be off to a good start, with July exports up a little over 5 percent from a year ago.

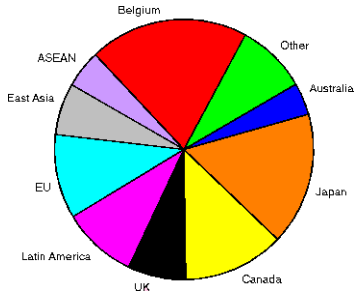
Tennessee's Largest Export Sectors, 2nd Quarter 1996

	Exports	Change from Last Year
Transportation Equipment	\$491,957,360	37.09%
Chemicals	\$385,862,740	-17.17%
Industrial Machinery	\$328,930,532	14.94%
Electronics & Electrical Equipment	\$169,514,646	7.92%
Food & Food Products	\$122,832,544	44.87%
Paper & Allied Products	\$117,099,830	24.65%
Instruments & Related Products	\$106,029,467	37.09%

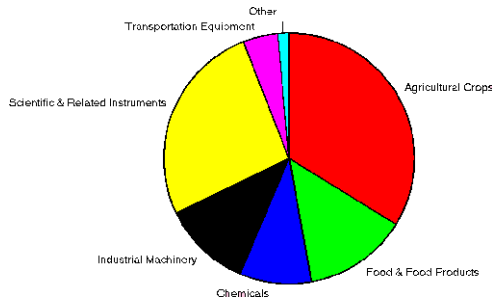
Tennessee's Leading Trade Partners



Tennessee's Exports of Food and Food Products, 2nd Quarter 1996
(Producers of food products turned in the best 2nd quarter growth performance among the state's large export sectors)



Tennessee's Exports to Russia, 2nd Quarter 1996



Largest Growth and Decline in Exports by Industry, 2nd Quarter 1996

	Export \$ Value	Growth%	Decline%
SECTORS WITH THE GREATEST GROWTH			
Metal Mining	\$2,318,711	13604.78%	
Scrap & Waste	\$10,057,346	86.79%	
Coal Mining	\$604,227	75.62%	
Livestock	\$227,025	70.34%	
Nonmetal Mineral Mining	\$5,492,992	46.29%	
SECTORS WITH THE GREATEST DECLINE			
Tobacco Manufactures	\$89,376		-95.68%
Forestry	\$91,624		-89.89%
Agricultural Crops	\$55,417,150		-74.76%
Petroleum & Coal Products	\$562,890		-50.85%
Primary Metal Industry	\$51,829,310		-28.21%

Fast Changing Export Destinations, 2nd Quarter 1996
Among countries averaging more than \$2 million in sales per quarter.

	Export \$ Value	Gain %	Decline %
COUNTRIES WITH THE GREATEST GROWTH			
Nigeria	\$5,684,939	499.14%	
Russia	\$8,657,842	279.18%	
Kuwait	\$13,847,279	109.53%	
Peru	\$3,969,121	99.36%	
Greece	\$4,262,915	85.44%	
COUNTRIES WITH THE GREATEST DECLINE			
Pakistan	\$909,954		-95.07%
Bangladesh	\$512,603		-80.47%
Ecuador	\$1,084,292		-71.84%
Uruguay	\$1,583,640		-59.21%
China	\$42,030,645		-56.60%

Tennessee Monthly Exports
(Seasonally adjusted, expressed in 1993 dollars)

