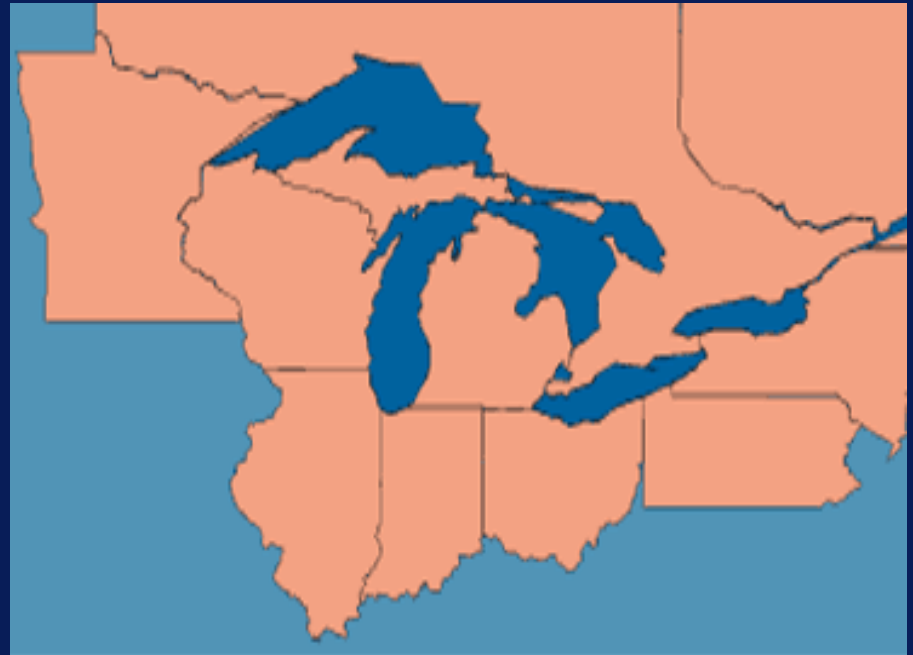


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# Linkages across the border- the Great Lakes economy

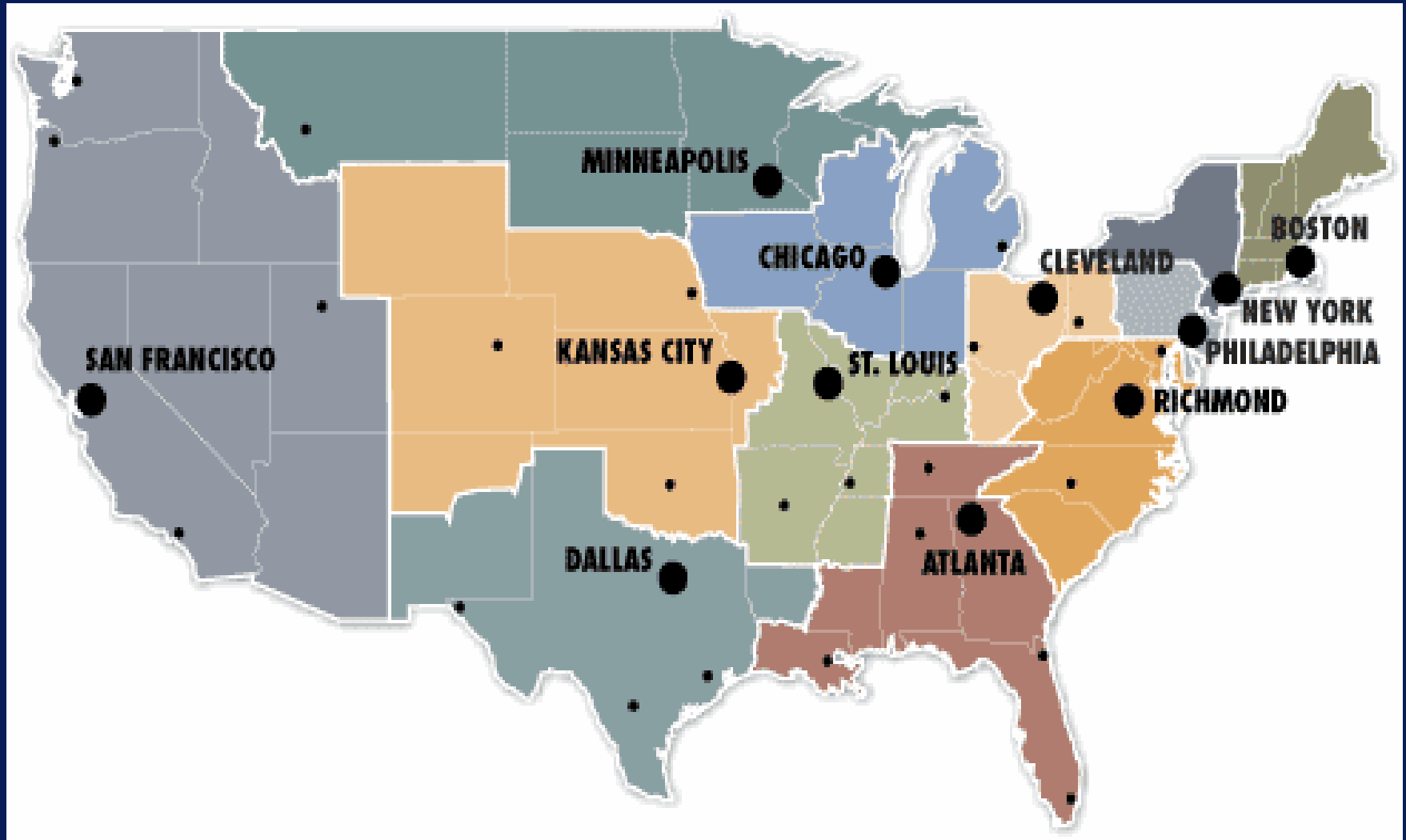
Border economies meeting  
Ottawa, Ontario  
March 7, 2006

William A. Testa  
Vice President and Director of Regional Programs  
Federal Reserve Bank of Chicago



# Federal Reserve Districts

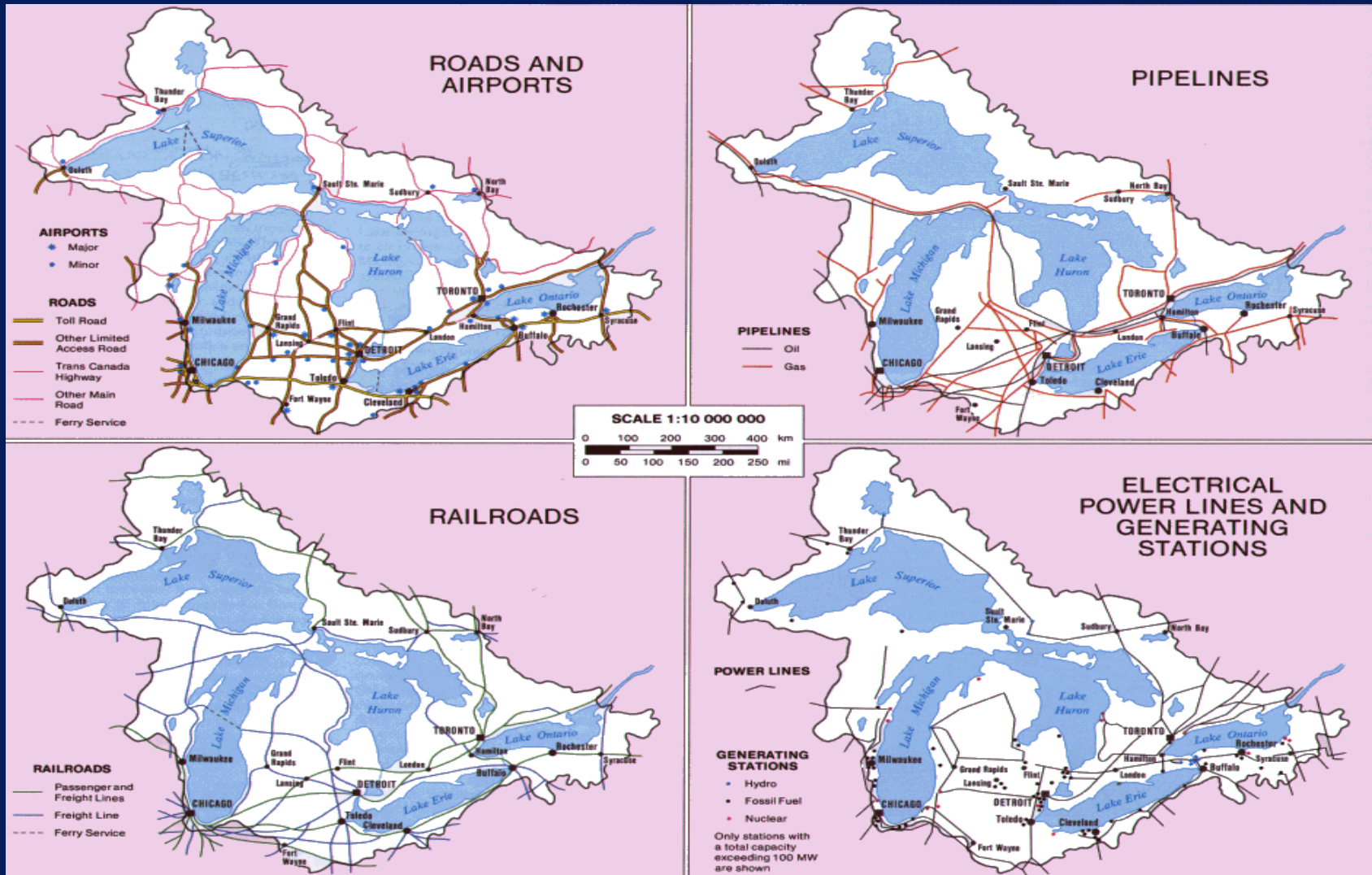
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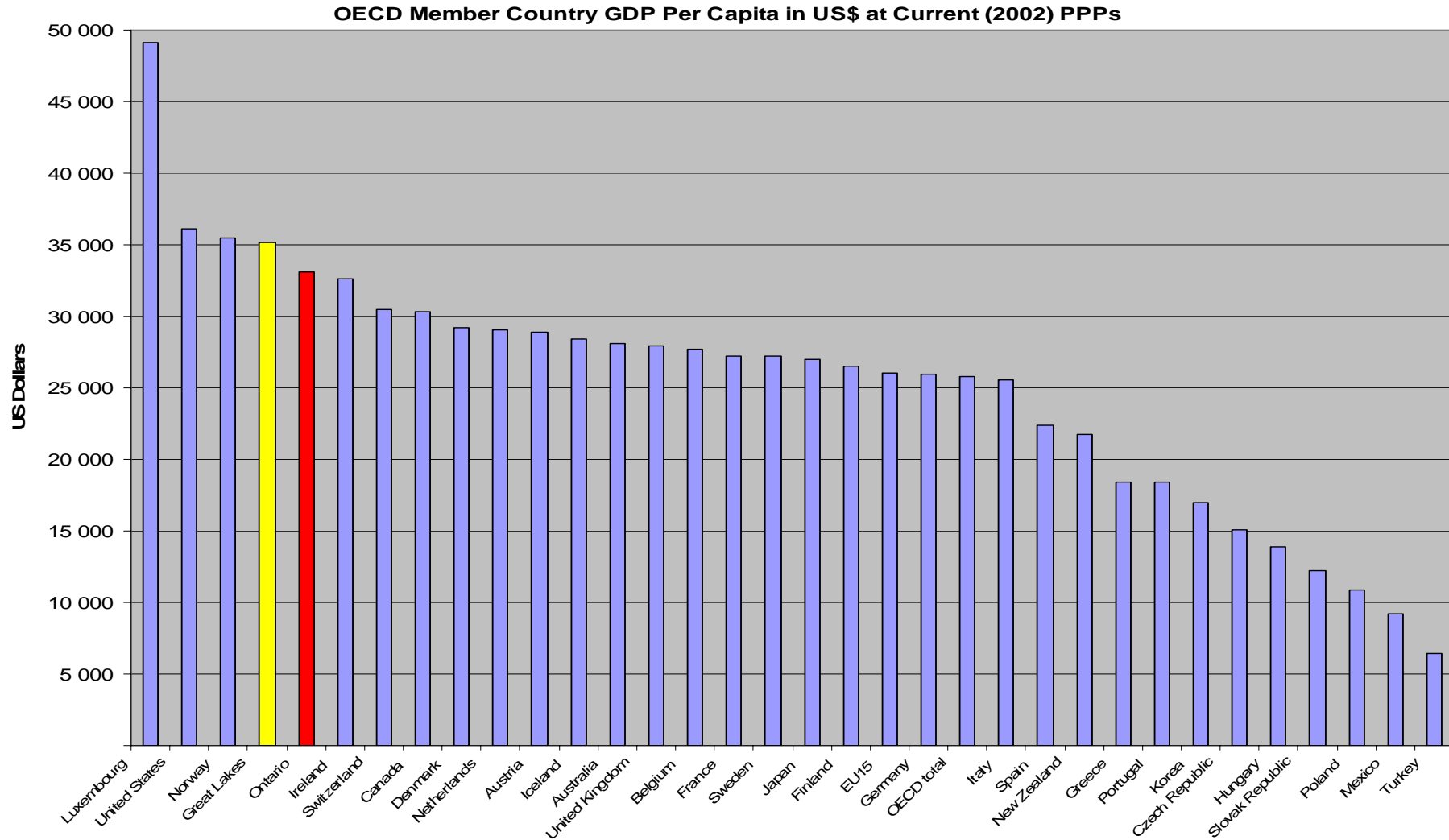
Transportation shifted overland long ago, but the Lakes have integrated our economy in several ways, including transportation



# Great Lakes Infrastructure

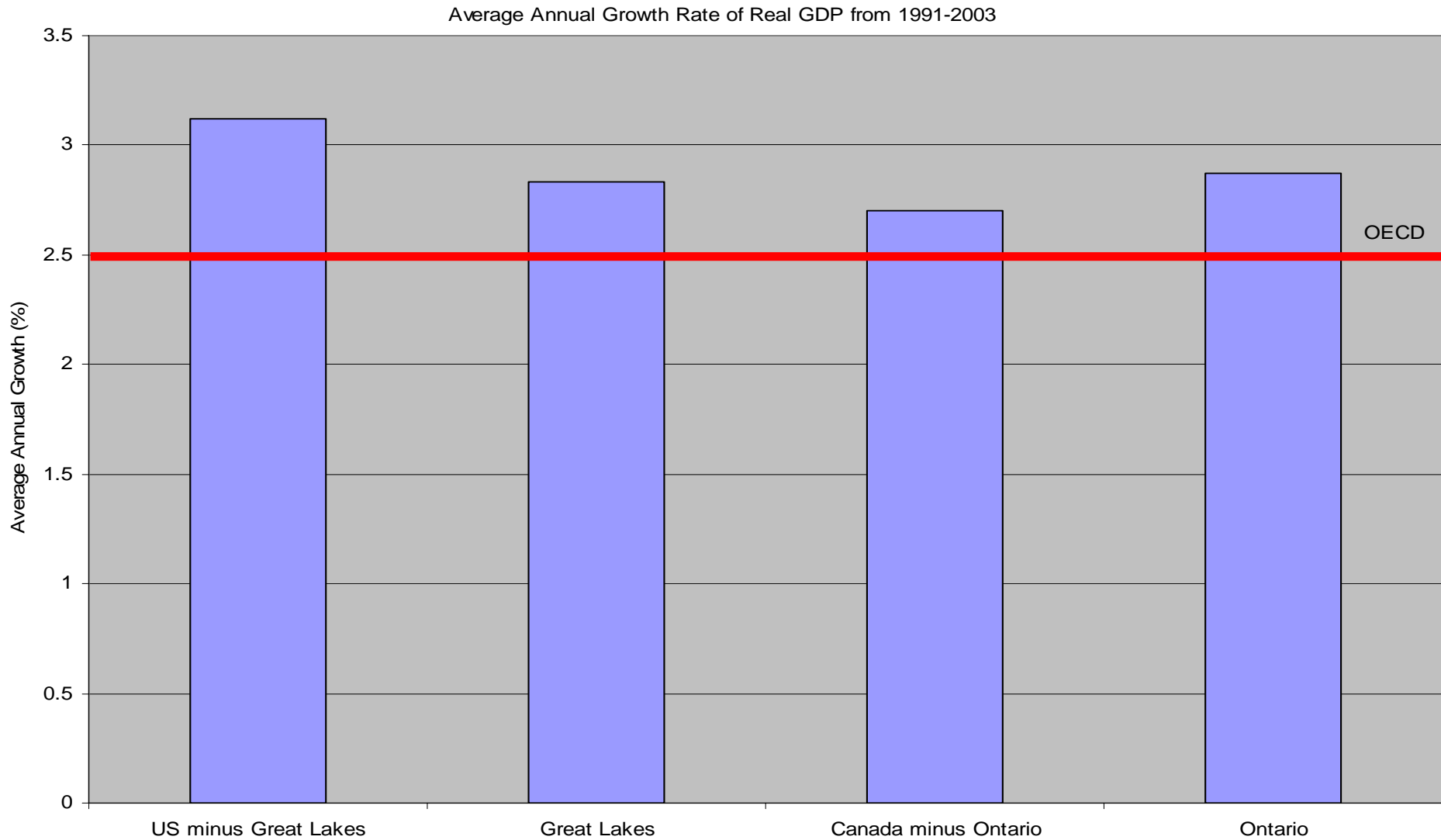


# One of the world's wealthiest bi-national regions.....



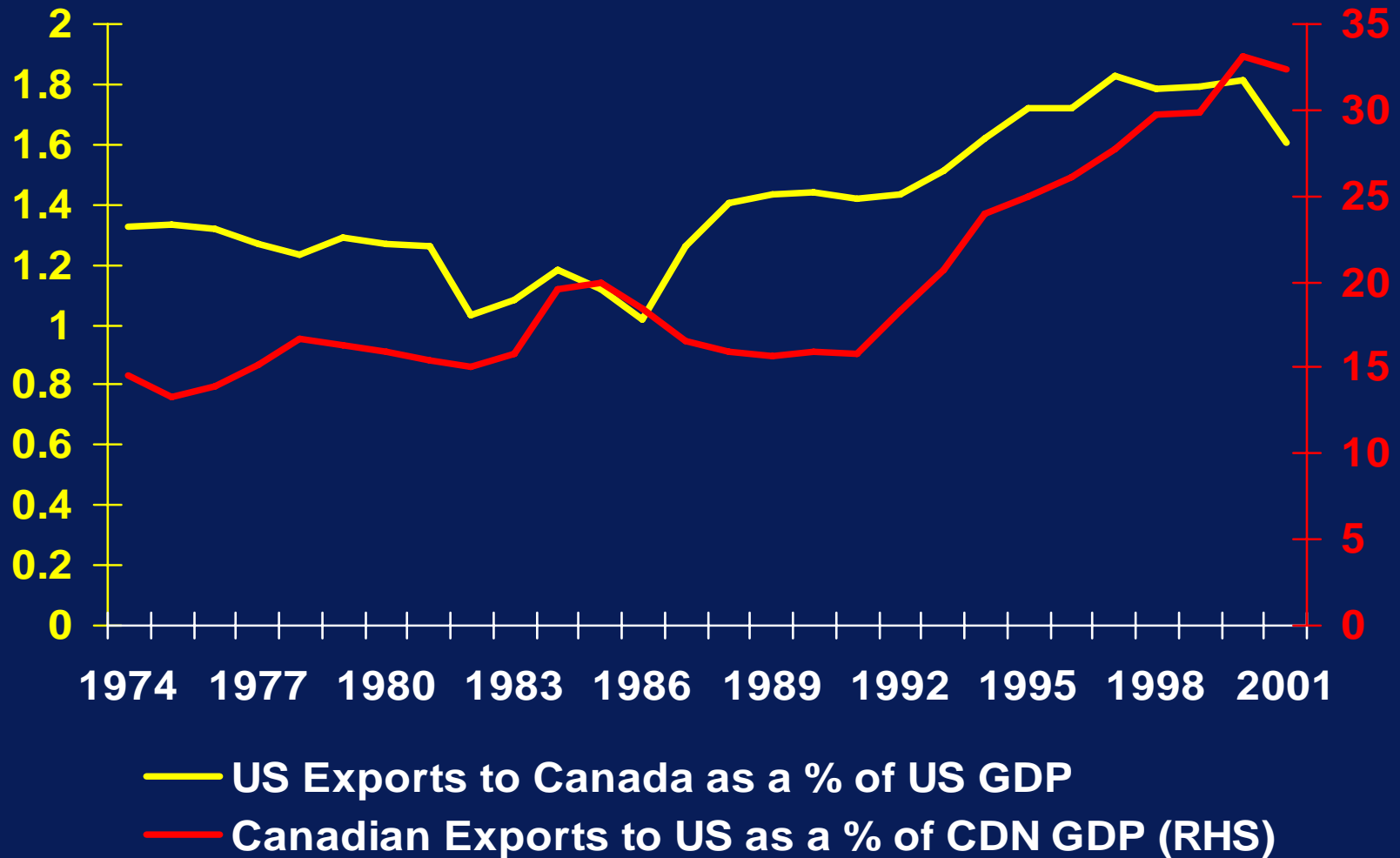
...and growing stronger all the time.

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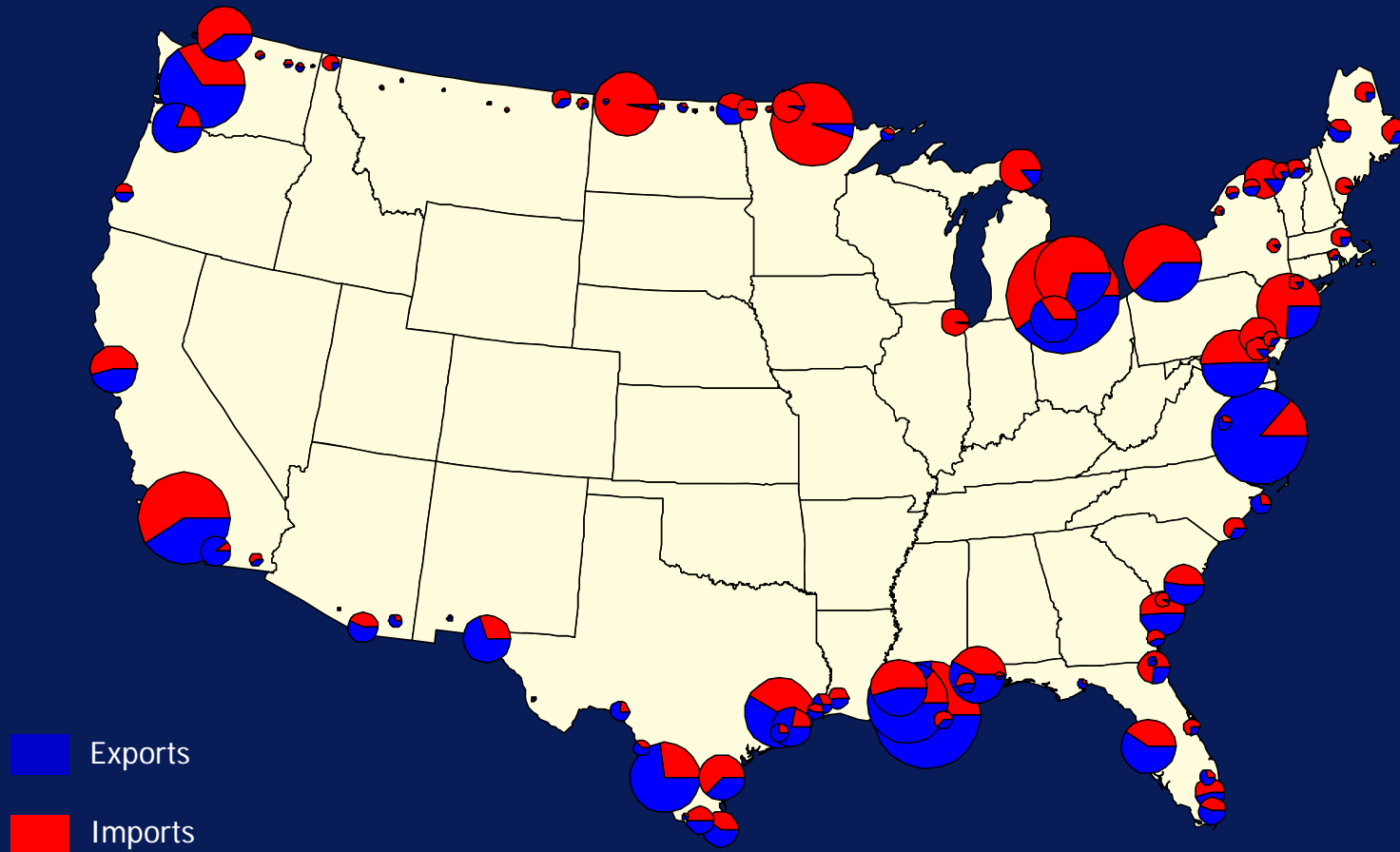
# Two-way trade has soared since the FTA

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# Among U.S. Gateways for International Freight, 2nd to none (Exports & Imports in Tons)

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# Ontario-Great Lakes trade dominates the trade

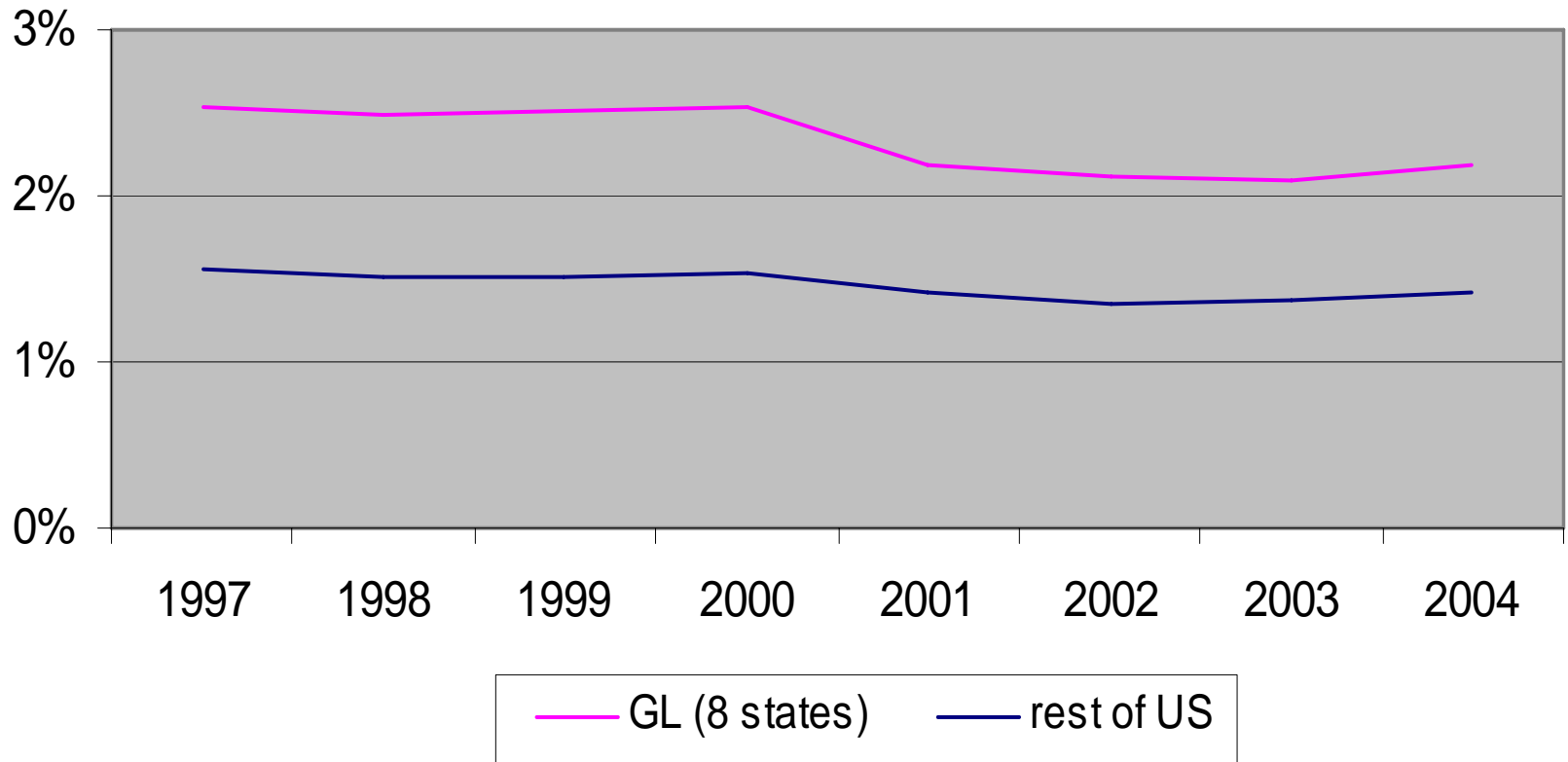
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Ontario - US Trade 2004, in millions of Canadian Dollars		
	Exports to State from Canada	Imports from State to Canada
Illinois	\$7,790	\$9,086
Indiana	\$4,814	\$8,909
Iowa	\$1,056	\$1,698
Michigan	\$59,540	\$26,654
Minnesota	\$1,941	\$2,414
Pennsylvania	\$6,643	\$5,860
New York	\$11,523	\$10,513
Wisconsin	\$3,097	\$4,779
Great Lakes (8)	\$96,404	\$69,912

# GL states exports to Canada:

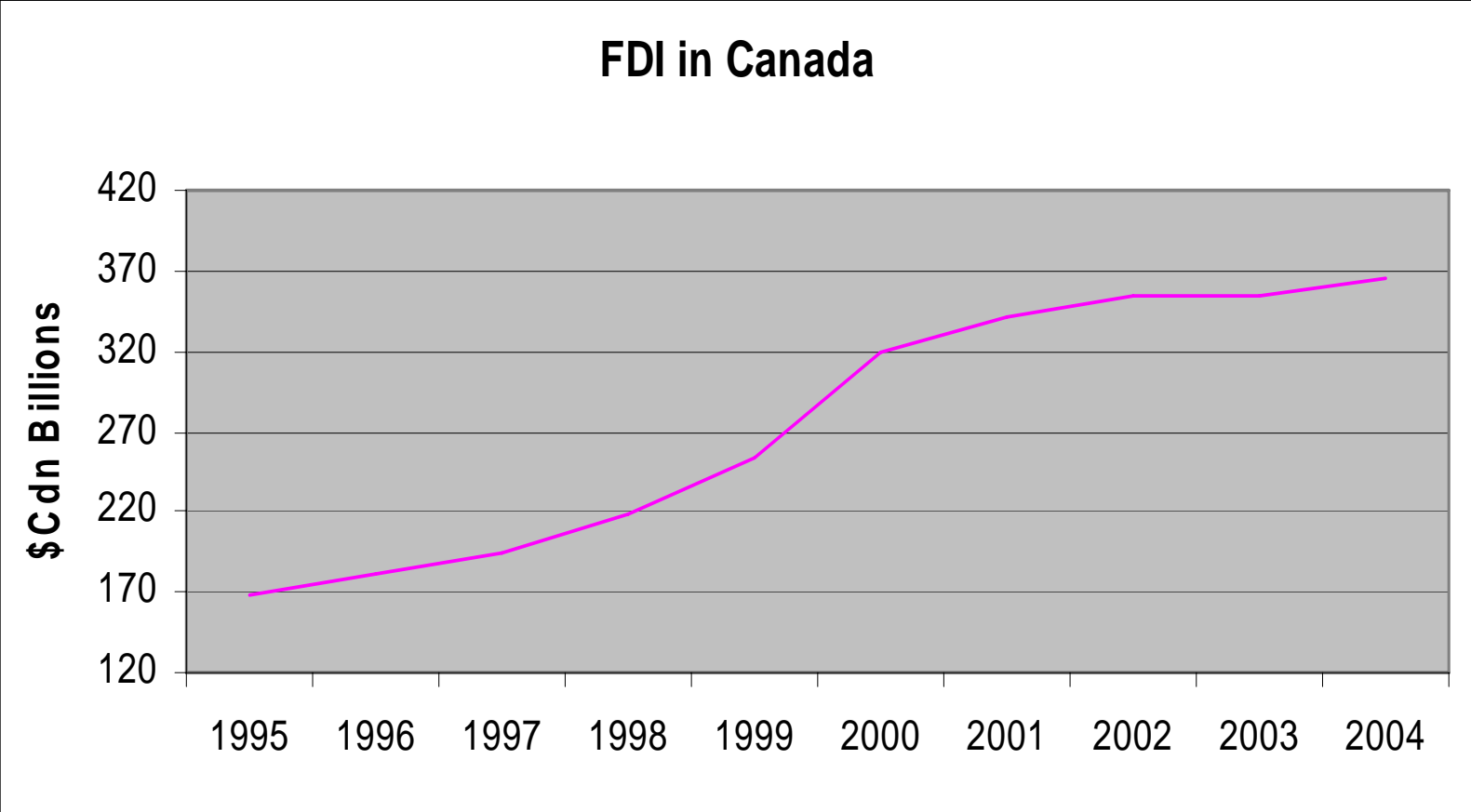
## One and one-half times more important

Exports to Canada as a share of GSP



# FDI-- NAFTA proves out for Canada

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# FDI from Canada: Important to the U.S., more so to the U.S. Great Lakes region

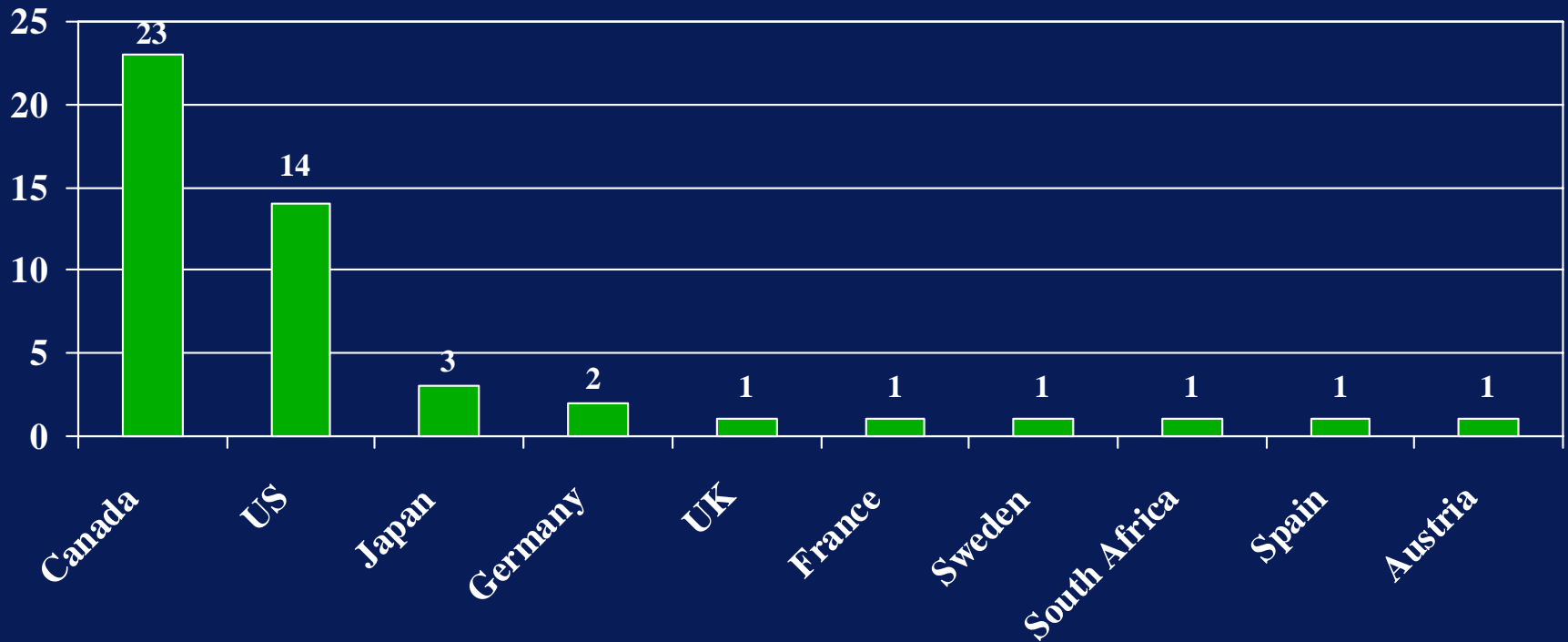
**FDI by Employment 2000 (in thousands)**

<b>Nation or Region</b>	<b>US</b>	<b>IL</b>	<b>IN</b>	<b>IA</b>	<b>MI</b>	<b>MN</b>	<b>OH</b>	<b>WI</b>	<b>Midwest</b>
Total	6,524.6	325.8	168.2	40.9	249.9	106.2	206.3	110.3	1,261.6
Europe	4,427.7	220.3	109.4	28.7	177.7	67.8	169.3	83.0	856.2
<b>Germany</b>	<b>728.4</b>	<b>35.6</b>	<b>31.0</b>	<b>4.6</b>	<b>89.0</b>	<b>10.5</b>	<b>38.6</b>	<b>18.2</b>	<b>227.5</b>
<b>United Kingdom</b>	<b>1,177.4</b>	<b>70.8</b>	<b>35.4</b>	<b>5.1</b>	<b>34.9</b>	<b>18.6</b>	<b>45.8</b>	<b>15.2</b>	<b>225.8</b>
Asia	1,020.1	55.6	40.3	6.1	36.0	5.1	57.1	5.2	205.4
<b>Japan</b>	<b>827.7</b>	<b>51.3</b>	<b>37.7</b>	<b>4.3</b>	<b>34.1</b>	<b>3.5</b>	<b>54.5</b>	<b>4.6</b>	<b>190.0</b>
Americas	1,013.8	46.3	17.3	6.2	34.6	25.1	32.5	22.0	184.0
<b>Canada</b>	<b>672.5</b>	<b>36.5</b>	<b>14.4</b>	<b>5.4</b>	<b>27.1</b>	<b>21.2</b>	<b>22.4</b>	<b>16.6</b>	<b>143.6</b>
Other	63.0	3.6	1.2	-0.1	1.6	8.2	1.4	0.1	16.0

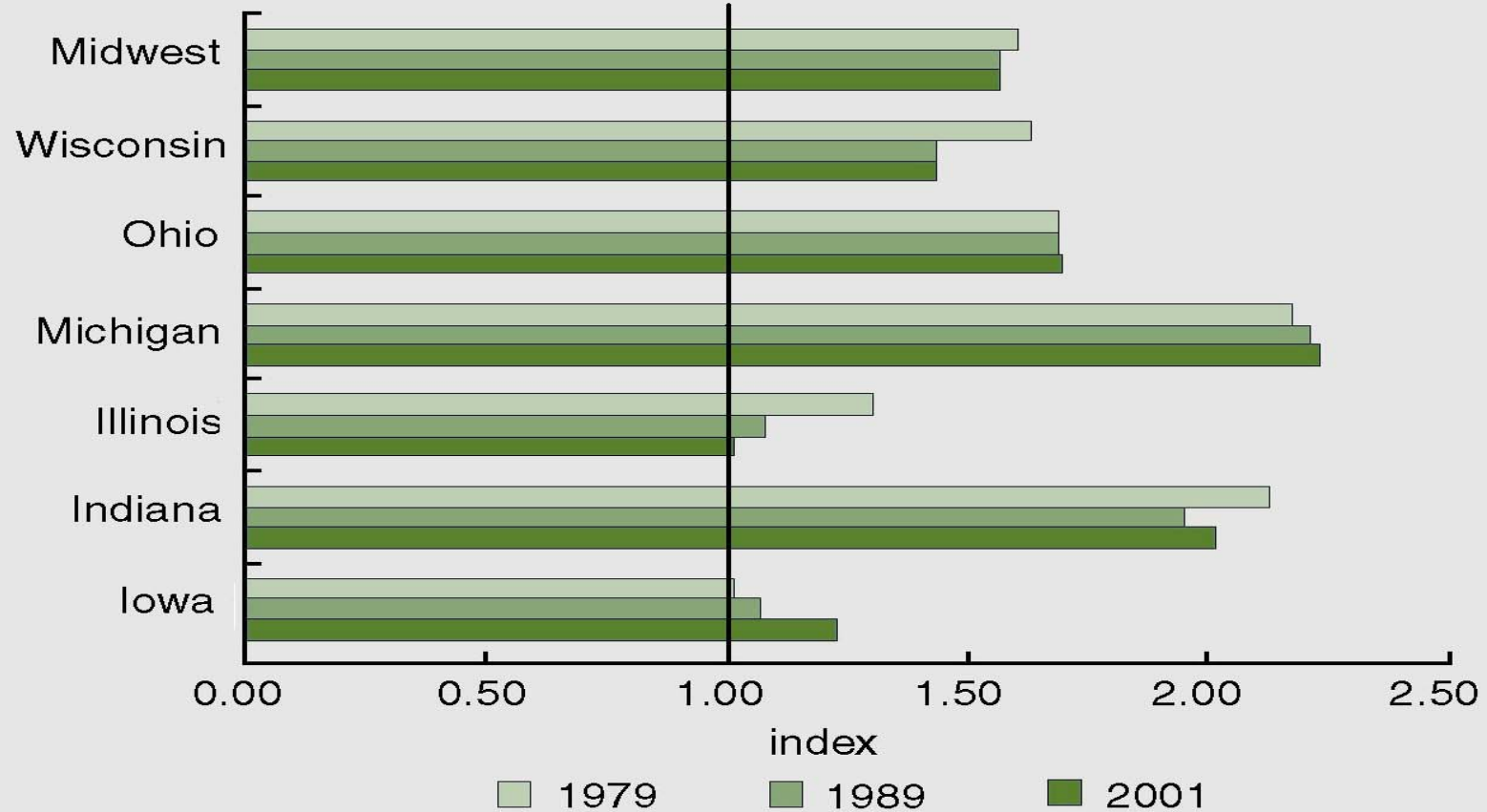
Source - Bureau of Economic Analysis

# U.S. FDI in Ontario very strong, especially from GL companies

Publicly Announced New Investment in Ontario



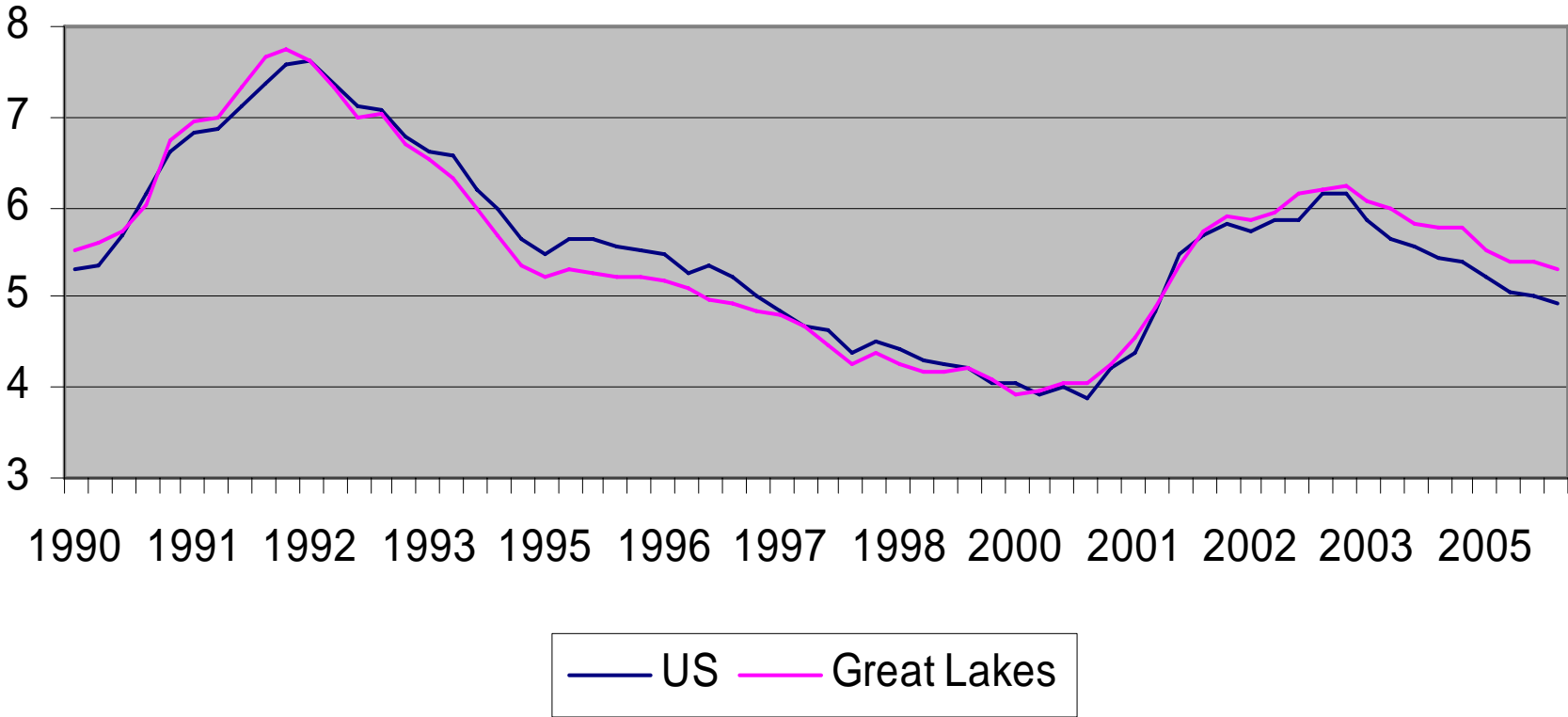
# Manufacturing is the basis of the relationship to date ...and has been for some time



SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis.

# The U.S. GL economy continues to falter

## Unemployment Rate, Quarterly 1990Q1 - 2005Q4

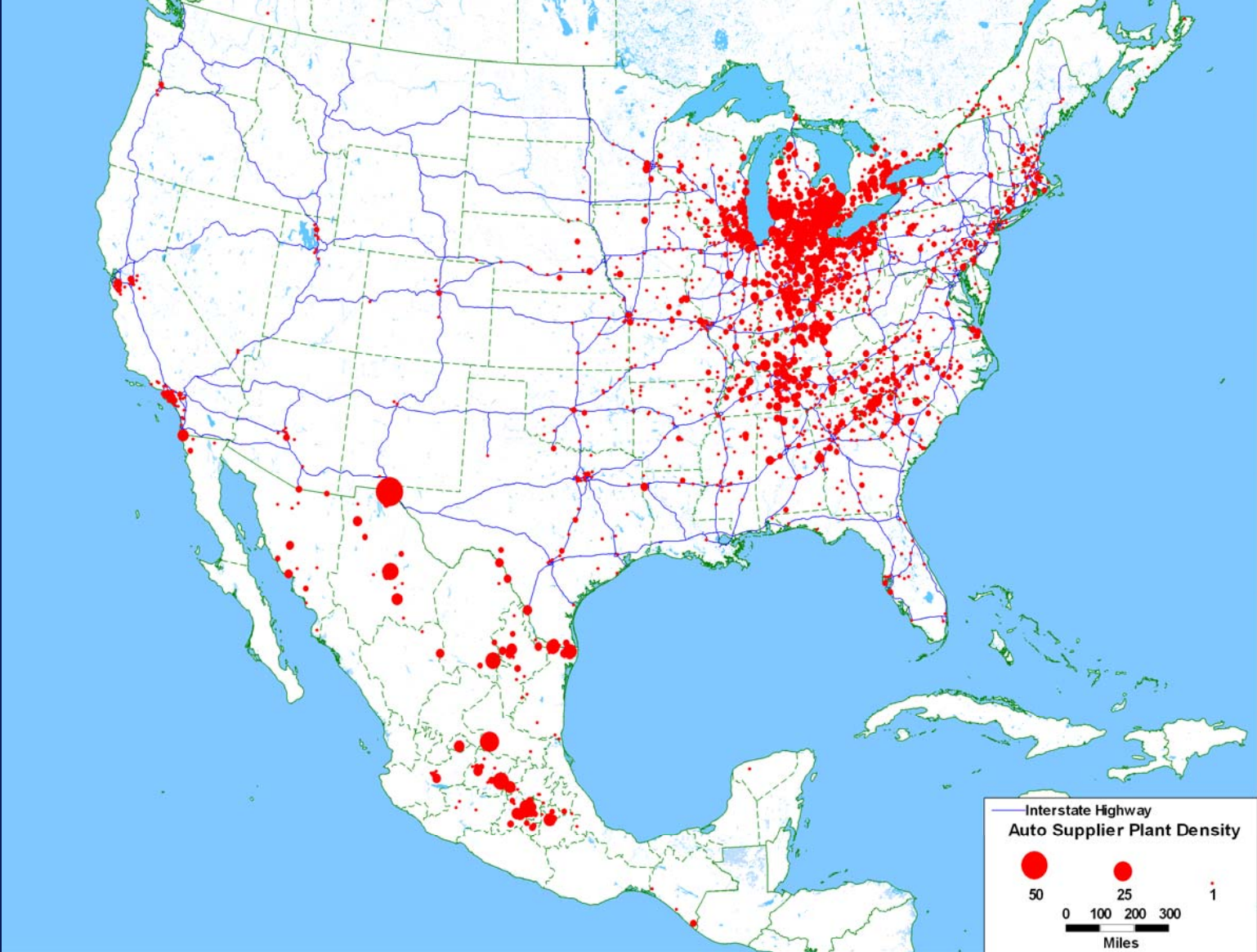


# The GL economy by the numbers: auto-centric problems

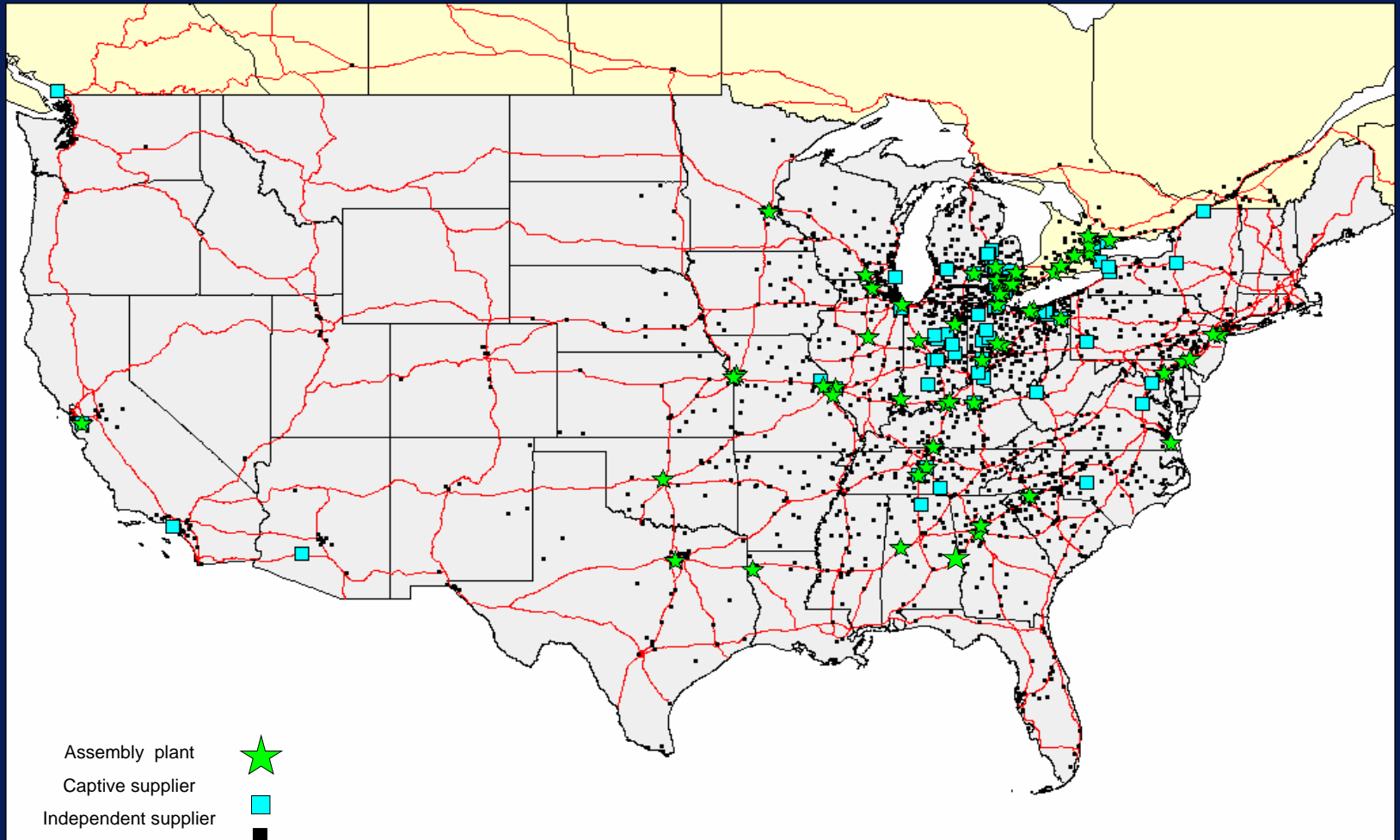
	Job Growth (%)		Unemployment Rate	
	2000 - Oct.2005	1995 - Oct.2005	1995	Oct. 2005
Minnesota	1.6	14.2	3.7	3.7
Wisconsin	0.0	10.8	3.7	4.5
Illinois	-2.9	5.0	5.2	5.5
Indiana	-1.4	6.1	4.4	5.4
Michigan	-7.0	1.7	5.3	6.1
Ohio	-3.5	4.0	4.9	5.9
Pennsylvania	0.6	9.0	5.9	4.6
New York	-1.1	8.2	6.4	4.9
8-GL States	-1.9	6.9	5.1	5.1
US (minus 8-States)	3.3	17.6	5.7	4.9
US	1.7	14.3	5.6	5.0



# The Midwest and autos: parts suppliers cluster

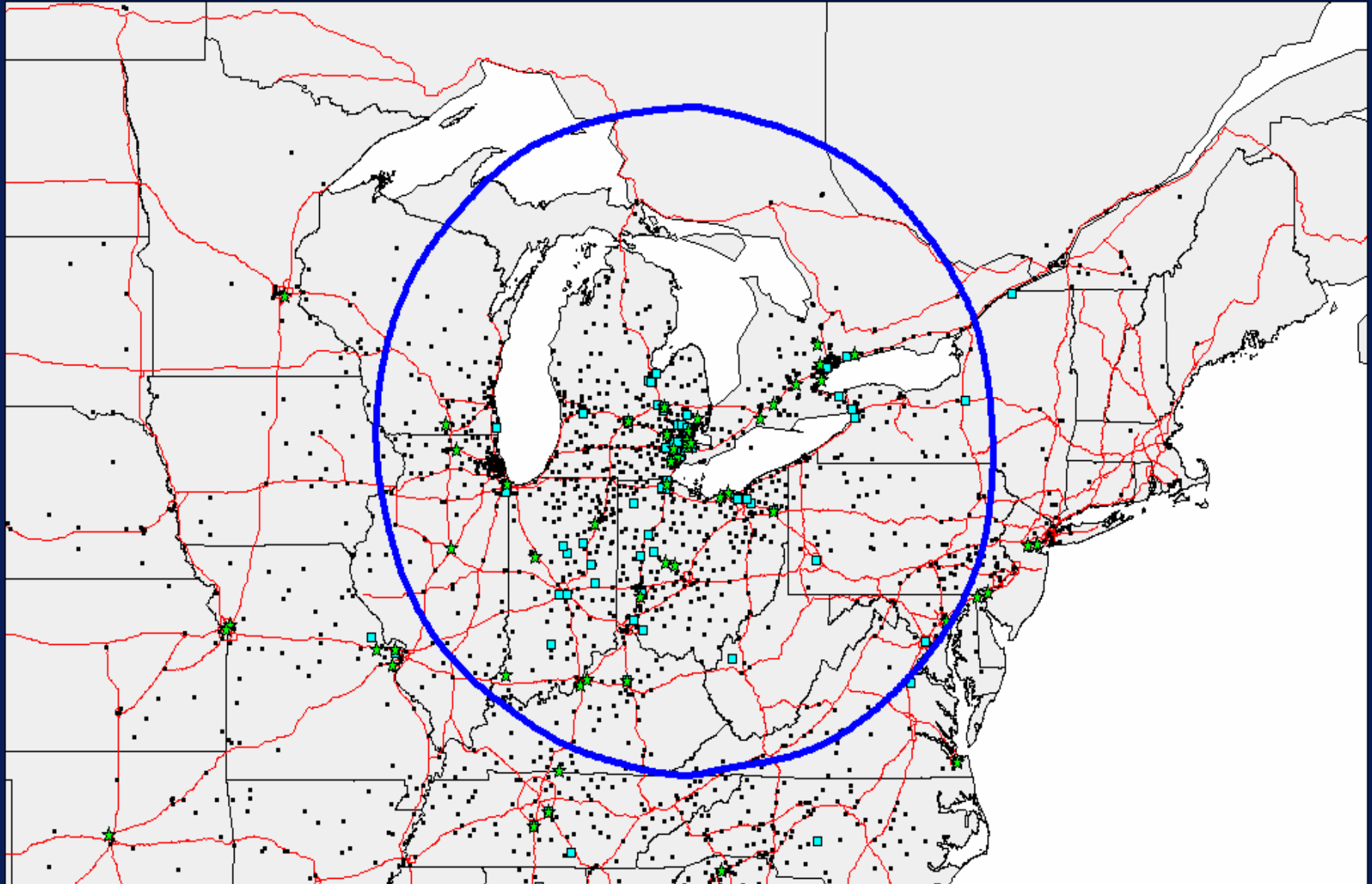


# The automotive industry dominates the landscape



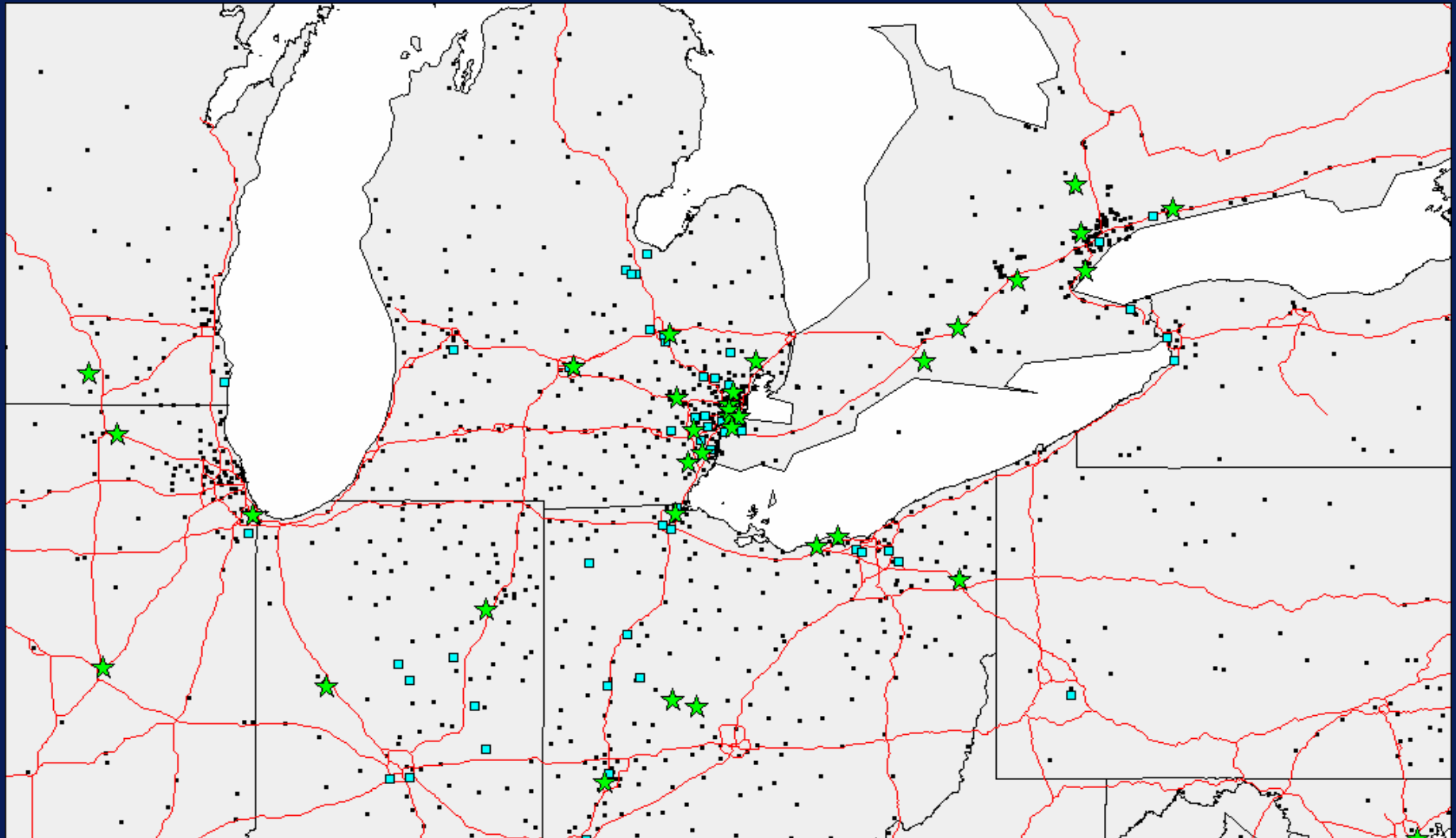
# Detroit area as auto industry's hub

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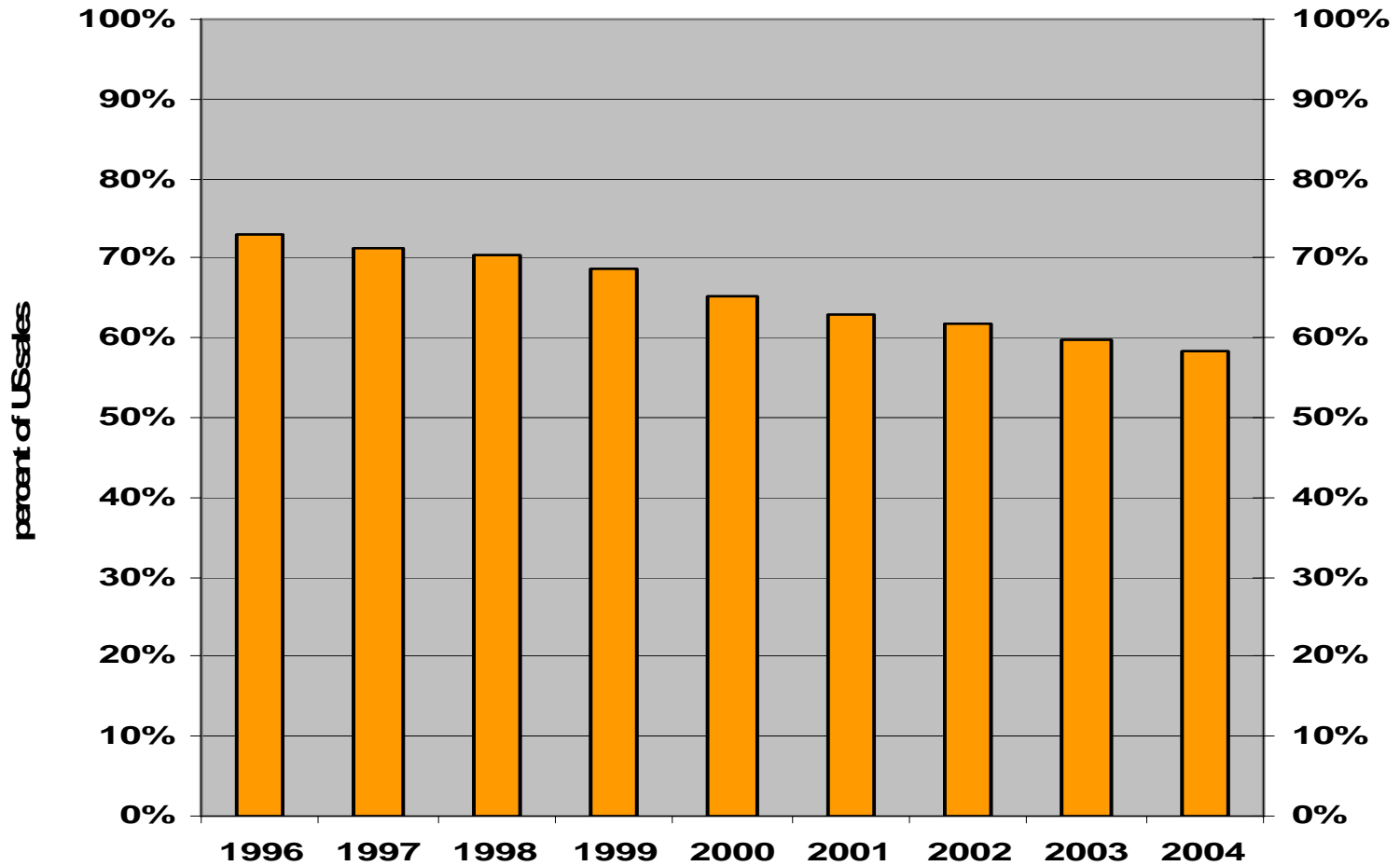
# The Heart of the Auto Industry--close bi-national integration

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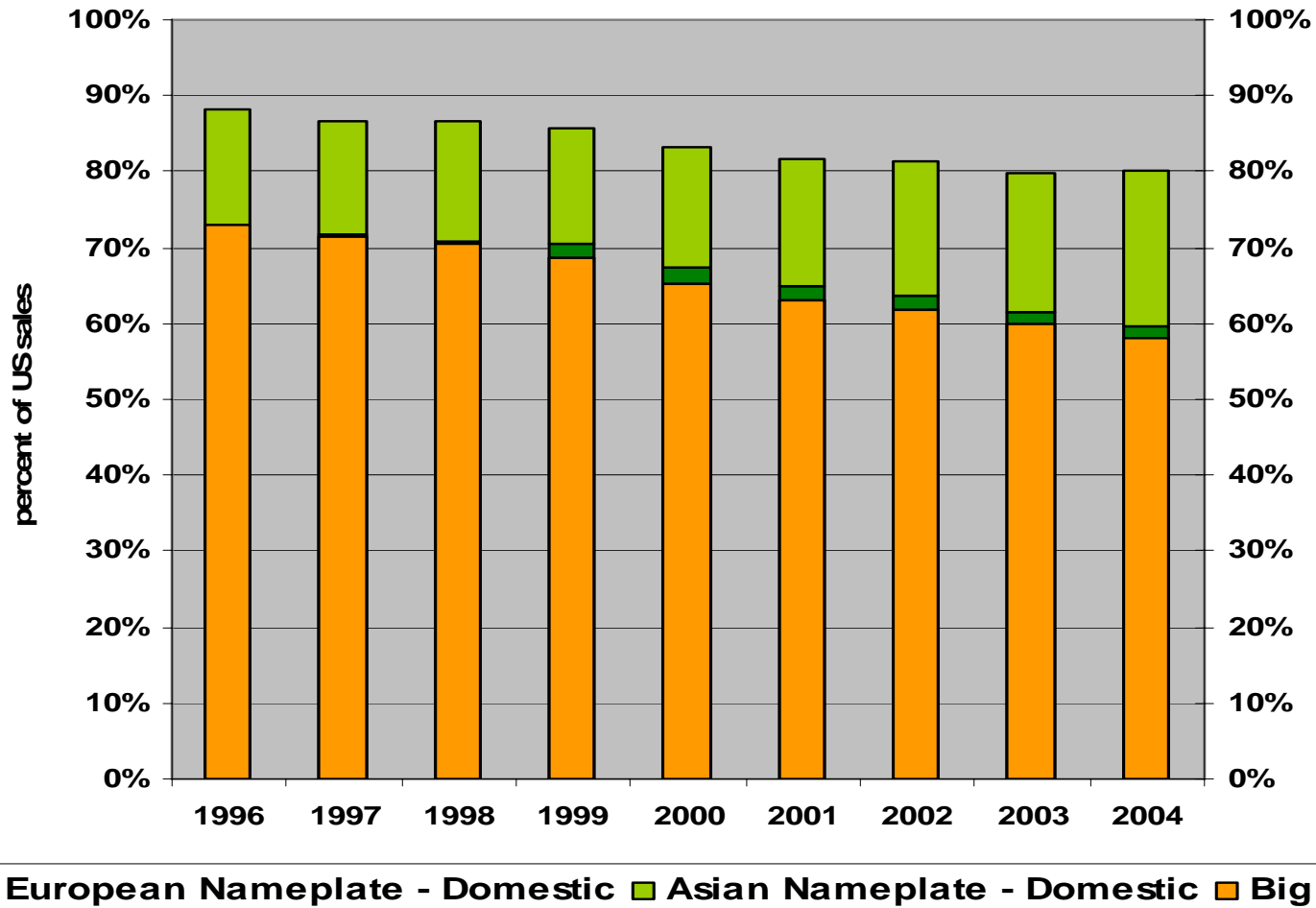


# The Big Three are getting smaller, share drop 15 points

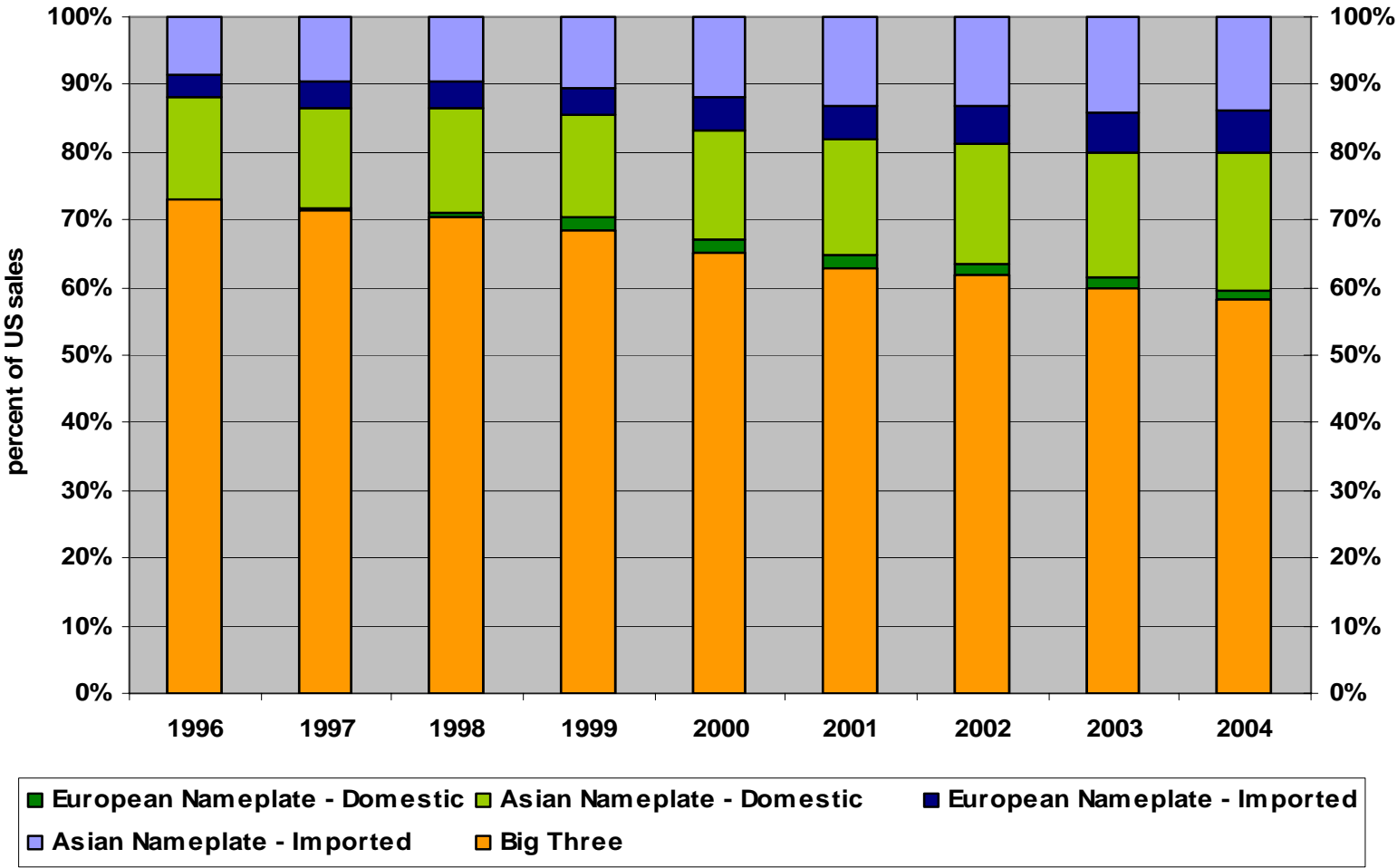
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# US production of foreign nameplates up 7 points



# Imports up 8 points in 10 years



# Detroit-Windsor is the center--but what does the future hold?





# Seats in transit to Hamtramck assembly plant

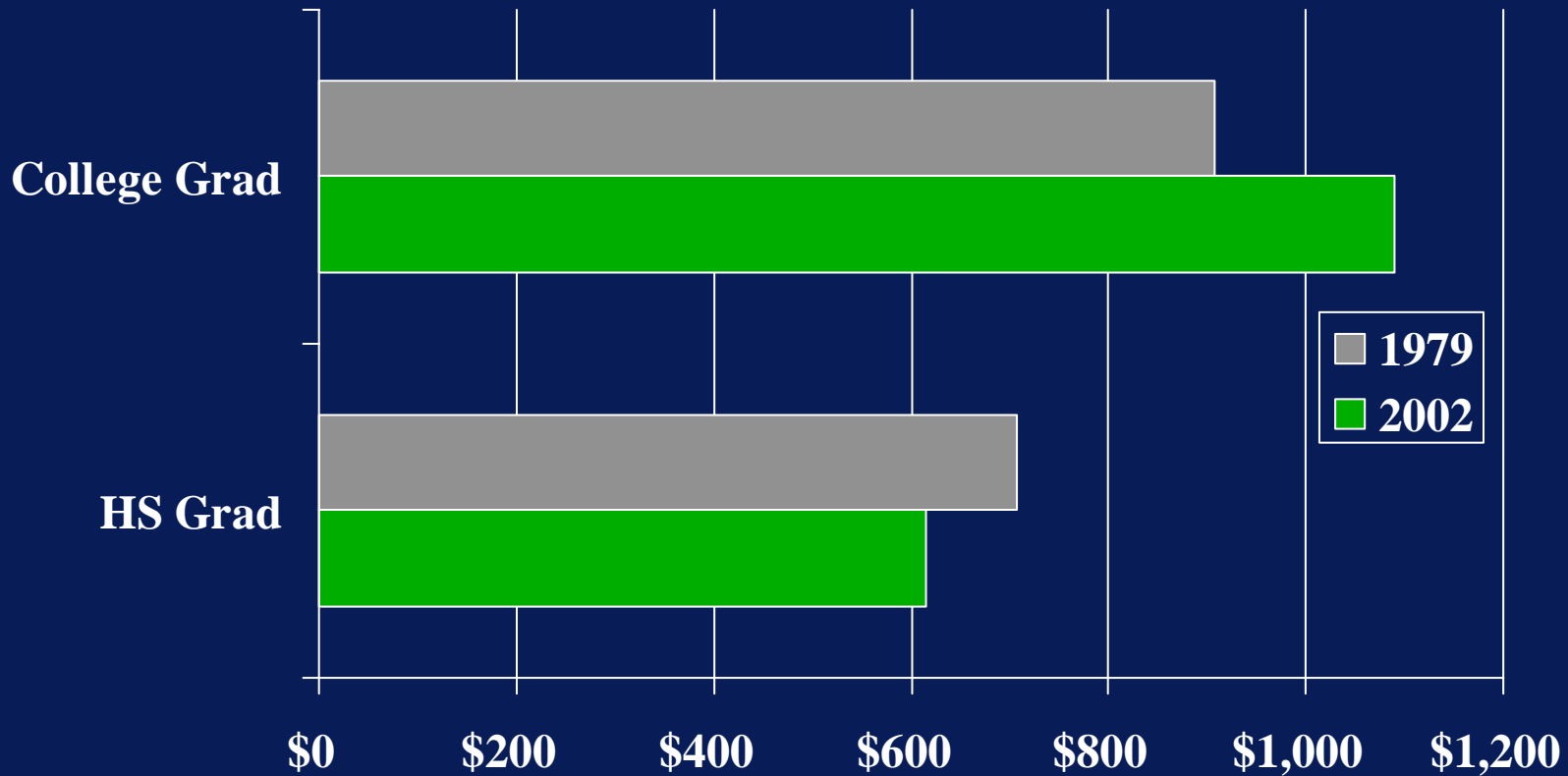
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# The future is a knowledge economy...even for the GL region

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(U.S. average weekly earnings, real \$)



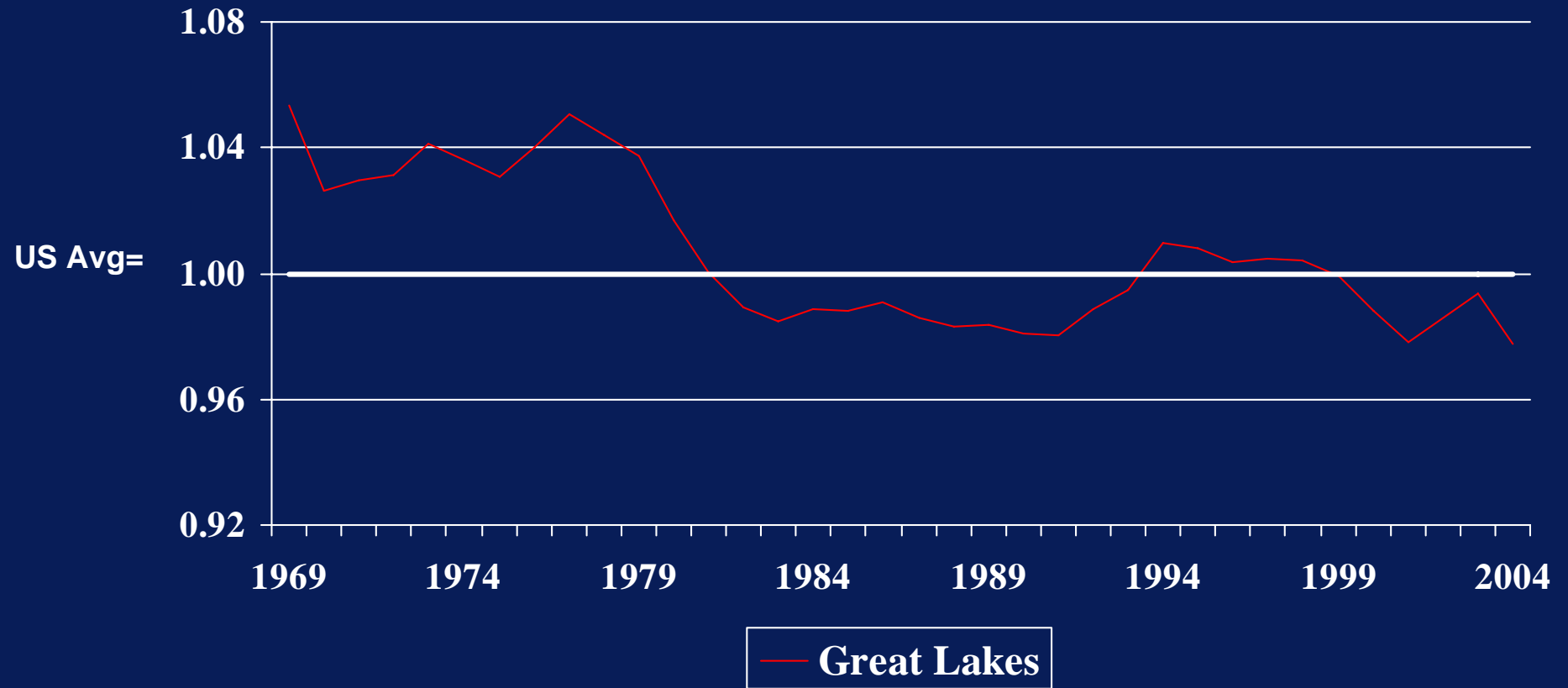
# The future importance of natural resources: amenities value of the environment



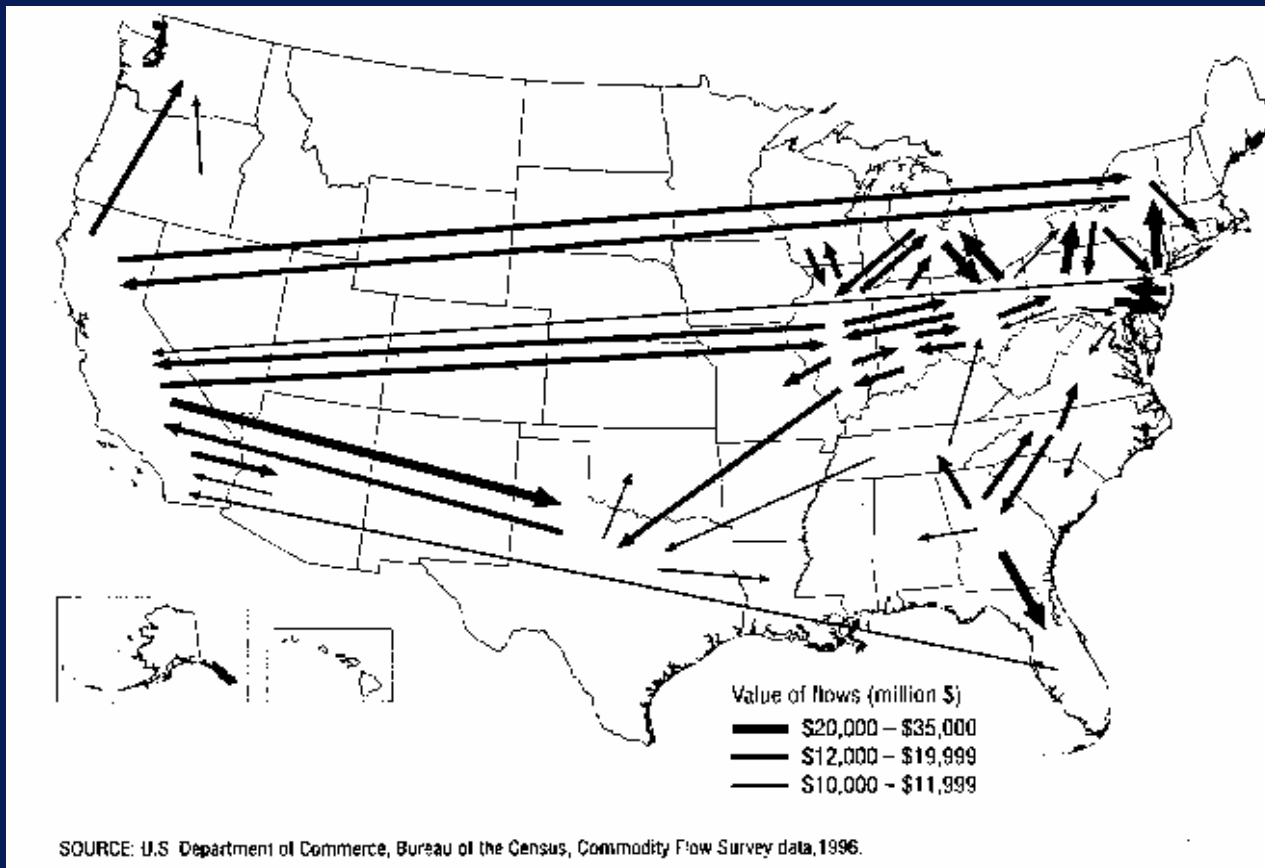
- Knowledge workers, higher income and older residents prefer environmental amenities
- Seasonal living and work site patterns are emerging
- Housing demand amidst or adjacent to scenic areas rises steeply

# Great Lakes per capita income has fallen vs. U.S.

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Commodity flows within the Great Lakes region are intense...cross-border integration *could* be greater



# The binational Great Lakes region's future....

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- **An automotive industry in flux**
- **An uncertain border**
- **More to be accomplished in relaxing barriers to trade, commerce and migration**
- **Moving toward knowledge and services, but incrementally....environment becomes more important**

