

## District trade increased with NAFTA

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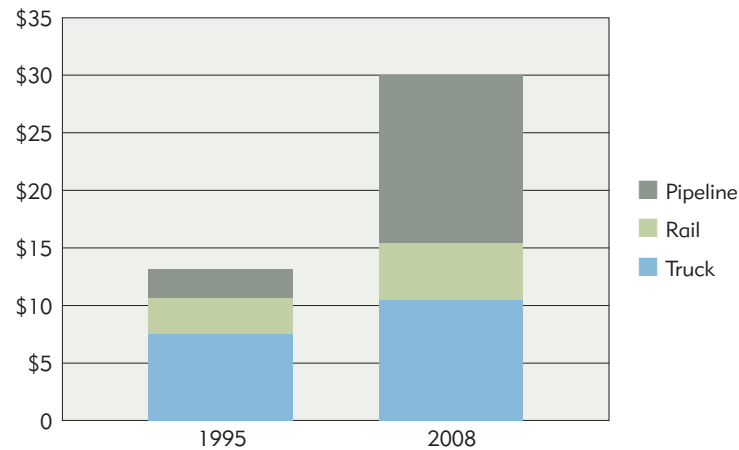
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The North American Free Trade Agreement removed barriers to trade between the United States, Canada and Mexico, opening the doors for huge freight flows among the three countries. The four full states of the Ninth District experienced over \$30 billion of land-based trade (primarily through pipelines, truck and rail) with Canada in 2008, a real increase of 121 percent from the start of NAFTA in 1995 (see Chart 1).

The value of freight traveling between the Ninth District and Canada has not always grown steadily over the years, mostly because trade generally follows national growth and recession trends. Trucking, for example, has been affected by the current and past recessions (see Chart 2). The value of truck freight was essentially unchanged in real terms in December 2008 compared with December 2007. Meanwhile, from 2000 to 2001 (the last recession), the value of truck freight saw a real decline of 5 percent.

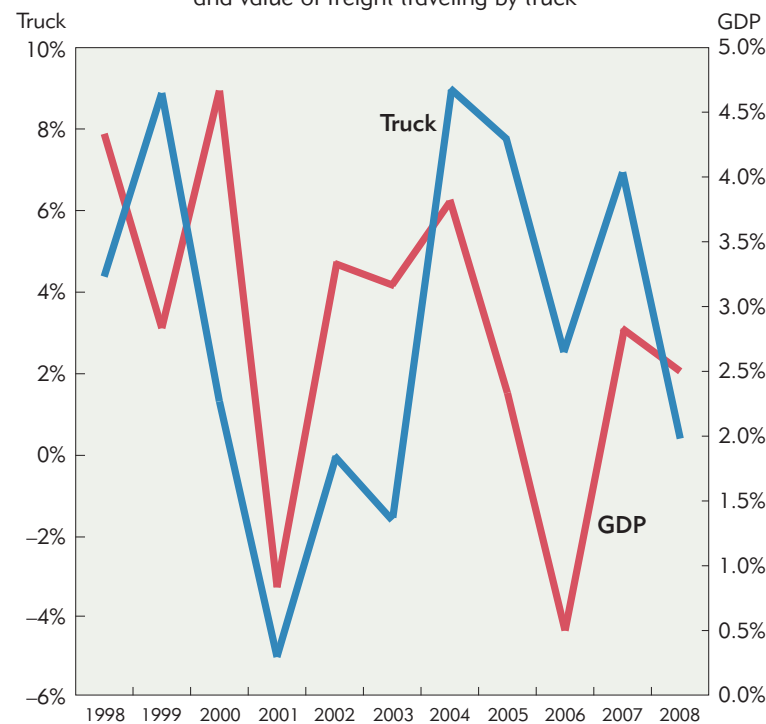
Within the Ninth District, there are differences among states in mode of transportation to and from Canada (see Chart 3). Minnesota and Montana have several refineries that process Canadian oil, which is why pipelines make up about half and three-quarters of the value of trade in those two states, respectively. North Dakota transports about a third of its trade via train (mostly agricultural and energy related); it is also the state where the agriculture sector comprises 6 percent of GDP, the highest proportion of any of the district states. **f**

CHART 1 **District land-based trade with Canada has grown 121 percent after NAFTA\***  
Billions of 2008 dollars



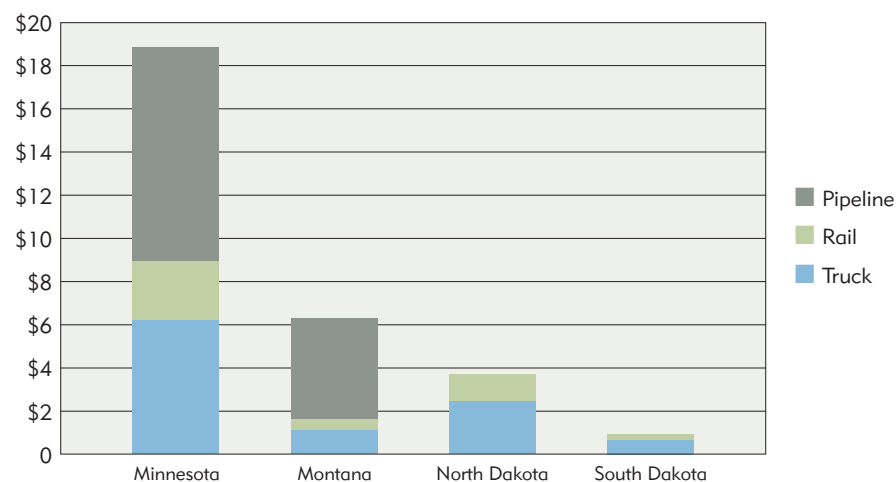
\*Includes Minnesota, Montana, North Dakota and South Dakota  
Source: U.S. Department of Transportation, Bureau of Transportation Statistics

CHART 2 **Truck trade and economy flow together**  
Percent change in Ninth District GDP and value of freight traveling by truck\*



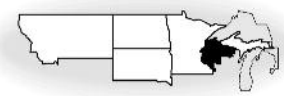
\*Adjusted for inflation, includes Minnesota, Montana, North Dakota, South Dakota  
Sources: U.S. Department of Commerce, Bureau of Economic Analysis and U.S. Department of Transportation, Bureau of Transportation Statistics

CHART 3 **Oil imports are a major factor in trade**  
2008 trade, billions of dollars



Source: U.S. Department of Transportation, Bureau of Transportation Statistics

### WISCONSIN



## A top 10 list to regret

There is a lot to envy about California, but its fiscal budget wreck is not one of them. Unfortunately, a November report by Pew Center on the States included Wisconsin as one of the 10 states that are emulating the worst traits of the Golden State.

The Pew report used California's fiscal troubles as a template and analyzed all 50 states for those that might be moving down a similar path. It ranked Wisconsin in a tie with Illinois for ninth worst. The state is facing a serious structural budget shortfall, compounded by heavy job losses that will significantly affect tax collections going forward. The report also noted a fiscal decision-making pattern whereby budget deficits were patched by one-time maneuvers rather than fixed on a structural basis, along with the creation of significant new programs and spending in the face of deep deficits.

Not surprisingly, state officials quarreled with the Pew report, pointing out that certain benchmarks—like foreclosures, change in unemployment and size of the budget gap—were in line with national averages and far better than California's rates on these measures.

## Putting a lasso around carbon emissions

A Wisconsin utility has reportedly accomplished the difficult task of preventing carbon dioxide emissions from escaping into the atmosphere.

In an experiment at one of its coal-fired power plants, We Energies used chilled-ammonia technology that was first developed by the French firm Alstom. The process acts as a magnet for carbon dioxide and purifies it for possible sequestration underground, rather than being released into the air.

The experiment managed to capture 90 percent of the carbon dioxide emissions from a small, designated portion of total emissions. Results were released after a year-long, continuous test that began in September 2008.

The \$8 million experiment was sponsored by 37 firms and the Electric Power Research Institute. Despite the success, many obstacles remain before the technology becomes viable. For starters, there are no appropriate geological formations that would be able to retain the carbon dioxide, which means any captured CO<sub>2</sub> would have to be piped elsewhere—one reason why the carbon dioxide captured by the test was eventually released back into the air.

—Ronald A. Wirtz