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**The global marketplace****It's a small world**

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**T**oday's marketplace is an intricate global infrastructure. Technology has enabled companies, governments and individuals to interact across oceans, borders and continents. The industrial revolution has given way to the information age and competition has increased worldwide. In fact, one of the hottest topics in political elections throughout the nation is the mounting loss of jobs in the United States as production ships overseas. However, is it really all bad news for the national industrial market? The Chicago area industrial market remains strong in both the manufacturing and distribution sectors and shows few signs of slowing. The industrial marketplace is not slowing. It is changing and it is time to start thinking with a refreshed global perspective.

Production is cheaper overseas, a fact that is not likely to change anytime soon. The movement of production and jobs off shore is now a reality – a characteristic representative of this global marketplace. The International Monetary Fund (IMF) noted that between 1992 and 2000, the offshoring of services by U.S.

firms increased by 6.3 percent a year. However this shift can benefit our nation and our industries. In an IMF working paper, researchers found while jobs have been lost in the manufacturing industries, labor productivity in the U.S. has increased creating jobs elsewhere in the economy. This was again confirmed in a recent study by the McKinsey Global Institute which found that every dollar the United States sends abroad results in a net gain of 12 cents.

Capitalism thrives on competition and competition creates new opportunities for success. Economics 101 – Adam Smith noted in *The Wealth of Nations*, “If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it of them with some part of the produce of our own industry employed in a way in which we have some advantage.” Evidence of such opportunities is beginning to arise as companies and industries reorganize, strategize and network at the global level. A recent example of such globalization is the joint venture between Chicago-based Ryerson Inc. and Van Shung Chong Holdings Ltd.

Ryerson, a leading operator of steel-service centers in the United States, recently announced its new joint venture with Van Shung Chong, a China-based holding company with interests in construction materials and materials processing. The firms will join to create Hong Kong-based VSC Ryerson China Ltd. in which Ryerson will maintain a 40 percent stake and contribute \$28.5 million in cash. Van Shung Chong will have

a 60 percent stake in the venture and will contribute its existing network of metal-service centers. The global partnership will enable Ryerson to participate directly in Asia, which is one of the world's largest metal consuming markets. The Chicago Tribune recently quoted Neil Novich, Ryerson's chairman and chief executive as saying that they are looking for additional off shore investments to follow their customers wherever they go. They are not losing business — they are adapting their business.

In another act of global networking, the Office of the Illinois State Treasurer recently organized a luncheon that assembled the largest group of Chinese delegates from any one province in the state of Illinois. Government and corporate leaders from the Shandong Province of China met with investors, business owners, and government officials from across the state to discuss potential business ideas and opportunities. Interestingly, while there are numerous opportunities for U.S. based companies to expand overseas; the Chinese are also looking for joint venture opportunities within the U.S. For example, China is very interested in establishing joint venture relationships in the automotive, pharmaceutical, and food processing industries.

While materials and labor costs in China and throughout Asia are lower than in the U.S., there is a flip side to the equation. Ocean bound shipments are slow and often delayed, air shipments are costly, options in packaging flexibility are diminished, and there are expanding

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time-to-market issues.

So how can this benefit the United States? Packaging and distributing in the U.S. can provide lower freight costs; reduce finished goods inventories; speed packaging changes requested by retail customers; and decrease the time-to-market for products requiring the latest versions of software.

Observing this scenario on a more micro level, how can metro Chicago benefit from increasing global relationships? The answer lies in the same reasons that this market has remained one of the largest and most successful industrial sectors across the nation — our diversity, our location, and our resources. Chicago is home to an extensive pool of diverse labor resources and that population continues to expand. Our skilled labor force is highly capable of assembling products and preparing them for distribution. As Greg Mankiw, a professor of economics at Harvard University writes on his blog, people fear that Americans cannot compete with low-wage workers abroad. However, in reality the real wages in the United States are ultimately determined by productivity, and American productivity growth has been strong. The good news

for Chicago? Chicagoans have long been renowned for their hard work and productivity.

The location of Chicago in the center of the United States is also significant to the global marketplace. Chicago is an efficient and cost-effective point of distribution to practically anywhere in the country and the world. Obvious routes of note are the numerous interstate systems that run through and around Chicago, O'Hare International Airport, Midway Airport, and an extensive rail system. Less obvious but still valuable distribution outlets in Chicago include the waterways and the Port of Chicago which provide access throughout the country. Chicago also has numerous free trade zones in which customs taxes are not applicable; and offers the ability to establish additional free trade zones. Furthermore, Chicago also offers access to top tier financial institutions. These characteristics, which have been of great benefit to the Chicago industrial sector in the national marketplace, are the same factors that position Chicago as a player in the global market.

In other words, Chicago has the potential to be a hot spot for global

industrial activity. The area benefits from a combination of factors that render Chicago unparalleled. No where else in the nation will you find one location that offers a large diverse labor pool, a truly central location with a variety of distribution outlets, and an abundance of financial resources. Chicago is in a unique position and if corporations, government and individuals continue to change perspective and think innovatively, it will remain one of the nation's strongest industrial markets — nay, the world's strongest industrial markets. As real estate professionals it is imperative to our business to participate in the global dialogue, understand our client's changing needs and contribute to the productivity of the Chicago industrial market. After all, it is a small world.

*Jeanne Rogers is an executive vice president/principal of Arthur J. Rogers & Co., a partner of The CORE Network. In 1981, she was the 4th woman in Illinois to receive the Certified Commercial Investment Member (CCIM) designation from the National Association of Realtors and also received her Society of Industrial and Office Realtors (SIOR) designation in 1991.*