



Trade Makes Arkansas Strong

Arkansas gains from global trade. Export growth increases jobs by advancing Arkansas' manufacturers, services providers and farmers. Imports keep costs low, helping Arkansas businesses compete and saving Arkansas families real dollars at the cash register. Foreign investment in Arkansas creates good jobs across a range of sectors.

TRADE CREATES JOBS FOR WORKERS IN ARKANSAS

Trade with the world – both exports and imports of goods and services – creates jobs in Arkansas.

- Today, trade supports **261,559 jobs** in Arkansas.
- **17.1 percent** of all jobs in Arkansas are supported by trade, up from only 9.5 percent in 1992.

Arkansas' Three Most Export-Intensive Industries

<u>Industry</u>	<u>%Export-Related</u>
Textiles	50.0%
Chemicals	30.0
Transport. Equip.	22.9

Trade particularly benefits employees of Arkansas' small- and mid-size companies.

- In 2004, more than **1,900 Arkansas companies** sold their products abroad.
- 1,434 exporters – **75.0 percent** – were small- or mid-sized companies in 2004.
- **Jobs in exporting plants pay on average up to 18 percent more** than similar jobs in non-exporting plants.

TEN WAYS TRADE MAKES ARKANSAS STRONG

Trade supports nearly one in five jobs in Arkansas.

Arkansas' exports have increased nearly three times faster than its GDP since 2002.

Jobs at exporting plants pay 18% more than at non-exporting plants.

Exports accounted for 4.5% of Arkansas' GDP in 2005.

Foreign-owned companies employ more than 32,000 Arkansans.

Foreign-owned firms pay workers 32% more.

Half of imports are raw materials or other manufacturing inputs.

Marketing imports demand services, which account for 12% of Arkansas' GDP.

Import prices grow much slower than overall consumer prices, saving money for Arkansas consumers.

NAFTA worked for Arkansas. In 2005, Arkansas exports to Canada and Mexico were \$1 billion and \$416 million.

ARKANSAS' FARMERS AND KEY INDUSTRIES GROW WITH EXPORTS

Arkansas' farmers are strong exporters. In 2005, Arkansas ranked **11th** among all states with agricultural exports valued at **\$1.7 billion**.

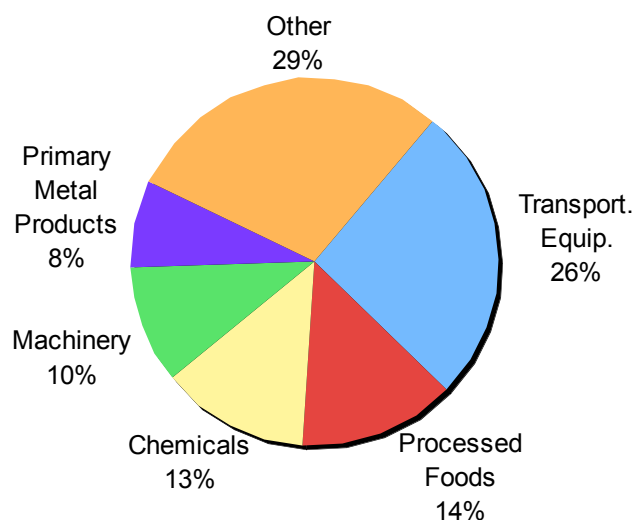
- Arkansas was the **top exporter** of **rice** and **poultry and poultry products**, ranked **second** in **cottonseed** exports and **third** in **cotton and linters** exports.

According to the U.S. Department of Commerce, Arkansas ranked 36th in the United States with **total exports valued at \$3.9 billion** in 2005.

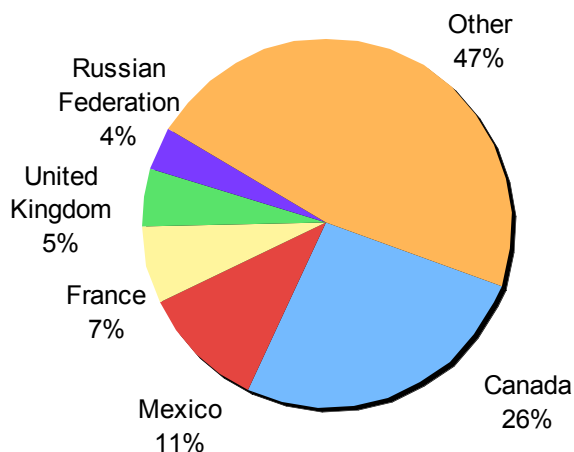
- Transportation equipment** was Arkansas' leading export product in 2005, accounting for **26 percent** of total exports.
- One of the fastest growing exports for Arkansas is **primary metal products**, which grew at an annual rate of **40 percent** between 2000 and 2005.
- In 2005, Arkansas companies sold their products in **over 160 foreign markets**.
- The top export market is **Canada** (\$1.0 billion). Other leading markets include **Mexico** (\$416 million) and **France** (\$270 million).

- France** is one of Arkansas' fastest growing trading partners. In 2005, Arkansas companies exported \$270 millions worth of goods to France, an increase of 606 percent since 2000.
- In 2005, exports represented approximately **4.5 percent of Arkansas' state GDP**.
- Since 2002, exports have increased **nearly three times faster** than state GDP.

Leading Export Products



Leading Export Markets



ARKANSAS WORKERS & BUSINESSES BENEFIT FROM FOREIGN INVESTMENT

Foreign-owned companies invest significant amounts of capital to open or expand facilities in Arkansas every year, infusing money into the local economy and keeping unemployment low.

- **135 divisions**, affiliates, and subsidiaries of foreign-owned companies operate in Arkansas.
- These companies employ **more than 32,000 workers**, nearly three percent of all Arkansans.
- **Manufacturing** accounts for **18,300 insourced jobs**, representing 57 percent of all insourced jobs in Arkansas.
- U.S. subsidiaries of **foreign companies pay** an average compensation of \$63,428 per year, **32 percent higher** than U.S. companies.

*In October 2006, **Hino Motors Manufacturing U.S.A.**, a subsidiary of Toyota, marked the first production of truck axles at its new **Marion, AR plant**.*

*Hino Motors **invested \$235 million** to build the state-of-the-art facility, which includes a 44,000 square foot **stamping facility** and a 363,000 square foot **assembly plant**. Hino plans to **employ 450 people** at the plant.*

“This is a proud day for all of Arkansas. It represents a culmination of years of effort on the part of many to bring new and better jobs to our people and it is a reflection of the friendship Arkansas has formed with the leading auto industrialists of Japan.”

*-Former **Governor Mike Huckabee**, at the Hino Motors plant opening*

Top 10 Foreign-Owned Corporate Employers in Arkansas*

<u>Company</u>	<u>Industry</u>	<u>Country</u>
WCI Outdoor Products	Light Machinery	Sweden
Dassault/Falcon Jet Corporation	Aerospace	France
Rheem Manufacturing	Industrial Machinery	Japan
Domtar Industries	Paper Manufacturing	Canada
Maybelline/L’Oreal	Consumer Products	France
Nucor-Yamato Steel	Steel	Japan
Quebecor World	Printing	Canada
Deluxe Media Services	Information	United Kingdom
Gates Rubber Company	Automotive Products	United Kingdom
Gerber Products Company	Food Products	Switzerland

*Each firm employs a minimum of 500 Arkansans.

Recognizing the importance of trade and investment in the state, the Arkansas Department of Economic Development maintains international offices in Mexico and Japan.

State government officials lead multiple trade missions on behalf of Arkansas businesses, including trips to Mexico, Taiwan, Korea, and Japan.

ARKANSAS MANUFACTURERS NEED IMPORTS TO BE COMPETITIVE

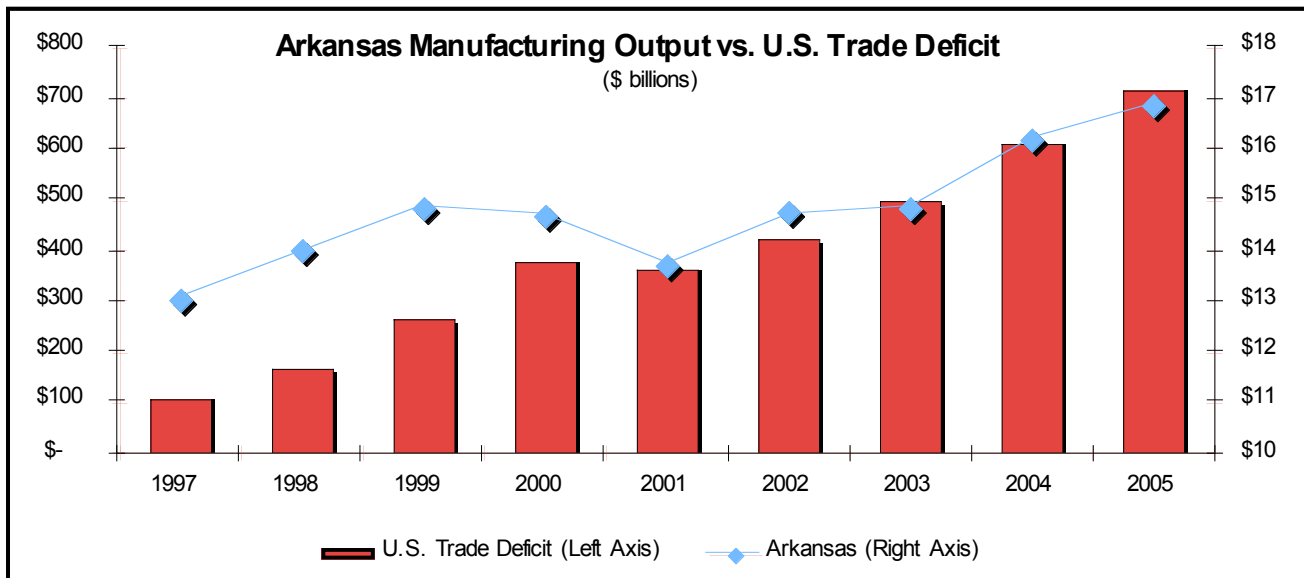
Raw materials, capital goods and industrial products used to manufacture goods in the United States account for approximately half of total U.S. merchandise imports.

- Virtually every Arkansas manufacturing sector benefits from imports.
- Arkansas **steel manufacturers** use **imported scrap** to produce steel products for the domestic market.
- Similarly, **electrical equipment manufacturers** import **copper wire** and **paper producers** import woodpulp to keep end costs low.

Capital Goods Imports Benefiting Arkansas' Manufacturers

Product	Price Change, 1996-2005
All Capital Goods	-23.4%
Electric Generators and Parts	-6.4%
Non-Electrical Machinery, (excl. Computers)	-9.4%
Business Machinery (excl. Computers)	-12.4%
Computers	-50.2%

Arkansas experienced some of its strongest growth during periods when imports contributed to increasing national trade deficits.



ARKANSAS' SERVICES INDUSTRIES BENEFIT FROM IMPORT-DRIVEN DEMAND

Numerous **services industries** benefit from business generated by imported goods.

- **Professional services**, including finance, insurance, marketing, and legal services, are needed to market imported products. These industries are vital to Arkansas' growth, and account for **11.8 percent of state GDP**.
- Imports comprise a significant portion of Arkansas **transportation and product sales** (both wholesale and retail). These industries account for 18.9 percent of state GDP.

ARKANSAS FAMILIES ENJOY A HIGHER STANDARD OF LIVING BECAUSE OF IMPORTS

Imports help keep prices for Arkansas families down while increasing their choices for goods and services.

- Trade helps **keep inflation in check**. Prices for widely traded consumer goods tend to rise less than prices for non-traded goods.
- Trade and investment liberalization policies **are worth over \$10,000 per year** to an average Arkansas family of four.
- Between 1990 and 2004, U.S. import prices grew at about a quarter of the rate of growth of overall consumer prices (0.6 percent per year vs. 2.2 percent per year).

Trade and Low Inflation: Price Changes (1997-2004)

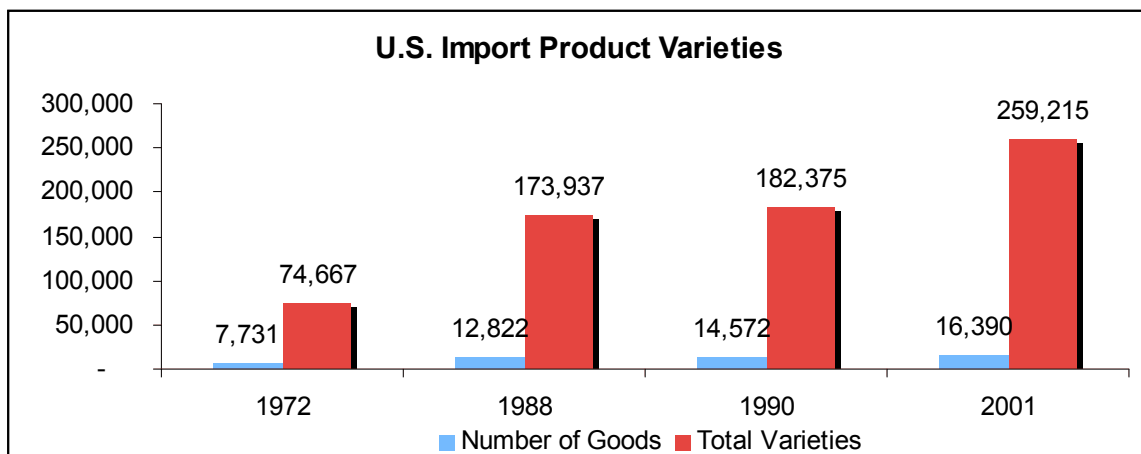
<u>Traded Goods</u>	<u>Price Change</u>
Toys	-36%
Household Appliances	-15%
Clothing	-11%
Footwear	-6%
<u>Non-Traded Goods</u>	
Milk	24%
Margarine	22%
Ice Cream	17%
Sugar	9%

The lower costs resulting from trade mean **more purchasing power** for Arkansas consumers, which is particularly important for lower-income families.

- In 2005, 80,000 families in Arkansas were at or below the national poverty level (about \$20,000 per year for a family of four).
- Lower-income families spend nearly three times as much on footwear and 50 percent more on apparel than upper-income families spend, both goods that are largely traded.

Consumer choice increases with trade.

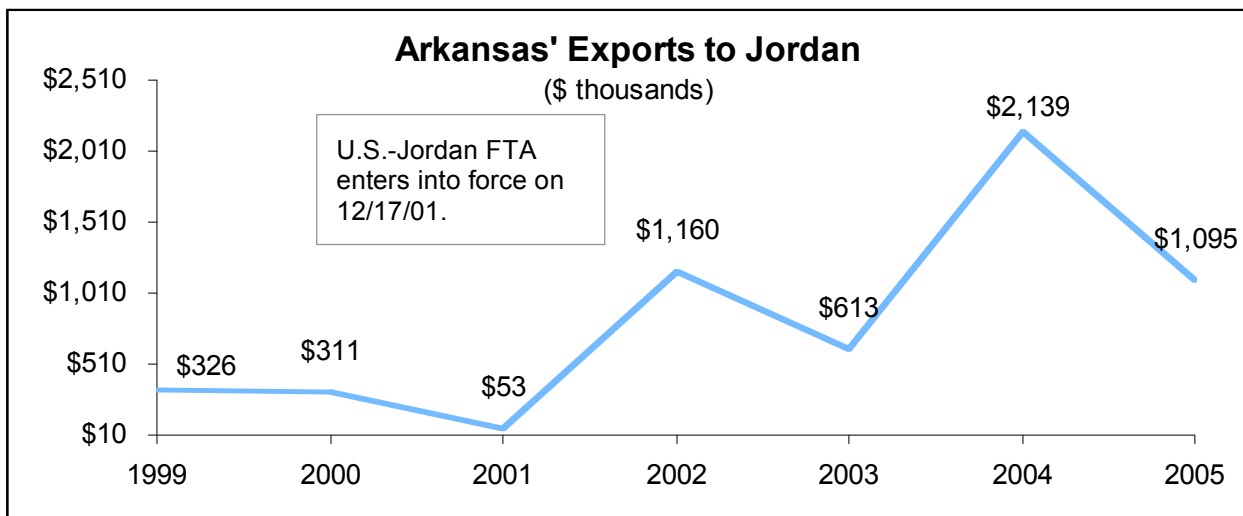
- Trade allows consumers to enjoy products with limited U.S. production (e.g., coffee) as well as out-of-season goods (e.g., strawberries in January).
- The number of product varieties imported by the United States increased fourfold over the last three decades.



MORE OF A GOOD THING FOR ARKANSAS – LEVELING THE TRADE PLAYING FIELD

The United States has some of the lowest trade barriers in the world. Free trade agreements level the playing field by lowering other nations' trade barriers and opening up foreign markets to U.S. exports.

- Since the **North American Free Trade Agreement** went into effect in 1994, Arkansas' exports to Canada have increased \$565 million (124 percent), while exports to Mexico have increased \$316 billion (317 percent).
- In 2001, a recession year, Arkansas' total trade with **Canada** generated \$1.0 billion for Arkansas' economy and supported 44,750 jobs.
- Similarly, the **U.S.-Jordan Free Trade Agreement**, which went into effect in 2001, has had a significant effect on export growth from Arkansas to Jordan. Although exports to Jordan have been inconsistent, they remain considerably above pre-FTA levels.



SOURCES

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