



Trade Makes Iowa Strong

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

TRADE CREATES JOBS FOR IOWANS

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

- Today, **348,578 jobs** in Iowa are supported by trade.
- **18.1 percent of jobs** in Iowa are supported by trade, up from 10.7 percent in 1992.
- As trade in Iowa has grown, unemployment has fallen. Iowa's unemployment rate - **4.6 percent** – is below the national average.

Iowa's Three Most Export-Intensive Industries

<u>Industry</u>	<u>% Export-Related</u>
Primary Metal Products	36.9%
Fabricated Metal Products	28.8
Machinery	25.9

Trade particularly benefits Iowa's small- and mid-size companies.

- In 2004, more than **2,500 Iowa companies** sold their products abroad.
- In 2004, 2,018 exporters – **80.5 percent** – were small- or mid-sized companies.
- **Jobs in exporting plants pay on average up to 18 percent more** than similar jobs in non-exporting plants.

TEN WAYS TRADE MAKES IOWA STRONG

Trade supports nearly one in five jobs in Iowa.

Iowa's exports have increased three times faster than its GDP.

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

6.5% of Iowa's GDP was from exports in 2005.

Foreign-owned companies employ 36,000 workers in Iowa.

Foreign-owned firms pay workers 32% more.

Half of imports are raw materials and other items needed for manufacturing.

Marketing imports demand services and services account for 16% of Iowa's GDP.

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

NAFTA worked for Iowa. Since 1994, Iowa's exports to Canada and Mexico have increased by \$2.5 billion.

IOWA'S FARMERS, AND KEY INDUSTRIES GROW WITH EXPORTS

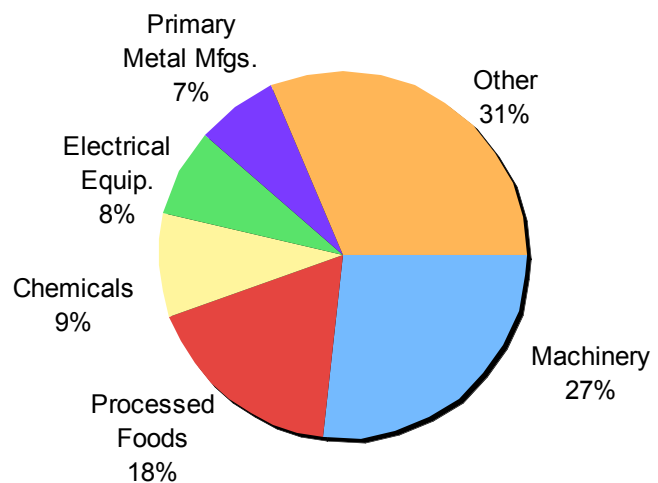
Iowa exported **more than \$4 billion in farm goods** in 2005, and over \$7 billion in manufactured foods. It is the second largest agricultural product exporter in the United States.

- Iowa's **white corn** growers export about 60 percent of their crop, and Iowa dominates U.S. exports of corn.
- Iowa's **pork products** are exported to 27 countries, and **beef products** to more than 17 countries.
- Iowa leads the nation in exports of **feed grains and products** and **live animals and meats**.

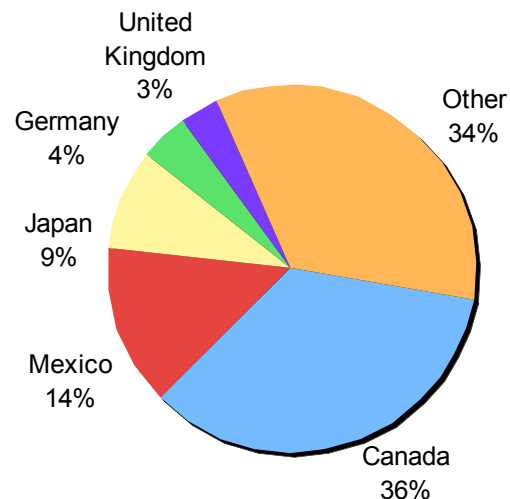
According to the U.S. Department of Commerce, Iowa exported total goods valued at **\$7.3 billion** in 2005.

- **Machinery** and **food products** are Iowa's leading exports.
- One of the fastest growing exports for Iowa is **primary metal manufactures**, which has grown at an annual rate of 36.3 percent since 2001.
- In 2005, Iowa companies sold their products in **180 foreign markets**.
- The top export market is **Canada** (\$2.6 billion). Other leading markets include **Mexico** (\$1.0 billion) and **Japan** (\$671 million).
- **China** is one of Iowa's fastest growing trading partners. In 2005, Iowa companies exported \$194 million worth of goods to China, an increase of 331 percent since 2000.
- In 2005, exports represented approximately **6.5 percent of Iowa's state GDP**.
- Since 2002, exports have increased **more than three times faster** than state GDP.

Leading Export Products



Leading Export Markets



IOWA WORKERS & BUSINESSES BENEFIT FROM FOREIGN INVESTMENT

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

- These companies employ **more than 36,200 workers**, nearly three percent of all Iowa employees.
- **Manufacturing** accounts for **19,600 “insourced” jobs**, representing 54 percent of all insourced jobs in Iowa.
- U.S. subsidiaries of **foreign companies pay** an average compensation of \$63,428 per year, **32 percent higher** than U.S. companies.

Selected Multinational Corporations with Operations in Iowa

<u>Company</u>	<u>Industry</u>	<u>Country</u>
Cadbury Schweppes	Beverages	United Kingdom
GlaxoSmithKline	Pharmaceuticals	United Kingdom
Lafarge North America Inc.	Building Materials	France
Nestle USA, Inc.	Food Products	Switzerland
Siemens	Electrical/Electronic Systems	Germany
Tate & Lyle	Food Products	United Kingdom

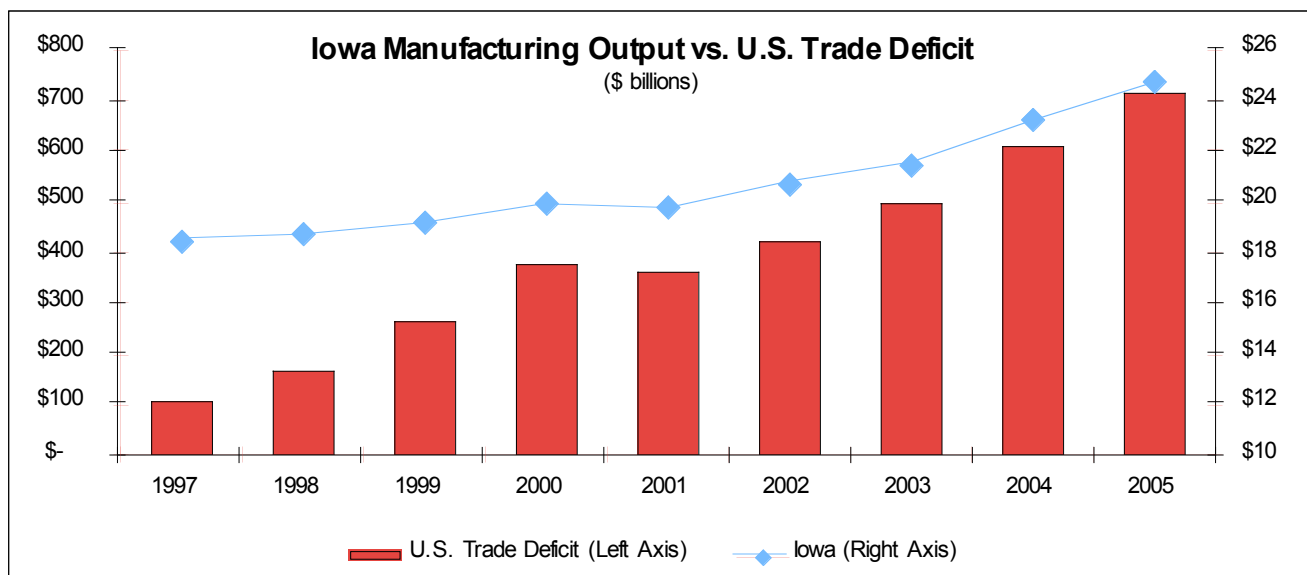
IOWA MANUFACTURERS NEED IMPORTS TO BE COMPETITIVE

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 Iowa manufacturing sector benefits from imports in some way.
- Farmers benefit from imported fertilizers; local herbicide and pesticide manufacturers from imported chemical raw materials.

Capital Goods Imports Benefiting Iowa's 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%



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

IOWA'S SERVICE 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 Iowa's growth, and account for **16.0 percent of state GDP**.
- Imports comprise a significant portion of **Iowa transportation and product sales** (both wholesale and retail). These industries account for 15.8 percent of state GDP.

IOWA FAMILIES ENJOY A HIGHER STANDARD OF LIVING BECAUSE OF IMPORTS

Imports help keep prices for Iowa 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 Iowa 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)

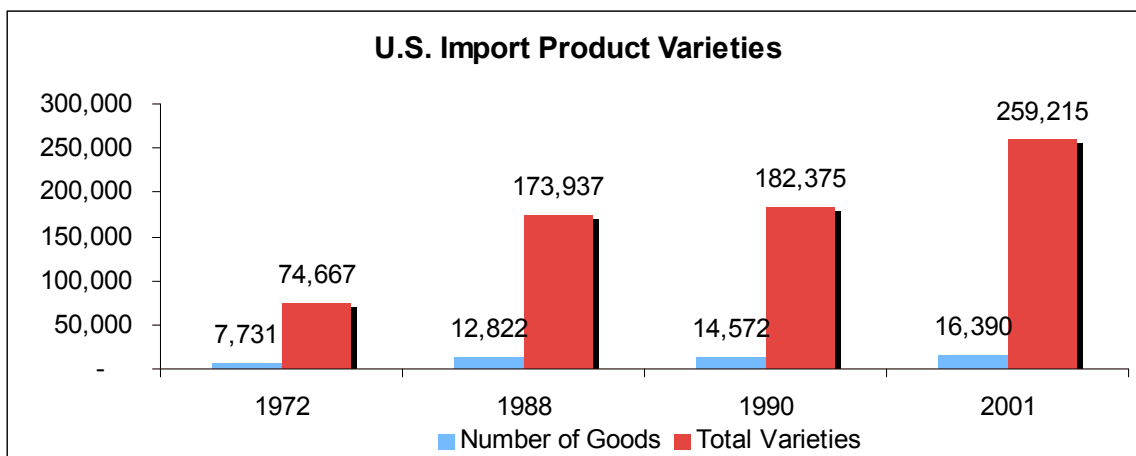
<u>Traded Goods</u>	<u>Price Change</u>
Toys	-36%
Household Appliances	-15%
Clothing	-11%
Footwear	-6%
<u>Non-Traded Goods</u>	
Milk	24%
Margarine	22%
Ice Cream	17%
Sugar	9%

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

- In 2005, 68,000 families in Iowa 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.

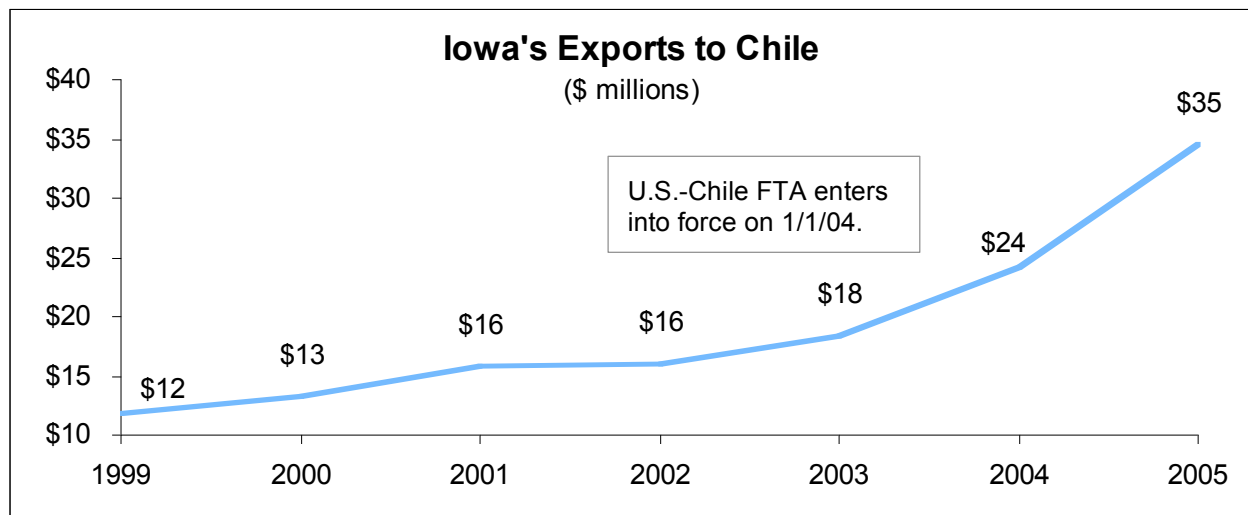
- Trade allows consumers to enjoy products with limited U.S. production (e.g., coffee) as well as out-of-season goods (e.g., strawberries in January).
- The number of product varieties imported by the United States increased fourfold over the last three decades.



MORE OF A GOOD THING FOR IOWA – 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, Iowa's exports to Canada have increased \$1.6 billion (166 percent), while exports to Mexico have increased \$883 million (611 percent).
- In 2001, a recession year, Iowa's total trade with **Canada** generated nearly \$1.5 billion for Iowa's economy and supported over 55,400 jobs.
- Similarly, the **U.S.-Chile Free Trade Agreement**, which went into effect in 2004, has had a significant effect on export growth from Iowa to Jordan.



SOURCES

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IMPORTS

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TRADE LIBERALIZATION

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