



# Trade Makes Illinois Strong

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

## TRADE CREATES JOBS IN ILLINOIS

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

- Today, trade supports **1.3 million jobs** in Illinois.
- **18.4 percent of jobs** in Illinois are supported by trade, up from 10.7 percent in 1992.

### *Illinois' Three Most Export-Intensive Industries*

<u>Industry</u>	<u>% Export-Related</u>
Primary Metals	34.2%
Computers	31.8
Machinery	27.0

**Jobs at Illinois ports** benefit from exports and imports.

- Trade passing through the **Port of Chicago** alone, supported nearly 30,000 jobs in 2002 and \$398 million in wage and salary income.

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

- In 2004, **88 percent of the total Illinois exporting firms** 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 ILLINOIS STRONG

Trade supports nearly one in five jobs in Illinois.

Illinois' exports have increased three times faster than its GDP.

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

6% of Illinois' GDP was from exports in 2005.

Foreign-owned companies employ 235,000 Illinois workers.

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 22% of Illinois' GDP.

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

NAFTA worked for Illinois. In 2005, Illinois exports to Canada and Mexico totaled \$14 billion.

## ILLINOIS' KEY INDUSTRIES GROW WITH EXPORTS

According to the U.S. Department of Commerce, Illinois ranked sixth in the United States with **total exports valued at \$35.9 billion** in 2005.

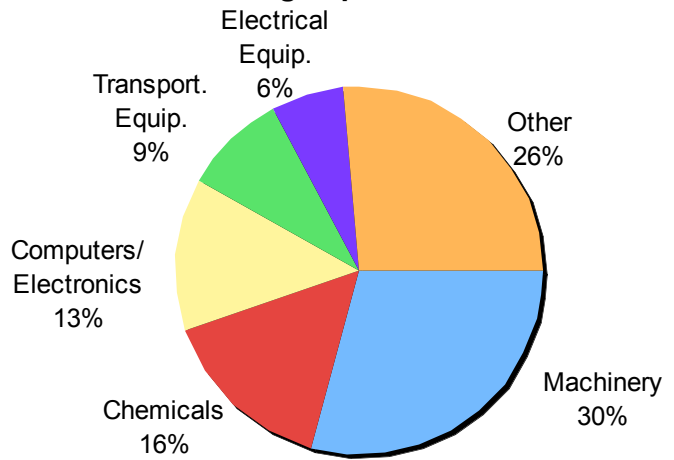
- **Machinery** was Illinois' leading export product in 2005, accounting for **30 percent** of total exports.
- One of the fastest growing exports for Illinois is **chemicals**, which has grown at an annual rate of 13.4 percent since 2001.
- In 2005, Illinois companies sold their products in **over 200 countries**.
- The top export market is **Canada** (\$10.9 billion). Other leading markets include **Mexico** (\$2.9 billion) and **Japan** (\$2.0 billion).
- **India** is one of Illinois' fastest growing trading partners. In 2005, Illinois companies exported \$438 millions worth of goods to India, an increase of 217 percent since 2001.
- In 2005, exports represented approximately **6.4 percent of Illinois' state GDP**.

*"We live in a truly global economy which you can either ... embrace ... or miss out on entirely. It is clear that Illinois companies are not letting the mountain of global opportunities pass them by, and they are aggressively taking advantage of all that international trade has to offer.*

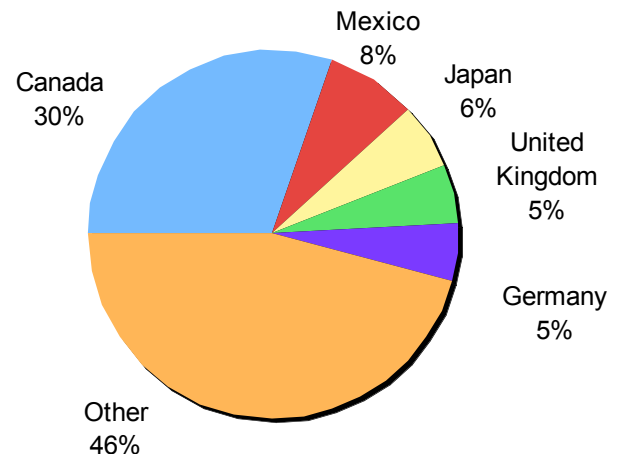
*"...[W]e expect [Illinois' competitiveness overseas] will keep growing as we continue helping more and more Illinois companies pursue business opportunities across the globe. By increasing these opportunities, we are creating more jobs for our working families across the state."*

*- Governor Rod R. Blagojevich, March 2006*

**Leading Export Products**



**Leading Export Markets**



- Since 2002, exports have increased **more than three times faster** than state GDP.
- In 2005, the Illinois Department of Commerce and Economic Opportunity led 17 **trade missions** of Illinois companies to countries such as Australia, Canada, Chile, China, Germany, India, South Africa and Mexico. Six Illinois Trade Centers and two NAFTA Opportunity Centers help small- and medium-sized businesses export goods and services.

## ILLINOIS WORKERS & BUSINESSES BENEFIT FROM FOREIGN INVESTMENT

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

- Over 4,600 foreign establishments employ **more than 235,600 workers in Illinois**, nearly five percent of all Illinois employees.
- In fact, Illinois **ranks first in the Midwest as a destination for foreign investment** and fifth in the nation in “insourced” workers.
- **Manufacturing** accounts for **71,000 insourced jobs**, representing 30 percent of all insourced jobs in Illinois.
- U.S. subsidiaries of **foreign companies pay** an average compensation of \$63,428 per year, **32 percent higher** than U.S. companies.

*In July 2006, Finland-based UPM Raflatac announced it would open its second U.S. production facility in Dixon. UPM, a world leading manufacturer of pressure sensitive sheet and roll labelstock, will invest \$109 million and create up to 160 new jobs.*

*“By encouraging investment, not raising taxes, and working with unique, innovative and international companies like UPM Raflatac, we are strengthening the foundation of the manufacturing industry, helping to create more opportunities and better jobs.”*

*-Governor Rod Blagojevich*

### Selected Multinational Corporations with Operations in Illinois

<u>Company</u>	<u>Industry</u>	<u>Country</u>
Akzo Nobel	Pharmaceuticals	Netherlands
DaimlerChrysler	Transportation Equipment	Germany
Deutsche Telekom	Telecommunications	Germany
Fuji Photo Film Inc.	Photographic Supplies	Japan
Honda	Transportation Equipment	Japan
L’Oreal	Cosmetics	France
Panasonic	Electronics	Japan

*“From day one of Governor Blagojevich’s administration, we’ve made it a priority to increase the amount of foreign direct investment in the Illinois economy. We knew Illinois companies had done a great job of introducing themselves to the world, but our goal was to better introduce the world to Illinois. ...[W]e’ve been successful in that effort and will only strengthen our resolve to continue working to make Illinois the most attractive state to do business in.”*

*- Jack Lavin, Director, Illinois Department of Commerce and Economic Opportunity*

## ILLINOIS MANUFACTURERS NEED IMPORTS TO BE COMPETITIVE

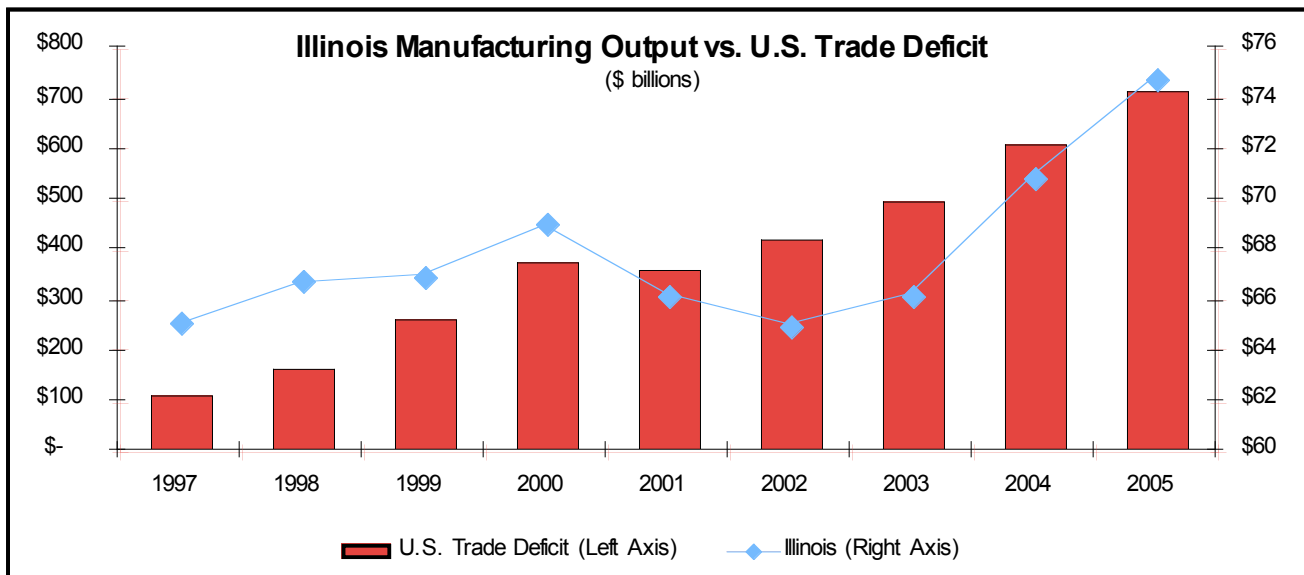
Raw materials, capital goods and industrial products used to manufacture goods in the United States account for approximately half of total U.S. merchandise imports.

- Numerous Illinois manufacturing sectors benefit from imports in some way.
- Illinois machinery and transportation equipment manufacturers use imported steel to keep costs low.
- Illinois companies use imported sugar to produce candy and food products for the domestic market.

### Capital Goods Imports Benefiting Illinois' Manufacturers

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

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



## ILLINOIS 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 Illinois' growth, and account for **21.6 percent of state GDP**, one-and-a-half times more than manufacturing.
- Imports comprise a significant portion of Illinois' **transportation and product sales** (both wholesale and retail). These industries account for 16.4 percent of state GDP. Marine activity in the Port of Chicago, for example, provided \$685 million in revenue to local businesses providing services to the port.

## ILLINOIS FAMILIES ENJOY A HIGHER STANDARD OF LIVING BECAUSE OF IMPORTS

Imports help keep prices for Illinois 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 Illinois 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)

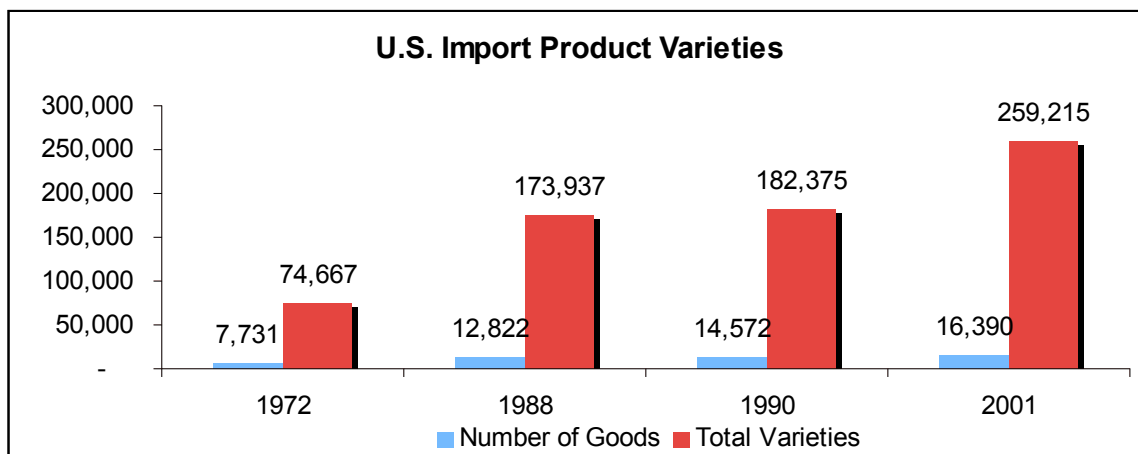
<u>Traded Goods</u>	<u>Price Change</u>
Toys	-36%
Household Appliances	-15%
Clothing	-11%
Footwear	-6%
<u>Non-Traded Goods</u>	
Milk	24%
Margarine	22%
Ice Cream	17%
Sugar	9%

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

- In 2005, 281,000 families in Illinois 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.

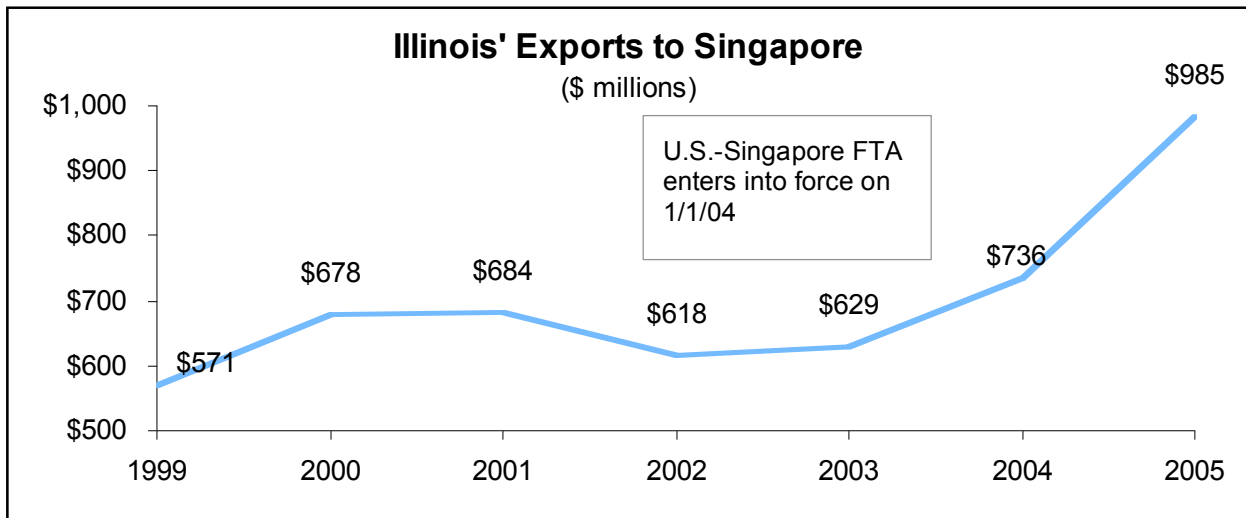
- Trade allows consumers to enjoy products with limited U.S. production (e.g., coffee) as well as out-of-season goods (e.g., strawberries in January).
- The number of product varieties imported by the United States increased fourfold over the last three decades.



## MORE OF A GOOD THING FOR ILLINOIS – 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, Illinois' exports to Canada have increased \$5.6 billion (106 percent), while exports to Mexico have increased \$1.8 billion (164 percent).
- In 2001, a recession year, Illinois' total trade with **Canada** generated \$7.9 billion for Illinois' economy and supported over 236,600 jobs.
- Similarly, the **U.S.-Singapore Free Trade Agreement**, which went into effect in 2004, has had a significant effect on export growth from Illinois to Singapore.



## SOURCES

### JOBS

Laura Baughman and Joseph Francois (<http://www.businessroundtable.org>)  
U.S. Department of Labor (<http://www.bls.gov/lau/home.htm>)  
U.S. Department of Commerce (<http://ita.doc.gov/td/industry/otea/jobs/index.html>),  
(<http://ita.doc.gov/td/industry/otea/edb/index.html>)

### EXPORTS

U.S. Department of Commerce (<http://tse.export.gov>),  
(<http://ita.doc.gov/td/industry/otea/edb/index.html>), (<http://www.bea.gov/bea/regional/gsp/>)

### FOREIGN INVESTMENT

Organization for International Investment (<http://www.ofii.org>)

### IMPORTS

U.S. Department of Labor (<http://www.bls.gov/mxp/home.htm>)  
U.S. Department of Commerce (<http://www.bea.gov/bea/regional/gsp/>)

### STANDARD OF LIVING

Council of Economic Advisers (<http://www.gpoaccess.gov/eop/index.html>)  
U.S. Department of Labor (<http://www.bls.gov/cpi/home.htm>),  
(<http://www.bls.gov/cex/home.htm>)  
U.S. Department of Commerce (<http://www.bea.gov/>)  
U.S. Census Bureau (<http://www.census.gov/hhes/www/poverty/poverty.html>)  
Christian Broda and David Weinstein ([http://www.ny.frb.org/research/staff\\_reports/sr180.html](http://www.ny.frb.org/research/staff_reports/sr180.html))

### TRADE LIBERALIZATION

U.S. Department of Commerce (<http://tse.export.gov>)  
Joseph Francois and Laura Baughman  
([http://tradepartnership.com/pdf\\_files/2004\\_Canada\\_Jobs.pdf](http://tradepartnership.com/pdf_files/2004_Canada_Jobs.pdf))

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