



# Trade Makes Indiana Strong

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

## TRADE CREATES JOBS FOR INDIANA

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

- Today, trade supports **635,184 jobs** in Indiana.
- **17.5 percent of jobs** in Indiana are supported by trade, up from 10.0 percent in 1992.

### *Indiana’s Three Most Export-Intensive Industries*

<u>Industry</u>	<u>% Export-Related</u>
Computers	32.3%
Electrical Equip.	26.9
Transport. Equip.	21.4

Trade particularly benefits employees of Indiana’s small- and mid-size companies.

- In 2004, more than **6,300 Indiana companies** sold their products abroad. Most – **82 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.

Trade – exports and imports – through **Indiana ports is also job-supporting.**

- A study of the economic impact of Indiana’s ports found that they have created over 10,500 jobs, paying over \$398 million in wages for Indiana workers.

## TEN WAYS TRADE MAKES INDIANA STRONG

**Trade supports one in five jobs in Indiana.**

**Since 2005, Indiana’s exports have increased more than three times faster than its GDP.**

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

**9% of Indiana’s GDP is from exports.**

**Foreign-owned companies employ 132,500 workers.**

**Foreign-owned firms pay workers 32% more.**

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

**Marketing imports demands services and services account for 12% of Indiana’s GDP.**

**Import prices grow more slowly than overall consumer prices, saving money for Indiana consumers.**

**NAFTA worked for Indiana. Since 1994, Indiana exports to Canada and Mexico have increased by \$8 billion.**

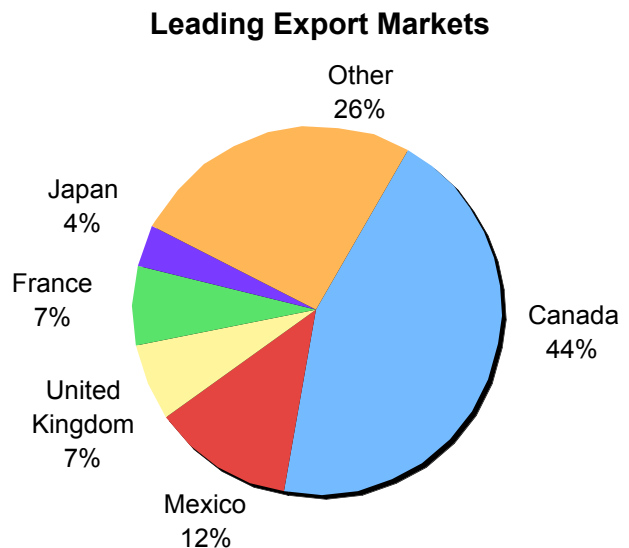
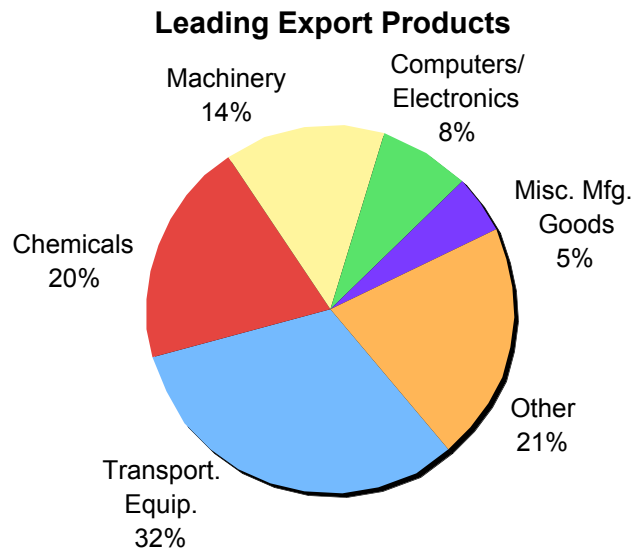
## INDIANA'S FARMERS AND KEY INDUSTRIES GROW WITH EXPORTS

**Agricultural exports** are important to Indiana, totaling \$1.8 billion in 2005.

- Leading exports are **soybeans** and soy products (\$755 million) and **feed grains** and products (\$518 million).

According to the U.S. Department of Commerce, Indiana ranked 11<sup>th</sup> in the United States with **total exports valued at \$21.5 billion** in 2005.

- **Transportation equipment** was Indiana's leading export product in 2005 accounting for 32 percent of total exports.
- One of the fastest growing exports for Indiana was **chemicals (pharmaceuticals)**, which grew at an annual rate of nearly 22 percent between 2001 and 2005.
- In 2005, Indiana companies sold their products in **over 190 foreign markets**.
- The top export market is **Canada** (\$9.6 billion). Other top markets include **Mexico** (\$2.6 billion) and the **United Kingdom** (\$1.5 billion).
- **China** is one of Indiana's fastest growing trading partners. In 2005, Indiana companies exported \$418 million worth of goods to China, an increase of 151 percent since 2000.
- In 2004, 81.9 percent of the state's exporters were small or medium sized businesses.
- In 2005, exports represented approximately **9 percent of Indiana's state GDP**.
- Indiana's share of exports to state GDP ranked 9<sup>th</sup> among all states in 2005.
- Since 2004, exports have increased **268 percent faster** than state GDP.



## INDIANA WORKERS & BUSINESSES BENEFIT FROM FOREIGN INVESTMENT

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

- Foreign affiliate companies employ **more than 132,500 workers**, nearly 5 percent of all Indiana employees, **ranking it 14<sup>th</sup>** in the nation in “insourced” workers.
- **Manufacturing** accounts for **80,800 insourced jobs**, representing over 60 percent of all insourced jobs in Indiana.
- U.S. subsidiaries of **foreign companies pay** an average compensation of \$63,428 per year, **32 percent higher** than U.S. companies.

*“Indiana’s attractiveness to foreign investors in manufacturing is powerful evidence of the state’s comparative advantages in those activities.”*

*- Thomas P. Miller Associates Report for Central Indiana Corporate Partnership*

### Selected Multinational Corporations with Operations in Indiana

<u>Company</u>	<u>Industry</u>	<u>Country</u>
Bayer	Chemicals	Germany
Cadbury Schweppes	Food & Beverages	United Kingdom
Honda	Transportation Equipment	Japan
HSBC	Financial Services	United Kingdom
Michelin	Transportation Equipment	France
Pernod Ricard USA	Beverages	France
Unilever	Consumer Products	Netherlands

*Indiana recently celebrated the decision of Honda to open a new passenger-car assembly plant in Greensburg. The plant is expected to produce 200,000 cars a year and employ 1,500-2,000 Hoosiers.*

*Honda executives reportedly said that it was the sheer enthusiasm for the investment of Greensburg’s residents, exhibited in letter-writing campaigns and a photo of 100 residents posing in an H formation which was sent to the Honda board of directors in Tokyo.*

## INDIANA MANUFACTURERS NEED IMPORTS TO BE COMPETITIVE

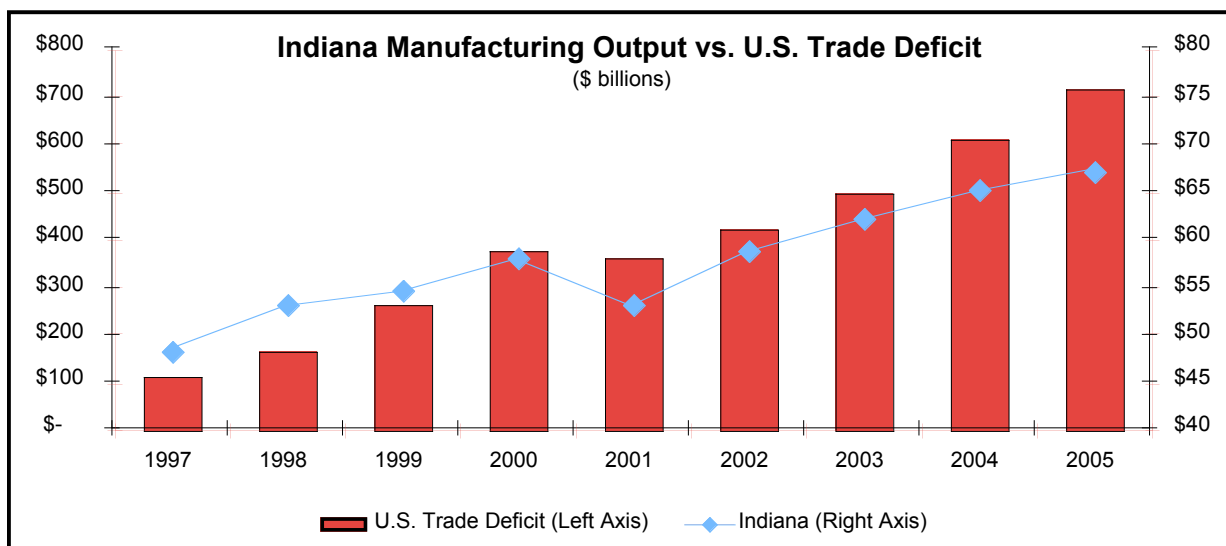
Raw materials, capital goods and industrial products used to manufacture goods in the United States account for approximately half of total U.S. merchandise imports.

- Numerous Indiana manufacturing sectors benefit from imports in some way.
- Local furniture manufacturers use imported steel and leather to keep costs low.
- Indiana auto and auto parts companies use imported steel and components for to support their competitiveness in U.S. and international markets.

### *Capital Goods Imports Benefiting Indiana's 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%

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



## INDIANA'S SERVICES INDUSTRIES BENEFIT FROM IMPORT-DRIVEN DEMAND

Numerous services industries benefit from business generated by imported goods.

- **Professional services**, including finance and insurance, marketing, and legal services, are needed to market imported products. These industries are vital to Indiana's growth, and account for **11.9 percent of state GDP**.
- Imports comprise a significant portion of Indiana **transportation and product sales** (both wholesale and retail). These industries account for 15.3 percent of state GDP.

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

Imports help keep **prices for Indiana 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 Indiana 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).

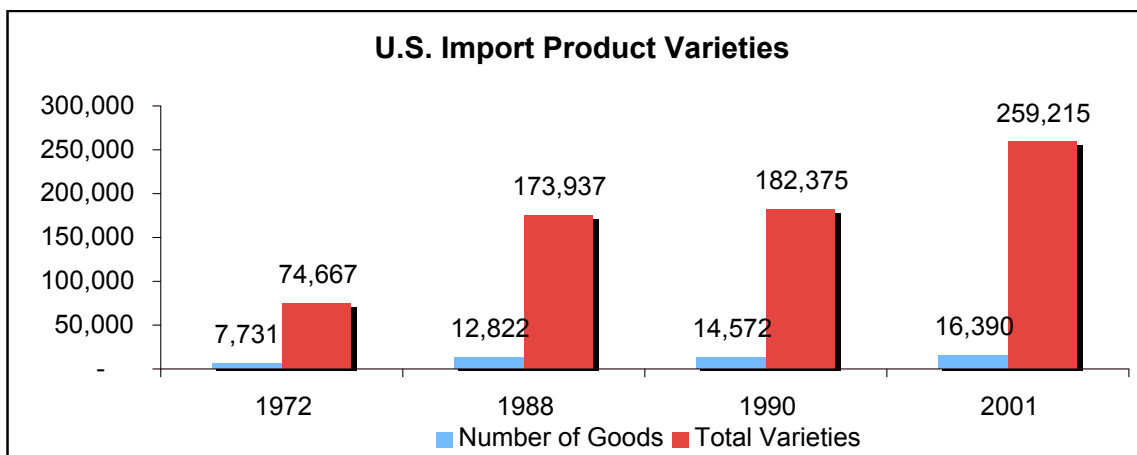
<b>Trade and Low Inflation: Price Changes (1997-2004)</b>	
<u>Traded Goods</u>	<u>Price Change</u>
Toys	-36%
Household Appliances	-15%
Clothing	-11%
Footwear	-6%
<u>Non-Traded Goods</u>	
Milk	24%
Margarine	22%
Ice Cream	17%
Sugar	9%

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

- In 2005, 157,000 families in Indiana 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.

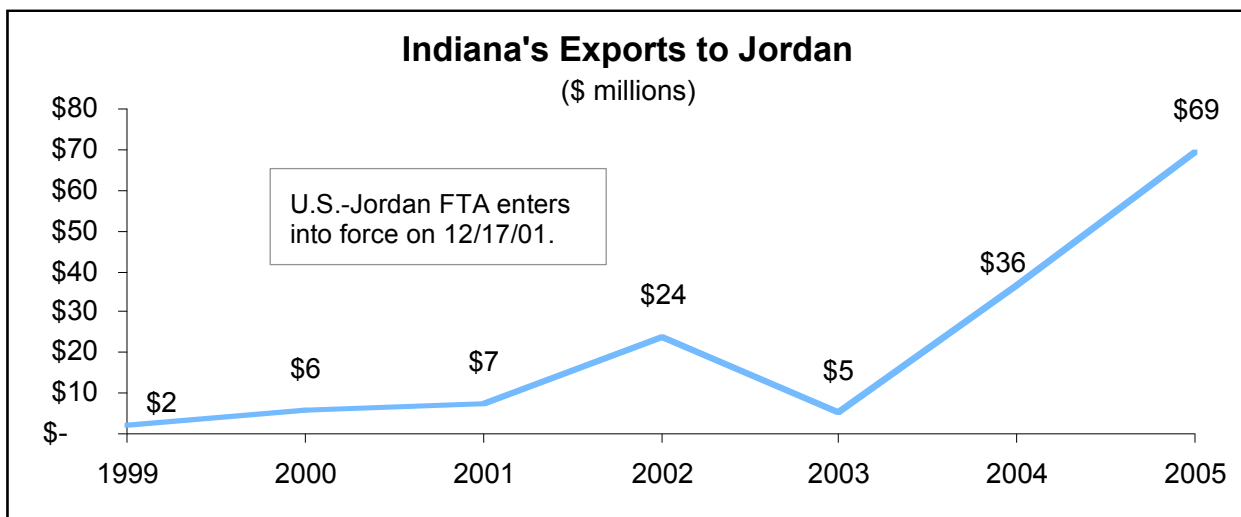
- Trade allows consumers to enjoy products with limited U.S. production (e.g., coffee) as well as out-of-season goods (e.g., strawberries in January).
- The number of product varieties imported by United States increased fourfold over the last three decades.



## MORE OF A GOOD THING FOR INDIANA – 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, Indiana's exports to Canada have increased \$5.6 billion (142 percent), while exports to Mexico have increased \$2.3 billion (648 percent).
- In 2001, a recession year, Indiana's total trade with **Canada** generated \$3.3 billion for Indiana's economy and supported nearly 111,700 jobs.
- Similarly, the **U.S. – Jordan Free Trade Agreement**, which went into effect in late 2001, has had a significant effect on export growth from Indiana to Jordan.



## SOURCES

### JOBS

Center for Urban Policy and Development

(<http://www.portsofindiana.com/newsroom/publications/economic%20impact%20study.pdf>)

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 Agriculture

([www.ers.usda.gov/publications/fau/june06/fau11401/fau11401.pdf](http://www.ers.usda.gov/publications/fau/june06/fau11401/fau11401.pdf))

U.S. Department of Commerce (<http://tse.export.gov>),

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### FOREIGN INVESTMENT

Thomas P. Miller Associates,

([http://www.imaweb.com/news\\_pdfs/IN%20Mfg%20Report%20Final.pdf](http://www.imaweb.com/news_pdfs/IN%20Mfg%20Report%20Final.pdf))

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/beat/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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