



Trade Makes Kentucky Strong

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

TRADE CREATES JOBS FOR KENTUCKIANS

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

- Today, trade supports **418,097 jobs** in Kentucky.
- **17.9 percent of jobs** in Kentucky are supported by trade, up from 10.3 percent in 1992.

Kentucky's Three Most Export-Intensive Industries

<u>Industry</u>	<u>% Export-Related</u>
Computers	52.0%
Chemicals	35.1
Textile Mills	26.3

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

- In 2004, more than **3,200 Kentucky companies** sold their products abroad.
- In 2004, 2,455 exporters – **75.9 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 KENTUCKY STRONG

Trade supports nearly one in five jobs in Kentucky.

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

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

11% of Kentucky's GDP was from exports in 2005.

Foreign-owned companies employ 85,000 workers in Kentucky.

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 12% of Kentucky's GDP.

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

NAFTA worked for Kentucky. Since 1994, Kentucky's exports to Canada and Mexico have increased by \$5 billion.

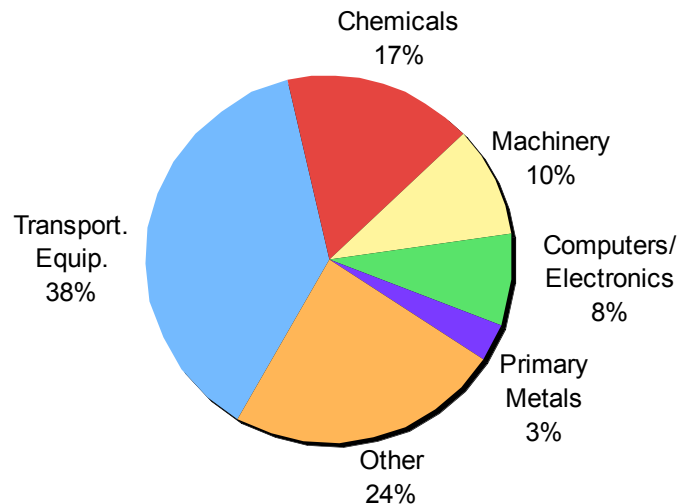
KENTUCKY'S FARMERS AND KEY INDUSTRIES GROW WITH EXPORTS

Kentucky exported **\$1.1 billion worth of agricultural products** in 2005. The state is the nation's largest exporter of **tobacco** and is a leading exporter of **non-poultry meats**.

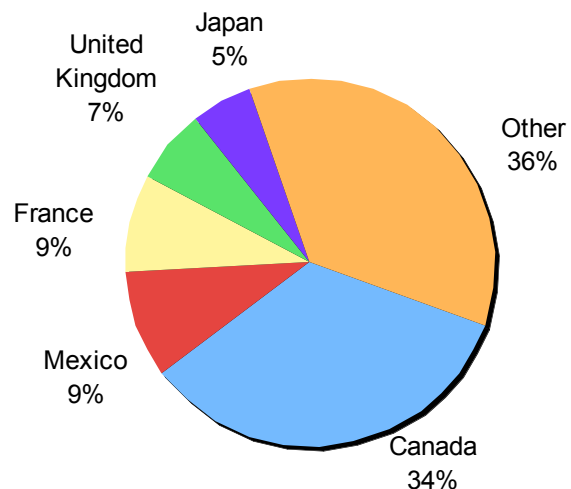
According to the U.S. Department of Commerce, Kentucky ranked 19th in the United States with **total exports valued at \$14.9 billion** in 2005.

- **Transportation equipment** was Kentucky's leading export product in 2005, accounting for **38 percent** of total exports.
- One of the fastest growing exports for Kentucky is **primary metals**, which grew at an annual rate of **32.3 percent** between 2001 and 2005.
- In 2005, Kentucky companies sold their products in **over 175 foreign markets**.
- The top export market is **Canada** (\$5.1 billion). Other leading markets include **Mexico** (\$1.4 billion) and **France** (\$1.3 billion).
- **Taiwan** is one of Kentucky's fastest growing trading partners. In 2005, Kentucky companies exported \$444 million worth of goods to Taiwan, an increase of 489 percent since 2001.
- In 2005, exports represented approximately **10.6 percent of Kentucky's state gross domestic product** (state GDP).

Leading Export Products



Leading Export Markets



The International Trade Division (ITD) of the Kentucky Cabinet for Economic Development recognizes the need to assist businesses with their international trade. The ITD therefore maintains offices in Frankfurt, Brussels, Guadalajara, Tokyo, Beijing and Santiago. They offer exporters counseling, trade show support, trade missions and catalogue show assistance, trade leads and information concerning licensing and customs.

- Kentucky's share of exports to state GDP ranked 5th among all states in 2005.
- Since 2002, exports have increased **247 percent faster** than state GDP.

KENTUCKY WORKERS & BUSINESSES BENEFIT FROM FOREIGN INVESTMENT

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

- Foreign-owned companies employ **more than 84,700 workers**, nearly six percent of all Kentucky employees, **ranking it 20th** in the nation in “insourced” workers.
- **Manufacturing** accounts for **47,400 insourced jobs**, representing 18 percent of all manufacturing jobs in Kentucky.
- 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 Kentucky

<u>Company</u>	<u>Industry</u>	<u>Country</u>
Gallatin Steel Co.	Steel	Luxembourg
CEMEX Kosmos Cement	Cement	Mexico
GlaxoSmithKline	Pharmaceuticals	United Kingdom
Montaplast of North America	Plastics	Germany
Nestle Prepared Foods	Specialty Lunch Foods	Switzerland
North American Stainless	Steel	Spain
Panasonic	Electronics	Japan
Philips	Electronics	Netherlands
L’Oreal USA	Hair and Skin Products	France
ThyssenKrupp Budd	Automotive Parts	Germany
Toyota	Transportation Equipment	Japan
Unilever Foods North America	Pasta and Sauces	Netherlands

In 2006 Kentucky opened a trade office in Beijing to help Kentucky businesses market their products and services to the growing China marketplace. The Cabinet for Economic Development’s 2005-2009 Strategic Plan called for the establishment of a trade office in China by 2007 which will also promote investment in Kentucky by Chinese businesses.

“Kentucky’s new trade office in Beijing will serve as a tremendous resource for Kentucky businesses wanting to tap into this country’s exploding marketplace.”

-Governor Ernie Fletcher (June 2006).

KENTUCKY MANUFACTURERS NEED IMPORTS TO BE COMPETITIVE

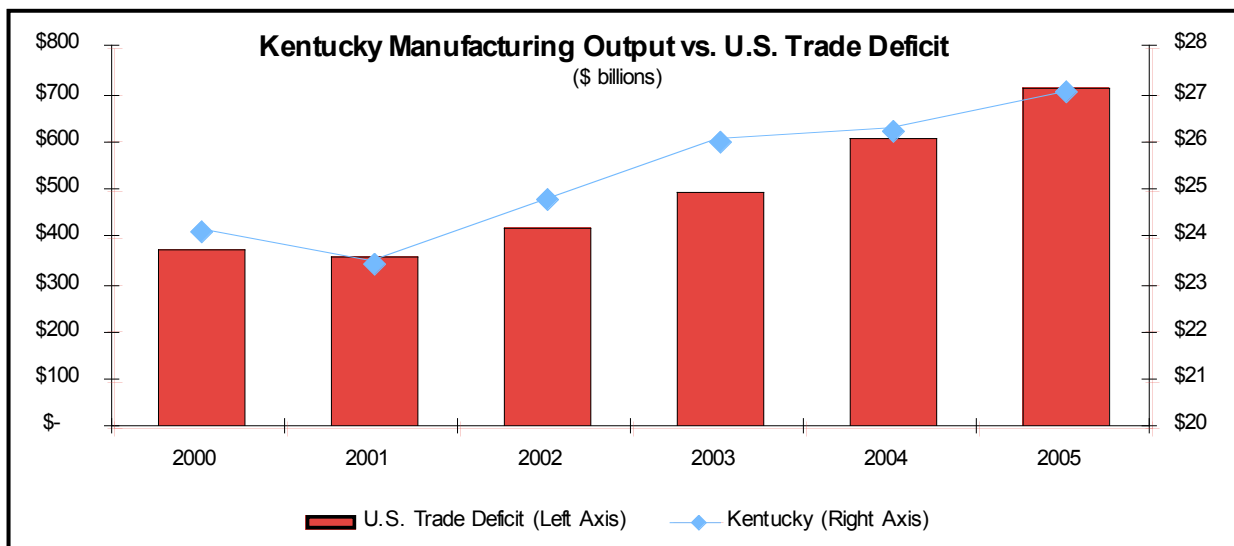
Raw materials, capital goods and industrial products used to manufacture goods in the United States account for approximately half of total U.S. merchandise imports.

- Numerous Kentucky manufacturing sectors benefit from imports.
- Kentucky auto and auto part producers use imported steel and auto parts to keep costs competitive.
- Kentucky steel producers rely on imported ferroniobium to produce steel in Kentucky.

Capital Goods Imports Benefiting Virginia'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%

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



KENTUCKY'S 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 Kentucky's growth, and account for **11.7 percent of state GDP**.
- Imports comprise a significant portion of Kentucky's **transportation and product sales** (both wholesale and retail). These industries account for 17.9 percent of state GDP.

KENTUCKY FAMILIES ENJOY A HIGHER STANDARD OF LIVING BECAUSE OF IMPORTS

Imports help keep prices for Kentucky 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 Kentucky 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).

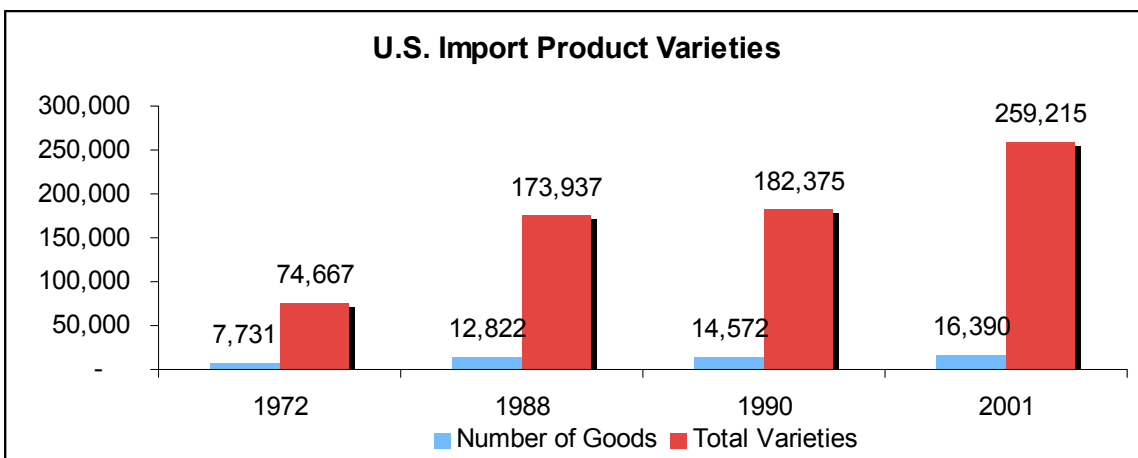
Trade and Low Inflation: Price Changes (1997-2004)	
<u>Traded Goods</u>	<u>Price Change</u>
Toys	-36%
Household Appliances	-15%
Clothing	-11%
Footwear	-6%
<u>Non-Traded Goods</u>	
Milk	24%
Margarine	22%
Ice Cream	17%
Sugar	9%

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

- In 2005, 145,000 families in Kentucky 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.

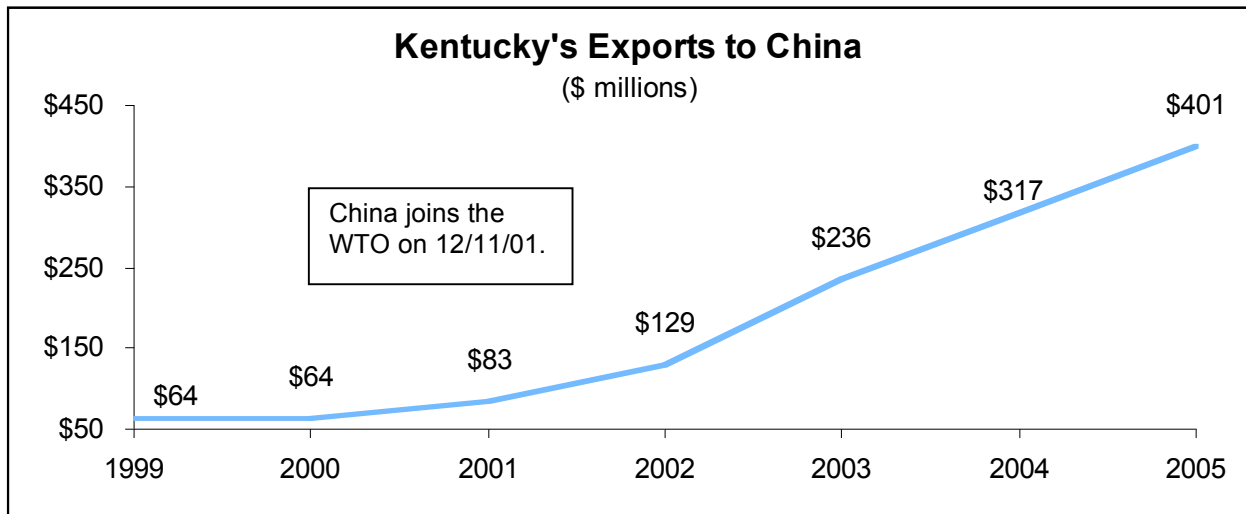
- Trade allows consumers to enjoy products with limited U.S. production (e.g., coffee) as well as out-of-season goods (e.g., strawberries in January).
- The number of product varieties imported by the United States increased fourfold over the last three decades.



MORE OF A GOOD THING FOR KENTUCKY – 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, Kentucky's exports to Canada have increased \$3.8 billion (295 percent), while exports to Mexico have increased \$1.2 billion (656 percent).
- In 2001, a recession year, Kentucky's total trade with **Canada** generated \$2.0 billion for Kentucky's economy and supported over 68,600 jobs.
- Similarly, **China's** entry into the World Trade Organization, which went into effect in 2001, has had a significant effect on export growth from Kentucky to China.



SOURCES

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