



Business Roundtable



# Trade Makes Louisiana Strong

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

## TRADE CREATES JOBS FOR LOUISIANANS

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

- Today, trade supports **449,147 – 18.2 percent of all jobs** – in Louisiana, up from 10.9 percent in 1992.

Trade through Louisiana’s **ports** creates **hundreds of thousands of jobs** and generates **billions of dollars** for the State economy.

- The Port of New Orleans alone supports **160,000 jobs**, **\$8 billion** in earnings, **\$17 billion** in spending, and **\$800 million** in statewide taxes.
- Its sister port, the Port of Greater Baton Rouge, supports more than **20,000 jobs**, **\$130 million** in direct wages, **\$10 billion** in spending, and **\$130 million** in taxes.

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

- In 2004, more than **3,100 Louisiana companies** sold their products abroad; 2,607 exporters – **83.3 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.

### Louisiana’s Three Most Export-Intensive Industries

<u>Industry</u>	<u>% Export-Related</u>
Computers	41.7%
Machinery	30.1
Chemicals	22.5

### TEN WAYS TRADE MAKES LOUISIANA STRONG

Trade supports nearly one in five jobs in Louisiana.

Louisiana’s exports have increased **37% faster** than its GDP.

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

**11% of Louisiana’s GDP** was from exports in 2005.

Foreign-owned companies employ **49,900 Louisianans**.

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

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

Marketing imports account for **10.6%** of Louisiana’s GDP.

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

NAFTA worked for Louisiana. In 2005, Louisiana exports to Canada and Mexico were **\$1.6 billion** and **\$2.2 billion**.

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

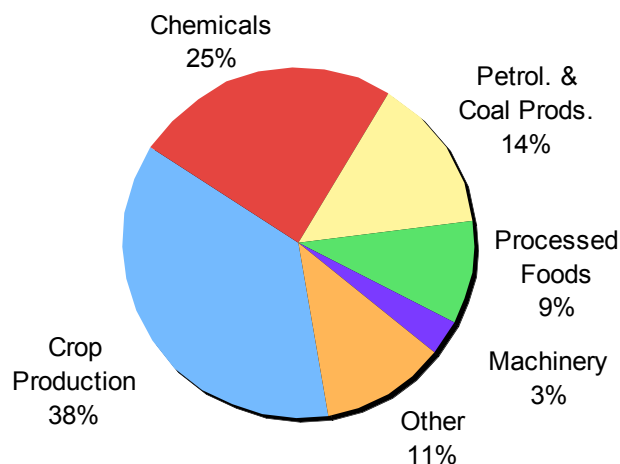
Louisiana farmers are strong exporters. The state exported **\$550 million** worth of **agricultural products** in 2005.

- Louisiana ranks among the top 10 U.S. exporters of **rice** (3<sup>rd</sup>), **cotton and cottonseed** (8<sup>th</sup> each), and **tree nuts** (9<sup>th</sup>).

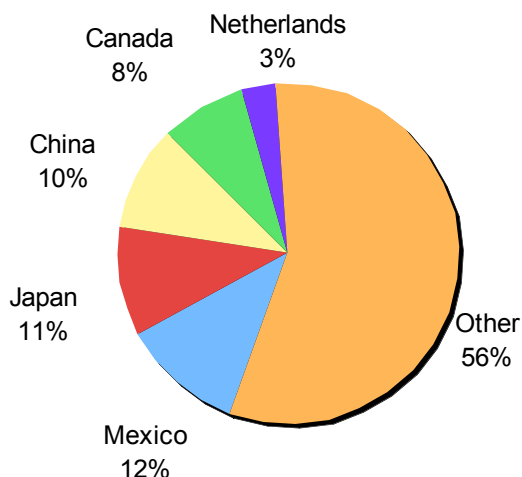
According to the U.S. Department of Commerce, Louisiana ranked 15<sup>th</sup> in the United States with **total exports valued at \$19.2 billion** in 2005.

- **Crop production** was Louisiana's leading export product category in 2005, accounting for **38 percent** of total exports.
- One of the fastest growing exports for Louisiana is **primary metal products**, which grew at an **annual rate of 65.7 percent** between 2001 and 2005.
- In 2005, Louisiana companies sold their products in **188 foreign markets**.
- The top export market is **Mexico** (\$2.2 billion). Other leading markets include **Japan** (\$2.0 billion) and **China** (\$1.9 billion).
- **China** is one of Louisiana's **fastest growing trading partners**. From 2001 to 2005, Louisiana **exports to China grew by 177.7 percent**.
- In 2005, exports represented approximately **11.4 percent of Louisiana's state GDP**.
- Louisiana's share of **exports to GDP ranked 4<sup>th</sup>** among all states in 2005.
- Since 2002, exports have increased **38 percent faster** than state GDP.

**Leading Export Products**



**Leading Export Markets**



*The World Trade Center of New Orleans (WTCNO) sponsors events to promote Louisiana exports, which often include presentations by high-ranking foreign dignitaries on export opportunities.*

*In 2006 alone, the WTCNO hosted events with the Ambassadors to the United States from Austria, Brazil, France, and Hungary and senior trade officials from Australia, Canada, and the Netherlands.*

## LOUISIANA WORKERS & BUSINESSES BENEFIT FROM FOREIGN INVESTMENT

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

- Foreign-owned companies employ **more than 49,900 workers**, over 3 percent of all Louisiana employees.
- **Manufacturing** accounts for **15,400 “insourced jobs,” 30 percent** of all insourced jobs in Louisiana.
- U.S. subsidiaries of **foreign companies pay** an average compensation of \$63,428 per year, **32 percent higher** than U.S. companies.

*In August 2006, NuComm International, a leading Canadian provider of outsourced call centers, announced that it would open its largest customer center ever in Lafayette.*

*The call center will employ 1,000 Louisianans. According to an analysis by the University of Louisiana at Lafayette, NuComm’s operation will have an annual economic impact of \$115 million for the Lafayette economy.*

### Selected Corporations with Operations in Louisiana

<u>Company</u>	<u>Industry</u>	<u>Country</u>
Air Liquide	Industrial Gasses	France
BASF	Chemicals	Germany
BP	Petroleum & Chemicals	United Kingdom
Bridgestone Americas	Rubber Products	Japan
Degussa	Chemicals	Germany
Deutsche Telekom	Telecommunications	Germany
GlaxoSmithKline	Pharmaceuticals	United Kingdom
Lafarge North America Inc.	Building Materials	France
Saint-Gobain	Glass/Engineered Materials	France
Sodexo	Food/Facilities Management	France
Voith	Paper Products	Germany

*Recognizing the importance of foreign investment, Louisiana Governor Kathleen Babineaux Blanco and Economic Development Secretary Michael Olivier led a trade mission in November 2006 to Japan, China, Taiwan, and Kuwait to promote business in Louisiana, with tangible results.*

- *In Taiwan, the delegation met with officials from Formosa Plastics, which operates a vinyl chloride facility in Baton Rouge. The company agreed to invest \$100 million for upgrades that will allow it to increase production by 46 percent AND cut emissions by 15-30 percent.*
- *In Kuwait, Governor Blanco and the Kuwaiti Minister of Energy signed a Memorandum of Understanding between the state and the Kuwait Petroleum Company to explore the viability of establishing Kuwaiti oil refinery operations in Louisiana.*

## LOUISIANA MANUFACTURERS NEED IMPORTS TO BE COMPETITIVE

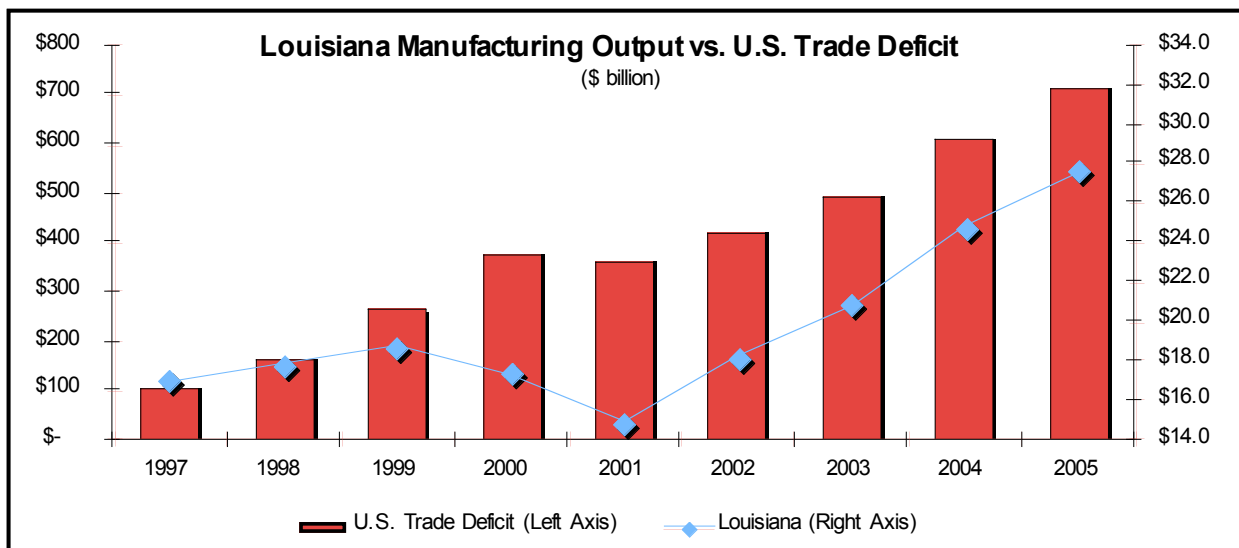
Raw materials, capital goods and industrial products used to manufacture goods in the United States account for approximately half of total U.S. merchandise imports.

- Numerous Louisiana manufacturing sectors benefit from imports.
- Louisiana's **chemical producers** import synthetic organic chemicals, *some of which are not available domestically*, to manufacture **high-value specialty chemicals** and **plastics**.
- **Paper producers**, one of Louisiana's leading manufacturing sectors, use imported **wood pulp** to meet domestic demand.

### Capital Goods Imports Benefiting Louisiana'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%

Louisiana experienced some of its strongest growth during periods when imports contributed to increasing national trade deficits. In fact, Louisiana's manufacturing output only declined twice in the last eight years, including the only year the U.S. deficit *decreased*.



## LOUISIANA'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 Louisiana's growth, and account for **10.6 percent of state GDP**.
- Imports comprise a significant portion of Louisiana's **transportation and product sales** (both wholesale and retail). These industries account for **15.2 percent of state GDP**.

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

Imports help keep prices for Louisiana 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 Louisiana 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)

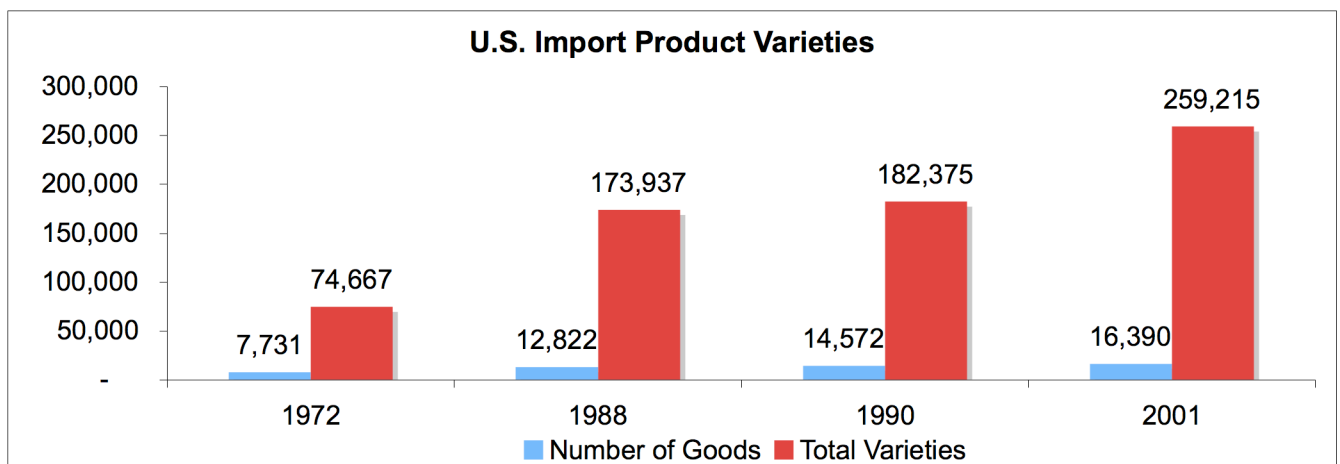
<u>Traded Goods</u>	<u>Price Change</u>
Toys	-36%
Household Appliances	-15%
Clothing	-11%
Footwear	-6%
<u>Non-Traded Goods</u>	
Milk	24%
Margarine	22%
Ice Cream	17%
Sugar	9%

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

- In 2005, 163,000 families in Louisiana 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.

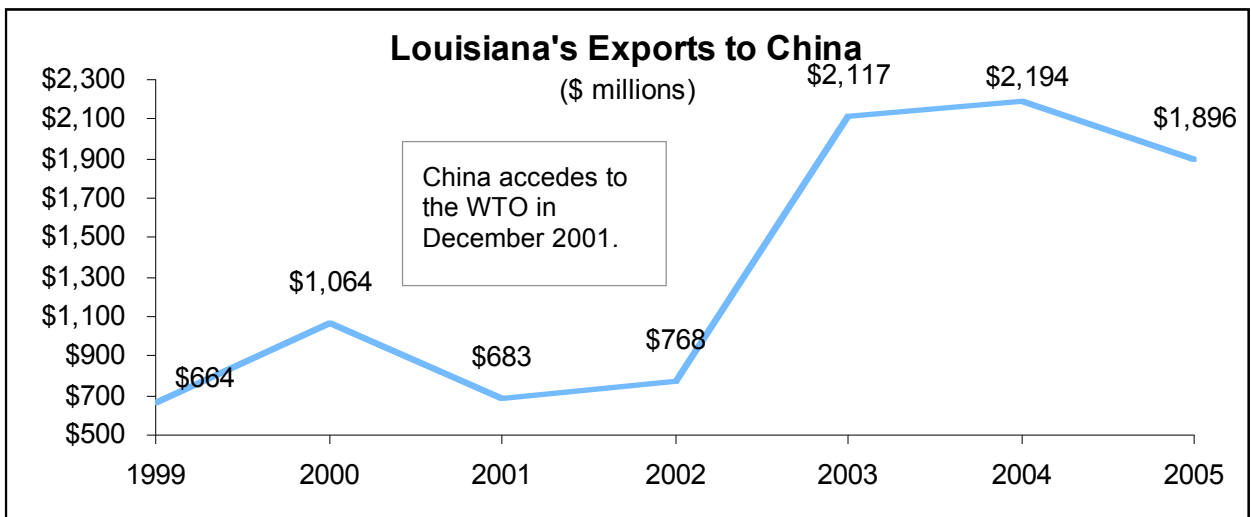
- Trade allows consumers to enjoy products with limited U.S. production (e.g., coffee) as well as out-of-season goods (e.g., strawberries in January).
- The number of product varieties imported by the United States increased fourfold over the last three decades.



## MORE OF A GOOD THING FOR LOUISIANA – 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, Louisiana's exports to Canada have increased \$1.1 billion (280 percent), while exports to Mexico have increased \$1.8 billion (396 percent).
- In 2001, a recession year, Louisiana's total trade with **Canada** generated \$1.4 billion for Louisiana's economy and supported 73,441 jobs.
- Similarly, **China's** accession to the World Trade Organization, which went into effect in 2001, has had a significant effect on the volume of exports from Louisiana to China.



## SOURCES

### JOBS

Laura Baughman and Joseph Francois (<http://www.businessroundtable.org>)  
Port of Greater Baton Rouge ([http://www.portgbr.com/content.php?display=about\\_economic](http://www.portgbr.com/content.php?display=about_economic))  
Port of New Orleans ([http://www.portno.com/pno\\_pages/about\\_overview.htm](http://www.portno.com/pno_pages/about_overview.htm))  
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/>)  
World Trade Center of New Orleans (<http://wtcno.org/programs/2006/index.html>)

### FOREIGN INVESTMENT

Louisiana Office of the Governor  
(<http://gov.louisiana.gov/index.cfm?md=newsroom&tmp=detail&articleID=2090>),  
(<http://gov.louisiana.gov/index.cfm?md=newsroom&tmp=detail&catID=1&articleID=2366&navID=3>)  
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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