



# Trade Makes Michigan Strong

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

## TRADE CREATES JOBS FOR MICHIGAN WORKERS

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

- Today, trade supports **over one million jobs** in Michigan.
- **18.5 percent of jobs** in Michigan are supported by trade, up from 10.3 percent in 1992.

### *Michigan's Three Most Export-Intensive Industries*

<u>Industry</u>	<u>% Export-Related</u>
Primary Metals	48.9%
Fabricated Metal Products	24.6
Machinery	22.0

**Foreign shipping** accounts for 20 percent of all maritime activity in Michigan.

- In the **Port of Detroit** alone, trade supports 10,356 jobs and provides personal income worth more than \$314 million.

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

- In 2004, more than **12,100 Michigan companies** sold their products abroad; **87.9 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 MICHIGAN STRONG

Trade supports one in five jobs in Michigan.

Since 2002, Michigan's exports have increased 1.5 times faster than its GDP.

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

10% of GDP was from exports in 2005.

Foreign-owned companies employ 201,000 workers in Michigan.

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 17% of Michigan's GDP.

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

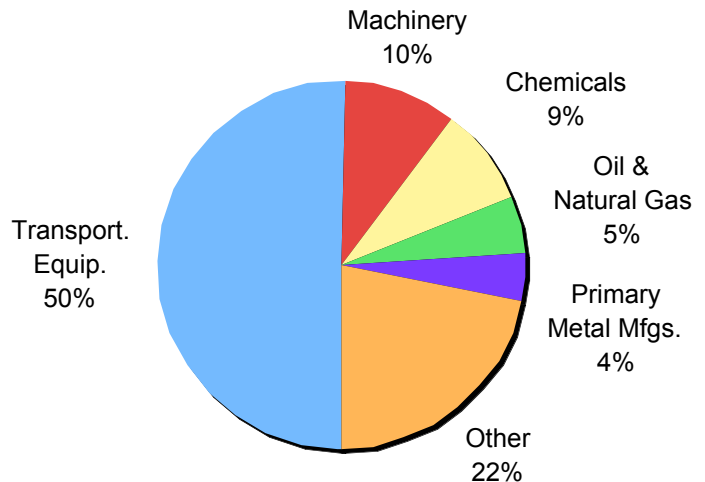
NAFTA worked for Michigan. Since 1994, Michigan's exports to Canada and Mexico have increased by \$8 billion.

## MICHIGAN'S KEY INDUSTRIES GROW WITH EXPORTS

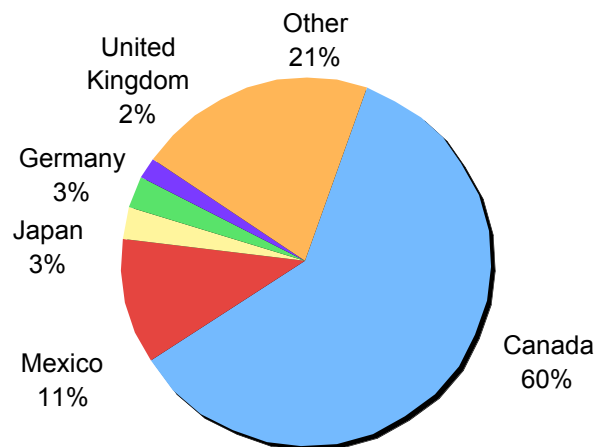
According to the U.S. Department of Commerce, Michigan ranked 5<sup>th</sup> in the United States with **total exports** valued at **\$37.6 billion** in 2005.

- **Transportation equipment** is Michigan's leading export product, accounting for half of total 2005 exports.
- One of the fastest growing exports for Michigan is **oil and natural gas**, which grew at an annual rate of **222 percent** between 2001 and 2005.
- In 2005, Michigan companies sold their products in **200 countries**.
- The top export market is **Canada** (\$22.6 billion). Other top markets include **Mexico** (\$4.2 billion) and **Japan** (\$1.1 billion).
- **China** is one of Michigan's fastest growing trading partners. In 2005, Michigan companies exported \$699 millions worth of goods to China, an increase of 230 percent since 2000.
- In 2005, exports represented approximately **10 percent of Michigan's state gross domestic product** (state GDP).

**Leading Export Products**



**Leading Export Markets**



*“The state's preeminence in manufacturing, strengths in ISO 9000 and other quality systems and dominance in industrial research make it the ideal export platform for export-based industries. Its strategic location offers easy access to the Asian, European and North and South American markets.”*

*-Michigan Economic Development Corporation*

- Michigan's share of exports to state GDP ranked sixth among all states in 2005.
- Since 2002, exports have increased **nearly 150 percent faster** than state GDP.
- Governor Jennifer Granholm reports that her two trips to Japan in 2004, brought 1,032 new jobs and \$245 million in investments to Michigan.

## MICHIGAN WORKERS & BUSINESSES BENEFIT FROM FOREIGN INVESTMENT

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

- **One thousand** affiliates, and subsidiaries of foreign-owned companies from more than 20 countries operate in Michigan.
- These companies employ **more than 201,000 workers**, nearly five percent of all Michigan employees, **ranking it ninth** in the nation in “insourced” workers.
- **Manufacturing** accounts for **84,300 insourced jobs**, representing 42 percent of all insourced jobs in Michigan.
- U.S. subsidiaries of **foreign companies pay** an average compensation of \$63,428 per year, **32 percent higher** than U.S. companies.
- Michigan is going to great lengths to attract high-wage, job-creating business to the state, particularly from foreign investors. Hyundai’s decision to boost its stake in Michigan resulted from a “Single Business Tax” credit valued at more than \$32.6 million over 20 years, plus a tax abatement valued at \$12.1 million over 12 years.

*“Hyundai’s continued investment in our state is a testament to our global leadership in automotive R&D. The high-tech, high-paying jobs created are exactly what we need to transform our economy to meet the demands of the 21st century.”*

*- Governor Jennifer Granholm, December 20, 2005*

### Selected Multinational Corporations with Operations in Michigan

<u>Company</u>	<u>Industry</u>	<u>Country</u>
Akzo Nobel	Chemicals	Netherlands
BP	Petroleum Products/Chemicals	United Kingdom
DaimlerChrysler	Transportation Equipment	Germany
Hyundai	Automotive Technical Center	Korea
Lafarge North America Inc.	Building Materials	France
Mitsubishi Heavy Industries Climate	R&D Center	Japan
Nestle USA, Inc.	Food Products	Switzerland
Panasonic	Electronics	Japan
Philips	Electronics	Netherlands
Siemens	Electronics/Industrial Mfg.	Germany
SAP	Business Software	Germany

*“International companies are creating jobs in Michigan at a remarkable pace. In the past three years, German and Japanese companies created more than 10,000 jobs and invested \$1.7 billion in Michigan. Only two other states attracted more international investment than ours.”*

*- Governor Jennifer Granholm, 2006 State of the State Address.*

## MICHIGAN MANUFACTURERS NEED IMPORTS TO BE COMPETITIVE

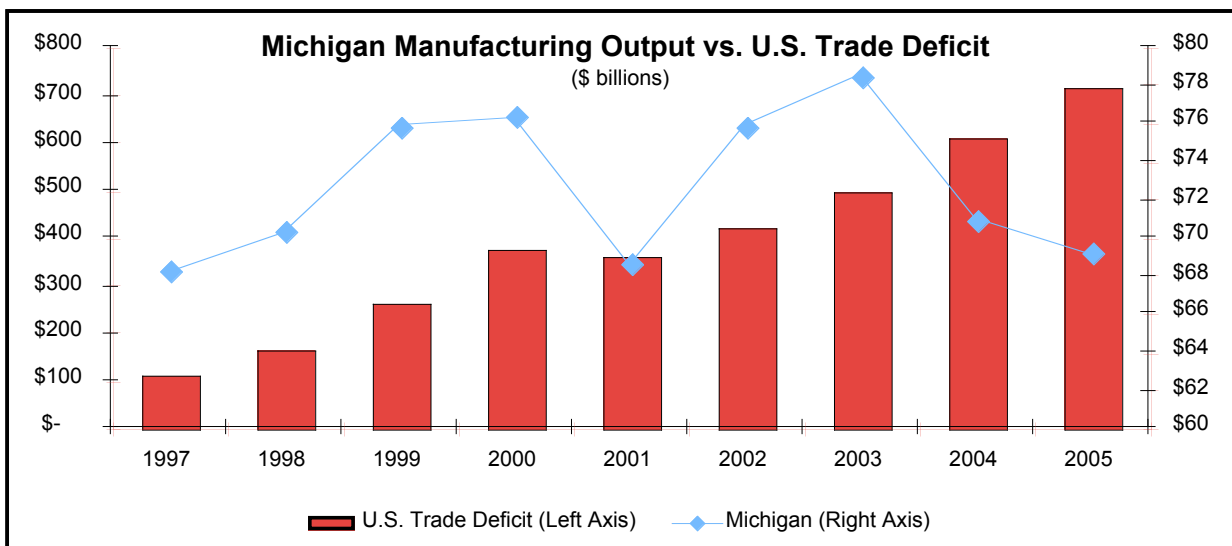
Raw materials, capital goods and industrial products used to manufacture goods in the United States account for approximately half of total U.S. merchandise imports.

- Numerous Michigan manufacturing companies benefit from imports.
- Automotive product manufacturers import parts and components used in the Michigan production facilities.
- Office furniture manufacturers import steel to produce furniture for the domestic market.

### Capital Goods Imports Benefiting Michigan'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%

There is no obvious correlation between the trade deficit and changes in Michigan's manufacturing output. In fact, Michigan experienced some of its strongest growth even as the national trade deficit *increased*.



## MICHIGAN'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 Michigan's growth, and account for **16.8 percent of state GDP**.
- Imports comprise a significant portion of Michigan's **transportation and product sales** (both wholesale and retail). These industries account for 15.2 percent of state GDP.

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

Imports help keep **prices for Michigan 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 Michigan 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)

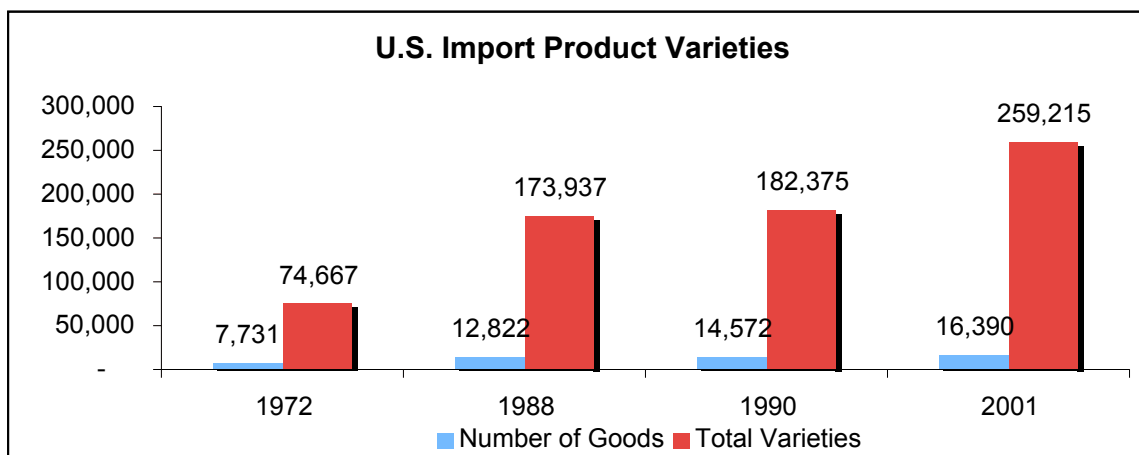
<u>Traded Goods</u>	<u>Price Change</u>
Toys	-36%
Household Appliances	-15%
Clothing	-11%
Footwear	-6%
<u>Non-Traded Goods</u>	
Milk	24%
Margarine	22%
Ice Cream	17%
Sugar	9%

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

- In 2005, 242,000 families in Michigan 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.

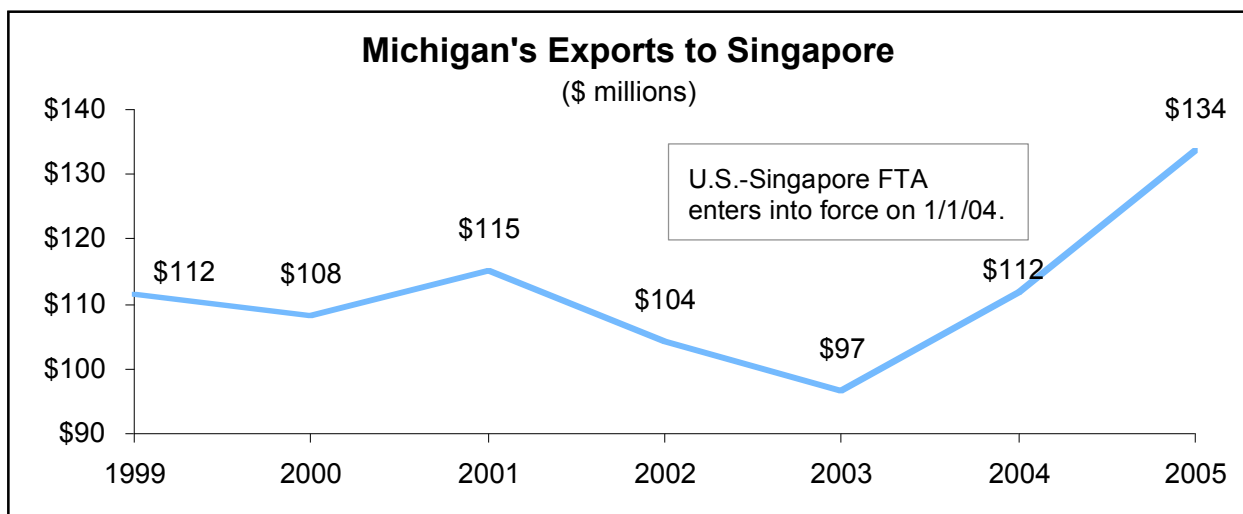
- Trade allows consumers to enjoy products with limited U.S. production (e.g., coffee) as well as out-of-season goods (e.g., strawberries in January).
- The number of product varieties imported by the United States increased fourfold over the last three decades.



## MORE OF A GOOD THING FOR MICHIGAN – 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, Michigan's exports to Canada have increased \$5.9 billion (35 percent), while exports to Mexico have increased \$2.9 billion (234 percent).
- In 2001, a recession year, Michigan's total trade with **Canada** generated nearly \$5.6 billion for Michigan's economy and supported 174,360 jobs.
- Similarly, the **U.S.-Singapore Free Trade Agreement**, which went into effect in 2004, has had a significant effect on export growth from Michigan 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/beat/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/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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