



Trade Makes Minnesota Strong

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

TRADE CREATES JOBS FOR MINNESOTA WORKERS

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

- Today, trade supports **626,025 jobs** in Minnesota. **18.3 percent of jobs** in Minnesota are supported by trade, up from 10.8 percent in 1992.
- As trade in Minnesota has grown, unemployment has fallen. Minnesota’s unemployment rate - **4.0 percent** – is below the national average.

Minnesota’s Three Most Export-Intensive Industries

<u>Industry</u>	<u>% Export-Related</u>
Computers & Electronics	48.4%
Machinery	25.4
Electrical Equipment	19.5

Minnesota greatly benefits from trade with its northern neighbor, Canada. In 2001, cross-border shipments equaled **\$12 billion**, and this is expected to grow to **\$26 billion in 2020**.

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

- In 2004, more than **6,400 Minnesota companies** sold their products abroad.
- 5,476 exporters – **85.4 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.

TEN WAYS TRADE MAKES MINNESOTA STRONG

Trade supports nearly one in five jobs in Minnesota.

Since 2002, Minnesota exports increased 2.8 times faster than GDP.

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

6.3% of Minnesota’s GDP was from exports in 2005.

Foreign-owned companies employ 94,000 Minnesotans.

Foreign-owned firms pay workers 32% more.

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

Marketing imports demands services, which account for 19.7% of Minnesota’s GDP.

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

NAFTA worked for Minnesota. In 2005, Minnesota exports to Canada and Mexico were \$3.6 billion and \$549 million.

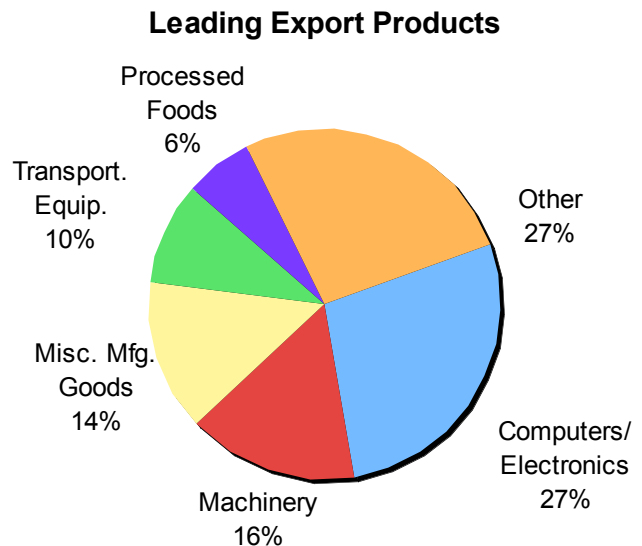
MINNESOTA'S FARMERS AND KEY INDUSTRIES GROW WITH EXPORTS

Minnesota farmers are strong exporters. The State exported **\$2.9 billion** worth of **agricultural products**, and ranked as the country's **fifth largest agricultural exporter** in 2005.

- Minnesota ranks among the top 10 U.S. exporters of **soybeans** (3rd), **feed grains** (4th), and **vegetables** (5th).

According to the U.S. Department of Commerce, Minnesota ranked 20th in the United States with **total exports valued at \$14.7 billion** in 2005.

- **Computers and electronics** was Minnesota's leading export product category in 2005 accounting for 27 percent of total exports.
- One of the fastest growing exports for Minnesota is **miscellaneous manufactured goods**, which grew at an annual rate of 46 percent between 2000 and 2005.
- In 2005, Minnesota companies sold their products in **197 foreign markets**.
- The top export market is **Canada** (\$3.5 billion). Other leading markets include **Ireland** (\$1.4 billion) and **Japan** (\$884 million).
- **China** is one of Minnesota's fastest growing trading partners. In 2005, Minnesota companies **exported \$741 million** worth of goods to China, an **increase of 259 percent** since 2000.
- In 2005, exports represented approximately **6.3 percent of Minnesota's state GDP**.
- Since 2002, exports have increased **2.3 times faster** than state GDP.



MINNESOTA WORKERS & BUSINESSES BENEFIT FROM FOREIGN INVESTMENT

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

- **707 divisions**, affiliates, and subsidiaries of foreign-owned companies operate in Minnesota.
- These companies employ **more than 94,000 workers**, nearly four percent of all Minnesota employees.
- **Manufacturing** accounts for **21,500 insourced jobs**, representing 25 percent of all insourced jobs in Minnesota.
- U.S. subsidiaries of **foreign companies pay** an average compensation of \$63,428 per year, **32 percent higher** than U.S. companies.

Brown Printing Company, based in Waseca, MN, is a subsidiary of German printing company **Gruner + Jahr**. In early 2005, the company announced a **three-year, 150,000 square foot expansion** to its Waseca facility.

Brown Printing plans to **invest more than \$55 million** to complete the upgrades and expects to **create 30 new jobs** at the plant.

"The financial commitment of our parent company provides the basis for continued success in the competitive environment in which we operate."

-Brown Printing Company CEO Tom Engdahl

Selected Corporations with Operations in Minnesota

<u>Company</u>	<u>Industry</u>	<u>Country</u>
Aldi	Retail Stores	Germany
Allianz	Financial Services	Germany
BAE Systems	Defense/Aerospace	United Kingdom
Brown Printing Company	Information	Germany
Canada Pacific Railway	Transportation	Canada
Cadbury Schweppes	Food/Beverage Products	United Kingdom
McQuay International	Heating Products	Malaysia
United Taconite	Mining	China
Ventura Foods	Food Products	Japan

Recognizing the growing importance of China as a potential trade and investment partner, **Minnesota Governor Tim Pawlenty** established the **Minnesota-China Partnership** and led a major trade mission to China in 2005. (In return, a delegation of Chinese investors visited Minnesota in December 2006). The broad goals of the partnership include:

- **Training Minnesota companies** to succeed in the Chinese market.
- **Raising Minnesota's profile** among prominent Chinese business and government leaders to open doors for Minnesota companies in the future.
- **Promote greater understanding** of general U.S.-China relations.

"As China grows in economic and political prominence, the opportunities for Minnesota will also grow, but Minnesota needs to see and understand these opportunities to benefit. The Minnesota-China Partnership will help make good things happen."

-Governor Tim Pawlenty

MINNESOTA MANUFACTURERS NEED IMPORTS TO BE COMPETITIVE

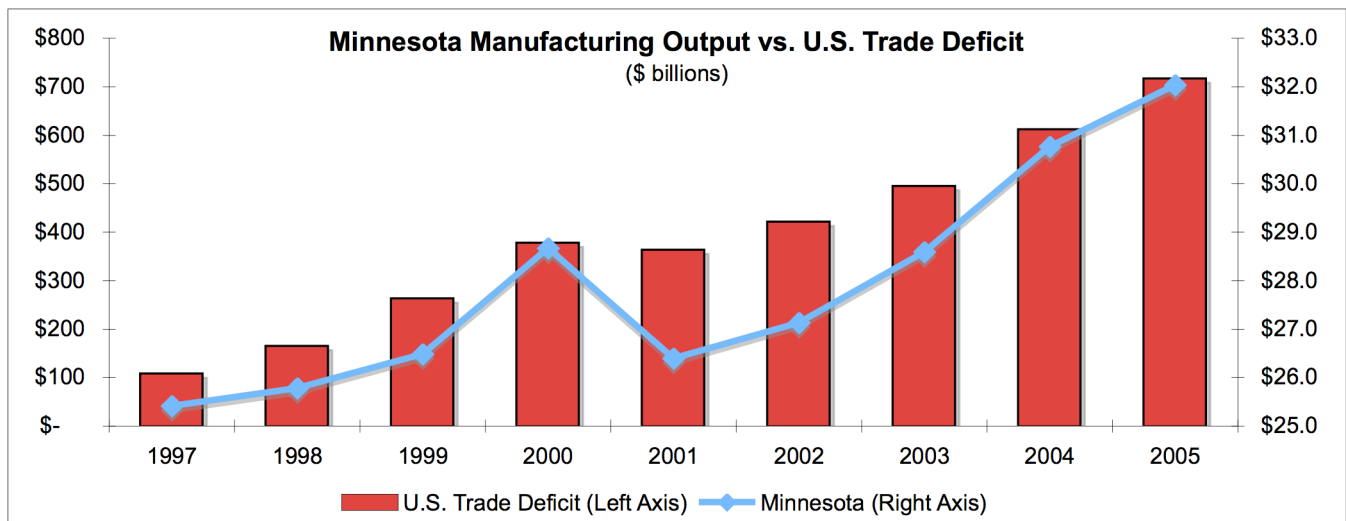
Raw materials, capital goods and industrial products used to manufacture goods in the United States account for approximately half of total U.S. merchandise imports.

- Numerous Minnesota manufacturing sectors benefit from imports.
- Minnesota's **computer and electronics manufacturers** use imported **semiconductors** to keep costs low.
- Minnesota's **machinery manufacturers** import **steel** to produce industrial equipment for the U.S. market.

Capital Goods Imports Benefiting Minnesota'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%

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



MINNESOTA'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 Minnesota's growth, and account for **19.7 percent of state GDP**, 1.4 times more than manufacturing.
- Imports comprise a significant portion of Minnesota **transportation and product sales** (both wholesale and retail). These industries account for 16.2 percent of state GDP.

MINNESOTA FAMILIES ENJOY A HIGHER STANDARD OF LIVING BECAUSE OF IMPORTS

Imports help keep prices for Minnesota 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 Minnesota 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)

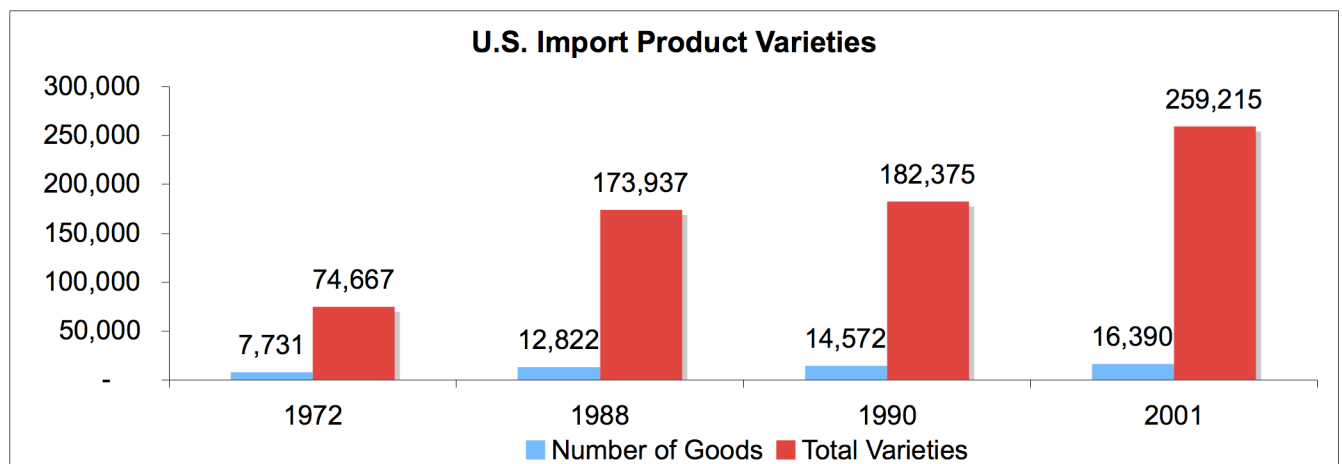
<u>Traded Goods</u>	<u>Price Change</u>
Toys	-36%
Household Appliances	-15%
Clothing	-11%
Footwear	-6%
<u>Non-Traded Goods</u>	
Milk	24%
Margarine	22%
Ice Cream	17%
Sugar	9%

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

- In 2005, 75,000 families in Minnesota 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.

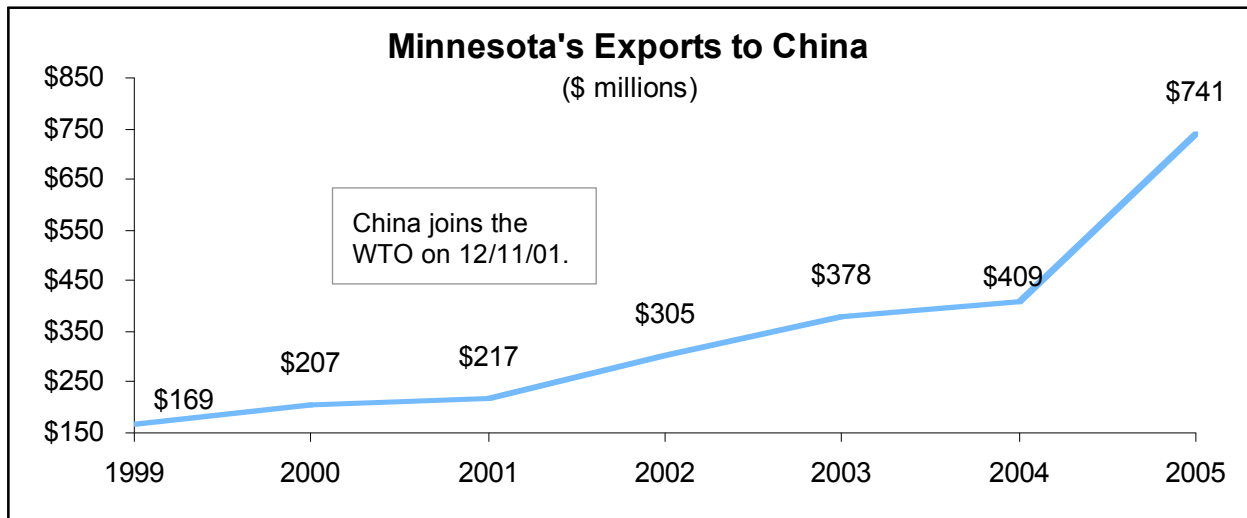
- Trade allows consumers to enjoy products with limited U.S. production (e.g., coffee) as well as out-of-season goods (e.g., strawberries in January).
- The number of product varieties imported by the United States increased fourfold over the last three decades.



MORE OF A GOOD THING FOR MINNESOTA – 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, Minnesota's exports to Canada have increased \$1.8 billion (95 percent), while exports to Mexico have increased \$326 million (146 percent).
- In 2001, a recession year, Minnesota's total trade with **Canada** generated \$3.0 billion for Minnesota's economy and supported 102,710 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 Minnesota to China.



SOURCES

JOBS

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FOREIGN INVESTMENT

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Minnesota Department of Employment and Economic Development
(<http://www.deed.state.mn.us/news/release/2005/trade22Feb05.htm>),
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STANDARD OF LIVING

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TRADE LIBERALIZATION

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