



Trade Makes Montana Strong

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

TRADE CREATES JOBS FOR MONTANANS

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

- Today, trade supports **108,935 jobs** in Montana.
- **18.2 percent of jobs** in Montana are supported by trade, up from 11.3 percent in 1992.
- As trade in Montana has grown, unemployment has fallen. Montana’s unemployment rate - **2.8 percent** – is the third lowest in the country.

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

- In 2004, **870 Montana companies** sold their products abroad.
- 720 exporters – **83 percent -- were small- or mid-sized companies in 2004.**
- **More than one quarter** of all Montana jobs in the **primary metals** and **chemicals** industries are tied directly to exports.
- **Jobs in exporting plants pay on average up to 18 percent more** than similar jobs in non-exporting plants.

TEN WAYS TRADE MAKES MONTANA STRONG

Trade supports nearly one in five jobs in Montana.

Montana’s exports have increased three times faster since 2002 than its GDP.

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

2.5% of Montana’s gross domestic product was from exports in 2005.

Foreign-owned companies employ 6,400 Montanans.

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 13% of Montana’s GDP.

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

NAFTA worked for Montana. In 2005, Montana exports to Canada and Mexico were \$372 million and \$38 million.

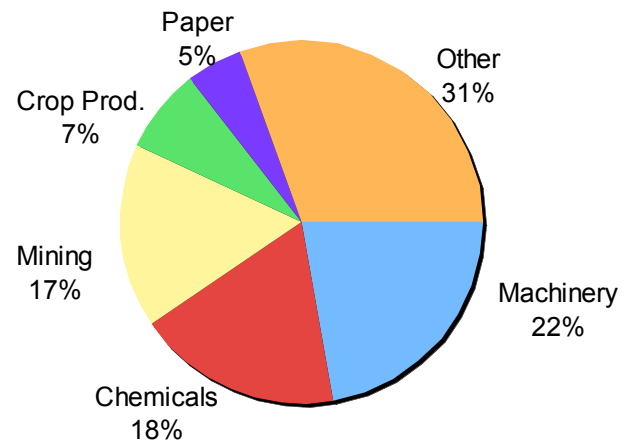
MONTANA'S FARMERS AND KEY INDUSTRIES GROW WITH EXPORTS

Montana exported **\$520 million** worth of **agricultural products** in 2005, including nearly **\$370 million** worth of **wheat** and wheat products, ranking it **third among all states**.

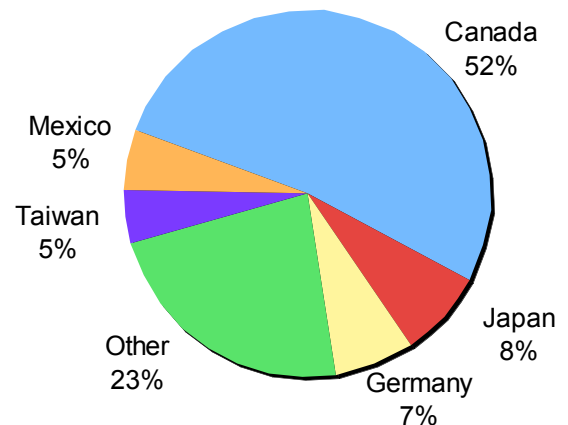
According to the U.S. Department of Commerce, Montana **exported \$711 million in total goods** in 2005.

- **Machinery** was Montana's leading export product in 2005, accounting for **22 percent** of total exports.
- One of the fastest growing exports for Montana is **chemicals**, which grew at an annual rate of more than 50 percent between 2000 and 2005.
- In 2005, Montana companies sold their products in **111 foreign markets**.
- The top export market is **Canada** (\$372 million). Other leading markets include **Japan** (\$54 million) and **Germany** (\$49 million).
- **Korea** is one of Montana's fastest growing trading partners. In 2005, Montana companies exported **\$24 million** worth of goods to Korea, **more than three times** as much as in 2001.
- In 2005, exports represented approximately **2.5 percent of Montana's state gross domestic product** (state GDP).
- Since 2002, exports have increased **more than three times faster** than state GDP.

Leading Export Products



Leading Export Markets



In order to promote Montana exports to Asia, the Montana International Trade and Relations Bureau manages two overseas offices in Kumamoto, Japan and Taipei, Taiwan.

The offices provide Montana businesses with in-country support for trade show representation, trade leads, market research, and support services for visiting business representatives.

In addition, the offices track the media value for news generated about Montana. In 2005, the media value of local language news about Montana was more than \$3.3 million.

MONTANA WORKERS & BUSINESSES BENEFIT FROM FOREIGN INVESTMENT

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

- Foreign-owned affiliates employ **more than 6,400 workers**, nearly two percent of all Montana employees
- **Manufacturing** accounts for **600 “insourced” jobs**, representing more than three percent of all manufacturing jobs in Montana.
- U.S. subsidiaries of **foreign companies pay** an average compensation of \$63,428 per year, **32 percent higher** than U.S. companies.

In 2003, Russian mining giant Norilsk Nickel purchased a majority stake in Billings-based Stillwater Mining Company in a deal worth more than \$250 million. Stillwater used some of the cash portion of the deal to pay down more than \$50 million in bank debt at a time when the company was otherwise struggling.

Today, Stillwater employs 1,600 Montanans in Nye, East Boulder, Columbus, and Billings areas and has annual revenues of more than \$500 million.

Selected Corporations with Operations in Montana

<u>Company</u>	<u>Industry</u>	<u>Country</u>
Advanced Silicon Materials	Electrical Equipment	Norway
GlaxoSmithKline	Pharmaceuticals	United Kingdom
Luzenac America	Mining	Australia
Oldcastle Inc.	Construction Materials	Ireland
Sodexo	Food Service	France
Stillwater Mining Company	Mining	Russia

Recognizing the importance of promoting international ties, Montana Congressman Denny Rehberg has sponsored several overseas trade missions with Montana business leaders. Discussing a 2006 mission to China and Korea, Congressman Rehberg said:

“This is an opportunity to open more doors for Montana businesses. Trade missions can demonstrate the business integrity and work ethic of the people of Montana, and that’s a very positive factor in helping to establish long-lasting international relationships that will benefit Montana’s economy well into the future.”

The missions have produced concrete results. One delegation member, Armor Auto of Missoula, had 13 Korean companies ask to be its exclusive Korean distributor. A previous mission to Germany, Spain, and Ireland resulted in \$20 million in contracts and agreements for Montana companies. Congressman Rehberg is sponsoring another trip to Italy and Greece in early 2007.

MONTANA MANUFACTURERS NEED IMPORTS TO BE COMPETITIVE

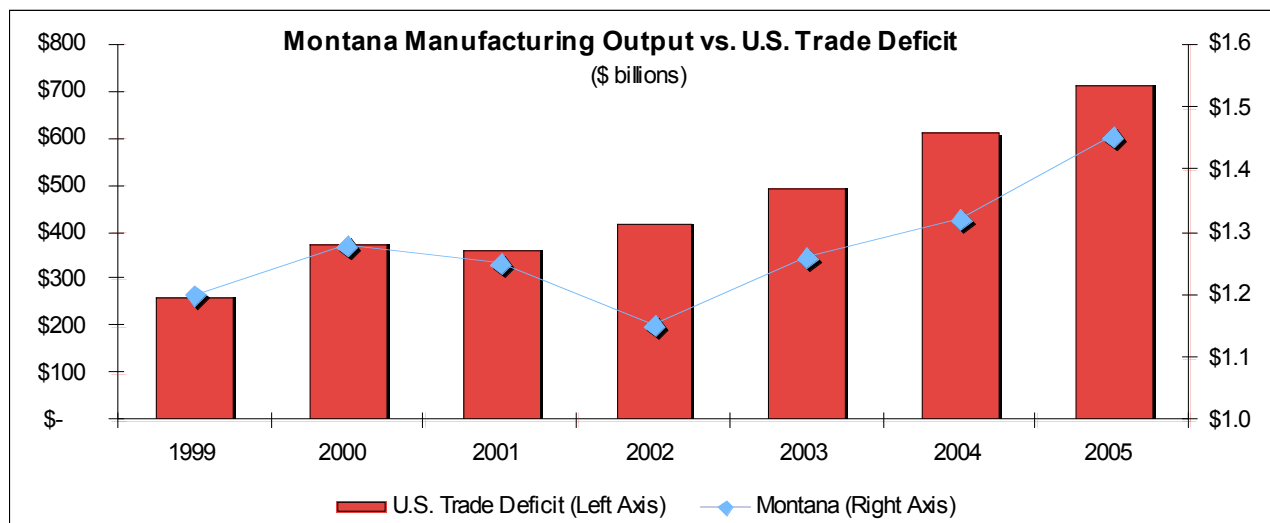
Raw materials, capital goods and industrial products used to manufacture goods in the United States account for approximately half of total U.S. merchandise imports.

- Numerous Montana manufacturing sectors benefit from lower prices provided by imports.
- Wood products and furniture manufacturers import lumber, some of which is not indigenous to the United States, from Canada and other countries to produce goods for the domestic market.
- Fabricated metals producers import iron, steel, and aluminum for forging, stamping, and other metal manufacturing uses.

Capital Goods Imports Benefiting Montana'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%

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



MONTANA'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 Montana's growth, and account for **13 percent of state GDP**, two and a half times more than manufacturing.
- Imports comprise a significant portion of Montana **transportation and product sales** (both wholesale and retail). These industries account for **17 percent** of state GDP.

MONTANA FAMILIES ENJOY A HIGHER STANDARD OF LIVING BECAUSE OF IMPORTS

Imports help keep prices for Montana 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 Montana 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).

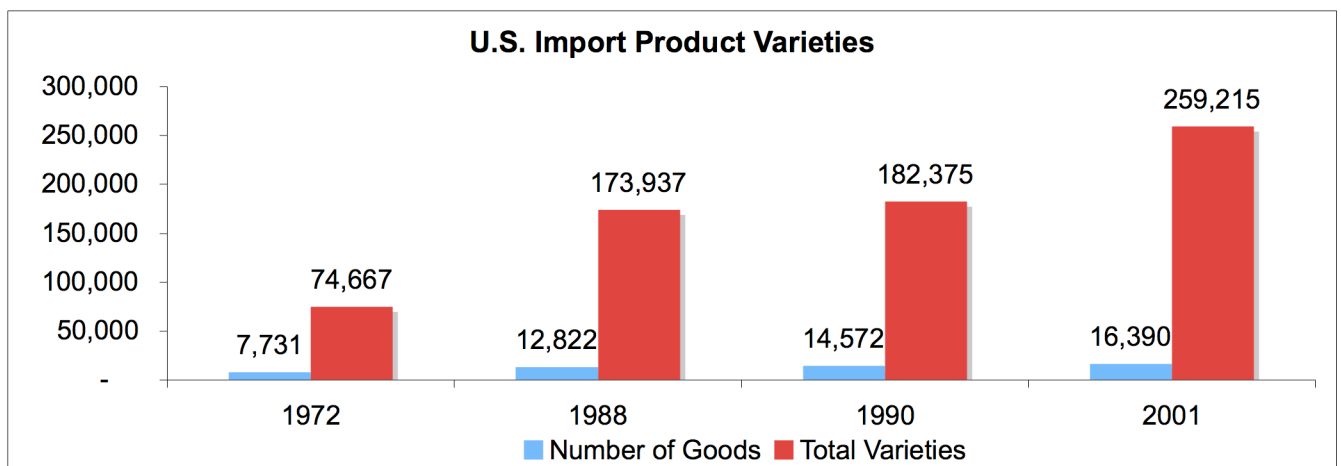
Trade and Low Inflation: Price Changes (1997-2004)	
<u>Traded Goods</u>	<u>Price Change</u>
Toys	-36%
Household Appliances	-15%
Clothing	-11%
Footwear	-6%
<u>Non-Traded Goods</u>	
Milk	24%
Margarine	22%
Ice Cream	17%
Sugar	9%

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

- In 2005, 25,000 families in Montana 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.

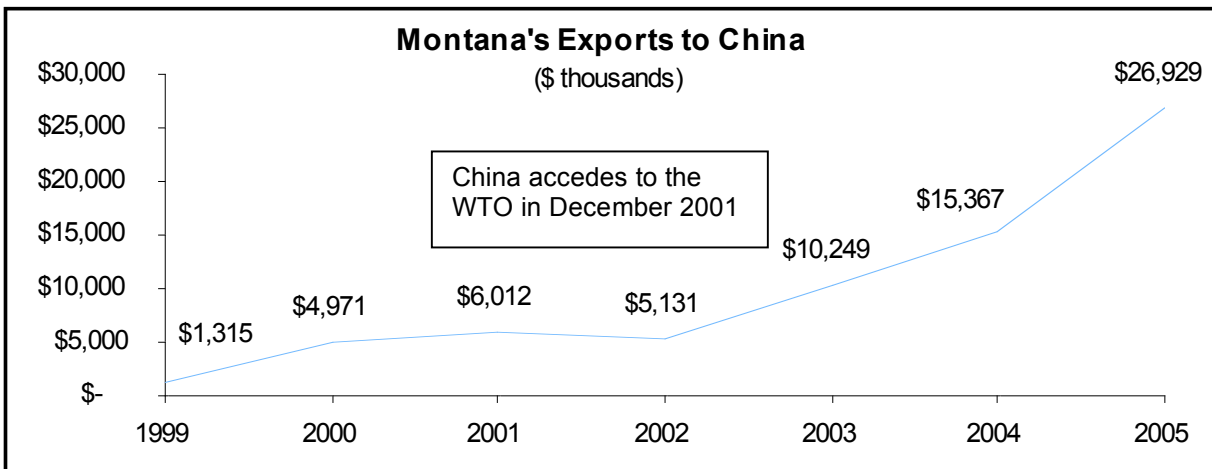
- Trade allows consumers to enjoy products with limited U.S. production (e.g., coffee) as well as out-of-season goods (e.g., strawberries in January).
- The number of product varieties imported by the United States increased fourfold over the last three decades.



MORE OF A GOOD THING FOR MONTANA – 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, Montana's exports to Canada have increased \$212 million (133 percent), while exports to Mexico have increased \$26 million (206 percent).
- In 2001, a recession year, Montana's total trade with **Canada** generated \$346 million for Montana's economy and supported more than 16,000 jobs.
- Similarly, China's accession to the World Trade Organization in late 2001 has had a significant effect on export growth from Montana to China.



SOURCES

JOBS

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Norilsk Nickel website (<http://www.nornik.ru/en/production/stillwater/>)
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STANDARD OF LIVING

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