



Trade Makes North Carolina Strong

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

TRADE CREATES JOBS FOR NORTH CAROLINIANS

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

- Today, trade supports **878,411 – 17.6 percent of all jobs** – in North Carolina, up from 8.4 percent in 1992.

North Carolina’s Three Most Export-Intensive Industries

<u>Industry</u>	<u>% Export-Related</u>
Primary Metals	34.2%
Computers	27.0
Textile Mills	26.1

Trade through **North Carolina’s ports** support **85,000 jobs** and contribute nearly **\$300 million annually** in state and local **tax revenues**.

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

- In 2004, more than **8,200 North Carolina companies** sold their products abroad; 7,015 exporters – **84.8 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 NORTH CAROLINA STRONG

Trade supports nearly one in five jobs in North Carolina.

North Carolina’s exports have increased twice as fast as its GDP.

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

5.6% of North Carolina’s GDP was from exports in 2005.

Foreign-owned companies employ 198,000 workers in North Carolina.

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% of North Carolina’s GDP.

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

NAFTA worked for North Carolina. In 2005, North Carolina exports to Canada and Mexico totaled \$6.5 billion.

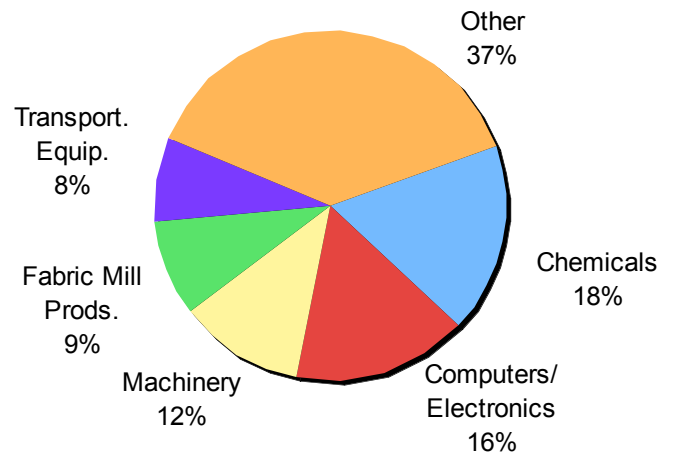
NORTH CAROLINA'S FARMERS AND KEY INDUSTRIES GROW WITH EXPORTS

North Carolina exported **\$1.6 billion** worth of **agricultural products** in 2005 and ranked among the top 10 U.S. exporters of **tobacco** (2nd), **cotton** (6th), and **cottonseed** (6th).

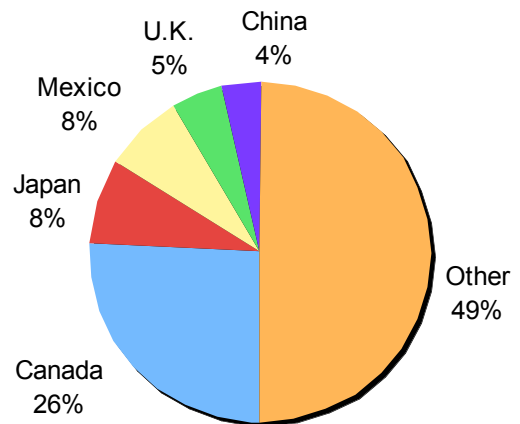
According to the U.S. Department of Commerce, North Carolina ranked 14th in the United States with **total exports valued at \$19.5 billion** in 2005.

- **Chemicals** were North Carolina's leading export product in 2005, accounting for 18 percent of total exports.
- One of the fastest growing exports for North Carolina is **transportation equipment**, which grew at an **annual rate of 17.8 percent** between 2001 and 2005.
- In 2005, North Carolina companies sold their products in **207 foreign markets**.
- The top export market is **Canada** (\$5.0 billion). Other leading markets include **Japan** (\$1.6 billion) and **Mexico** (\$1.5 billion).
- **Honduras** is one of North Carolina's fastest growing trading partners. In 2005, North Carolina companies **exported \$678 million** worth of goods to Honduras, an increase of **138 percent** since 2000.
- In 2005, exports represented approximately **5.6 percent of North Carolina's state GDP**.
- Since 2002, exports have increased **almost two times faster** than state GDP.

Leading Export Products



Leading Export Markets



*At a time when many states slashed their trade expenditures to cover budget shortfalls, North Carolina maintained a **\$2.6 million annual budget** for the International Trade Division (ITD). Now the state and its producers are benefiting from the active trade promotion. In 2005 alone, ITD:*

- *Assisted **264 companies** with their export programs, leading to **\$62.4 million** in additional sales.*
- *Led **business development trips** that visited **12 countries** in **Europe, Asia, and the Middle East**.*
- *Operated **foreign trade offices** in **Canada, Mexico, Japan, Germany, China, and Korea**.*

“You have to make it clear that you’re very committed to international commerce. You can’t do that by start and stop.”

-Peter Cunningham, N.C. Department of Commerce, Director of International Trade

NORTH CAROLINA WORKERS & BUSINESSES BENEFIT FROM FOREIGN INVESTMENT

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

- Foreign-owned companies employ **more than 198,000 workers**, nearly 6 percent of all North Carolina employees, **ranking it 10th** in the nation in “insourced” workers.
- **Manufacturing** accounts for **78,400 insourced jobs**, 13 percent of all manufacturing jobs in North Carolina.
- U.S. subsidiaries of **foreign companies pay** an average compensation of \$63,428 per year, **32 percent higher** than U.S. companies.

*In December 2006, **BSH Home Appliances**, a subsidiary of German manufacturer Bosch und Siemens Hausgerate, announced that it was **investing \$11 million** to expand its **New Bern** facility.*

*The move will create up to **225 jobs** with an **average annual salary that is \$4,000 higher** than the county average.*

*“Today’s announcement shows that North Carolina has the skilled workforce and business environment to encourage international manufacturers like **BSH Home Appliances** to expand. We will continue our aggressive economic development efforts to ensure that the state remains in the top rankings of industry recruiting surveys.”*

-Governor Mike Easley

Selected Corporations with Operations in North Carolina

<u>Company</u>	<u>Industry</u>	<u>Country</u>
Bridgestone Americas	Rubber Products	Japan
DaimlerChrysler	Transportation Equipment	Germany
Degussa	Chemicals	Germany
GlaxoSmithKline	Pharmaceuticals	United Kingdom
Miller Brewing Co.	Alcoholic Beverages	United Kingdom
Smiths Aerospace	Aerospace	United Kingdom
Rexam	Consumer Product Packaging	United Kingdom
Sodexo	Food/Facility Management	France
Square D	Electrical Equipment	France

*The North Carolina Department of Commerce’s **Job Development Investment Grant (JDIG)** allows the state to award up to **25 grants annually** to **strategically important new or expanding businesses**. While it is open to both domestic and foreign firms, over the last several years it has been **very successful at attracting foreign investment**. Select foreign projects include:*

- **\$140 million** investment (two separate grants) by Credit Suisse (Switzerland)
- **\$100 million** investment by Novo Nordisk (Denmark)
- **\$92 million** investment by GlaxoSmithKline (United Kingdom)
- **\$84 million** investment by Lenovo (China)
- **\$80 million** investment by Unilin (Belgium)
- **\$44 million** investment by Smiths Aerospace (United Kingdom)

NORTH CAROLINA 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 manufacturing sectors in North Carolina benefit from imports.
- North Carolina **chemical manufacturers** import inexpensive chemicals (e.g., chlorine, alcohols, etc.) to produce **high-value specialty chemicals** such as **paints and coatings, pesticides, and adhesives**.
- North Carolina **textile manufacturers** use imported **fibers and machinery** to produce goods for the U.S. market.

Capital Goods Imports Benefiting North Carolina'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%

Manufacturers' use of imported raw materials means that increasing imports do not negatively affect North Carolina's manufacturing output.

- In 2005, increasing imports contributed to a record U.S. trade deficit. However, North Carolina also experienced **record manufacturing output of \$67.2 billion, an increase of 4.8 percent** from 2004.

NORTH CAROLINA'S SERVICES INDUSTRIES BENEFIT FROM IMPORT-DRIVEN DEMAND

Numerous **services industries** benefit from business generated by imported goods, particularly at and around the **Ports of Wilmington and Morehead**.

- **Professional services**, including finance, insurance, marketing, and legal services, are needed to market imported products. These industries are vital to North Carolina's growth, and account for **18.9 percent of state GDP**.
- Imports comprise a significant portion of North Carolina **transportation and product sales** (both wholesale and retail), which account for **14.7 percent of state GDP**.

*Recognizing the impact that trade has on the economy, the North Carolina State Ports Authority is rapidly expanding its capabilities. The **Port of Wilmington** is in the middle of a **five-year, \$143 million expansion** while plans are underway to build a new **International Port** near the **Cape Fear River**.*

*"The **International Port** will enable our state to compete more effectively for major manufacturing and assembly plants, comparable to **BMW and Daimler Chrysler** in South Carolina and **Airbus** in Alabama. All of those projects – bringing with them thousands of jobs to the chosen states – require a world-class port, and we plan to build that port for North Carolina."*

-Jim Eager, CEO, North Carolina State Ports Authority

NORTH CAROLINA FAMILIES ENJOY A HIGHER STANDARD OF LIVING BECAUSE OF IMPORTS

Imports help keep prices for North Carolina 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 North Carolina 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).

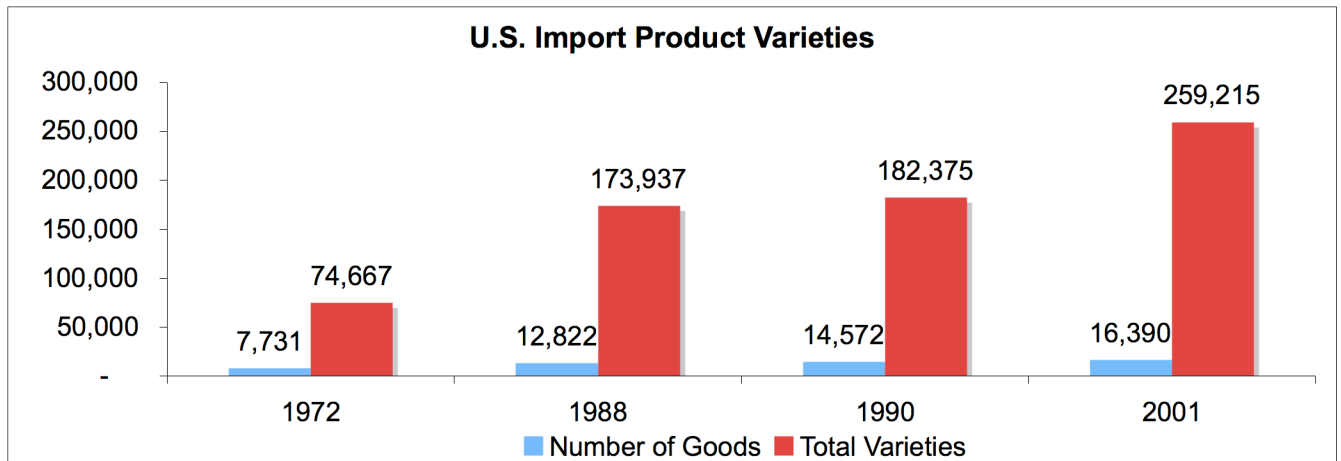
Trade and Low Inflation: Price Changes (1997-2004)	
<u>Traded Goods</u>	<u>Price Change</u>
Toys	-36%
Household Appliances	-15%
Clothing	-11%
Footwear	-6%
<u>Non-Traded Goods</u>	
Milk	24%
Margarine	22%
Ice Cream	17%
Sugar	9%

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

- In 2005, 235,000 families in North Carolina 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.

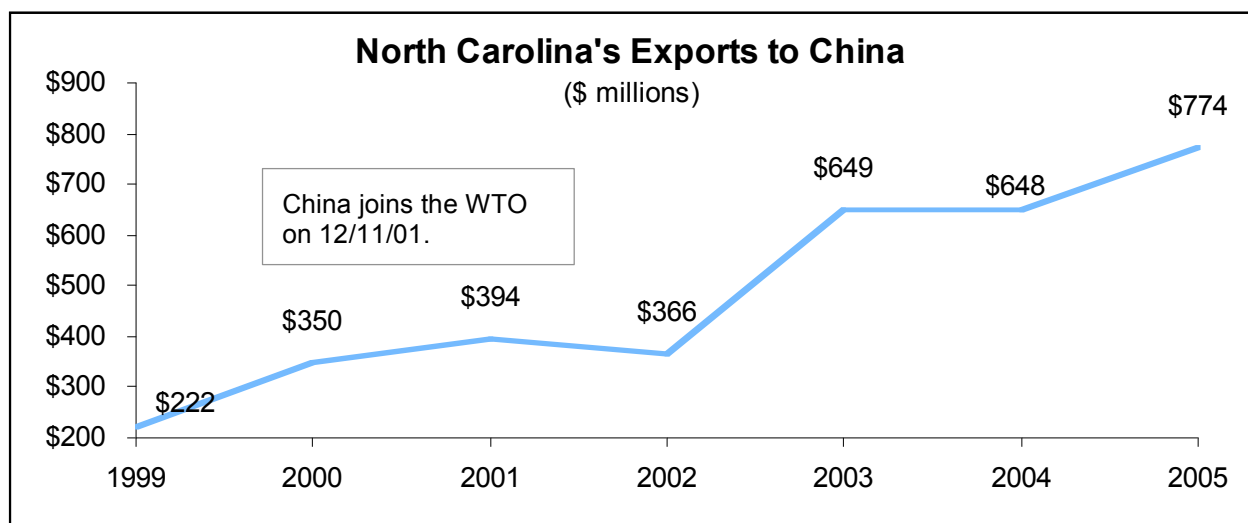
- Trade allows consumers to enjoy products with limited U.S. production (e.g., coffee) as well as out-of-season goods (e.g., strawberries in January).
- The number of product varieties imported by the United States increased fourfold over the last three decades.



MORE OF A GOOD THING FOR NORTH CAROLINA – 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, North Carolina's exports to Canada have increased \$2.6 billion (103 percent), while exports to Mexico have increased \$1.0 billion (218 percent).
- In 2001, a recession year, North Carolina's total trade with **Canada** generated \$4.5 billion for North Carolina's economy and supported 150,635 jobs.
- Similarly, **China's** membership in the World Trade Organization, which went into effect in 2001, has had a significant effect on export growth from North Carolina to China.



SOURCES

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(<http://www.governor.state.nc.us/News/PressReleases/Default.asp>)
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IMPORTS

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STANDARD OF LIVING

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U.S. Department of Commerce (<http://www.bea.gov/>)
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TRADE LIBERALIZATION

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