

Business Roundtable

Trade Makes Nebraska Strong

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

TRADE CREATES JOBS FOR NEBRASKANS

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

- Today, trade supports **222,965 jobs** in Nebraska.
- **18.6 percent of jobs** in Nebraska are supported by trade, up from 11.2 percent in 1992.
- As trade in Nebraska has grown, unemployment has fallen. Nebraska’s unemployment rate – **3.8 percent** – is below the national average.

Nebraska’s Three Most Export-Intensive Industries

Industry	% Export-Related
Computers/Electronics	46.2%
Machinery	24.5
Chemicals	24.1

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

- In 2004, more than **1,500 Nebraska companies** sold their products abroad.
- 1,189 exporters – **79 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 NEBRASKA STRONG

Trade supports nearly one in five jobs in Nebraska.

Nebraska exported **\$2.8 billion** worth of agricultural products in 2005.

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

4.2% of Nebraska’s 2005 GDP was from exports.

Foreign-owned companies employ **20,000** Nebraskans.

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

Half of imports are raw materials and other manufacturing inputs.

Marketing imports demand services, which account for **16.6%** of Nebraska’s GDP.

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

NAFTA worked for Nebraska. In 2005, Nebraska exports to Canada and Mexico were **\$891 million** and **\$529 million**.

NEBRASKA'S FARMERS AND KEY INDUSTRIES GROW WITH EXPORTS

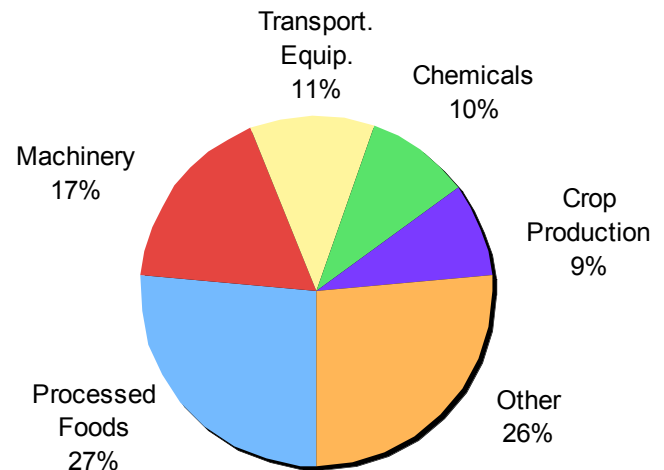
Nebraska farmers are strong exporters. The state exported **\$2.8 billion** worth of **agricultural products** in 2005.

- Nebraska ranks among the top 10 U.S. exporters of **animal hides & skins** (1st), **livestock and meats** (2nd), and **feed grains** (3rd).

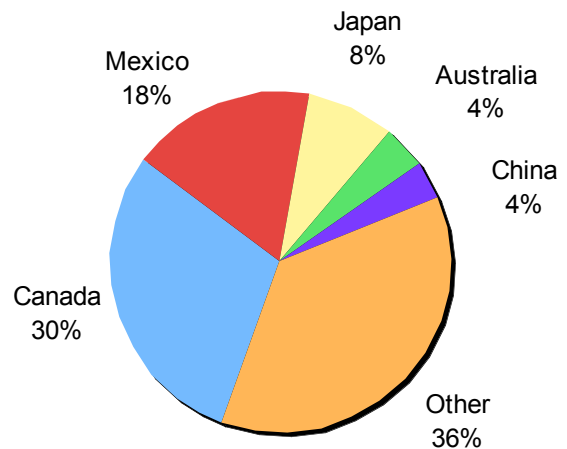
According to the U.S. Department of Commerce, Nebraska's **total exports had a value of \$3.0 billion** in 2005.

- **Processed foods** were Nebraska's leading export product in 2005 accounting for 27 percent of total exports.
- One of the fastest growing exports for Nebraska is **machinery**, which grew at an annual rate of 23.8 percent between 2001 and 2005.
- In 2005, Nebraska companies sold their products in **168 foreign markets**.
- The top export market is **Canada** (\$891 million). Other leading markets include **Mexico** (\$529 million) and **Japan** (\$249 million).
- **Qatar** is one of Nebraska's fastest growing trading partners. In 2005, Nebraska companies exported **\$78 million worth of goods to Qatar**, up from **just \$38,000** in 2000.
- In 2005, exports represented approximately **4.2 percent of Nebraska's state GDP**.

Leading Export Products



Leading Export Markets



In an effort to promote Nebraska's exports, Governor Dave Heineman frequently leads delegations of Nebraska companies on international trade missions. Since taking office in January 2005, Governor Heineman has led four missions and has scheduled another mission to Cuba in March 2007.

Trade missions have generated sales contracts for Nebraska companies to export beans, corn, wheat, turkey, pork, beef, and soybeans. An August 2005 mission to Cuba also resulted in the signing of letter of memorandum promising \$30 million in purchases, which Cuba has already fulfilled.

NEBRASKA WORKERS & BUSINESSES BENEFIT FROM FOREIGN INVESTMENT

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

- Foreign-owned companies employ **more than 20,000 workers**, nearly three percent of all Nebraska employees.
- **Manufacturing** accounts for **7,300 “insourced” jobs**, representing 36 percent of all insourced jobs in Nebraska.
- U.S. subsidiaries of **foreign companies pay** an average compensation of \$63,428 per year, **32 percent higher** than U.S. companies.

Japanese company Kawasaki Motors Corp began operating in Nebraska in 1974. After multiple expansions, it is now one of the largest manufacturers in the Lincoln area.

In addition to manufacturing motorcycles and other all-terrain vehicles, Kawasaki maintains a Lincoln Research and Development Center. Together, the two facilities employ more than 1,000 Nebraskans.

Selected Corporations with Operations in Nebraska

<u>Company</u>	<u>Industry</u>	<u>Country</u>
BAE Systems, Inc.	Defense/Aerospace	United Kingdom
Bridgestone Americas	Rubber Products	Japan
Cadbury Schweppes	Food Products	United Kingdom
McCain	Food Products	Canada
Nestle USA, Inc.	Food Products	Switzerland
Novartis	Pharmaceuticals	Switzerland
Sodexo	Food/Facilities Management	France
Square D	Electrical Equipment	France
Zurich North America	Financial Services	Switzerland

In December 2006, Lieutenant Governor Rick Sheehy attended the opening of the state’s first international office, the Nebraska Center, in Japan. The Nebraska Center aims to foster greater investment by Japanese companies in Nebraska, already a leading source of foreign investment, as well as promote Nebraskan exports to Japan and build greater cultural and economic ties.

“In Japan and across the Pacific Rim, we must work to establish and broaden our reputation as a valuable trading partner. I look forward to helping strengthen and expand our international relationships in hopes of helping create jobs here in Nebraska.”

-Lieutenant Governor Sheehy

NEBRASKA MANUFACTURERS NEED IMPORTS TO BE COMPETITIVE

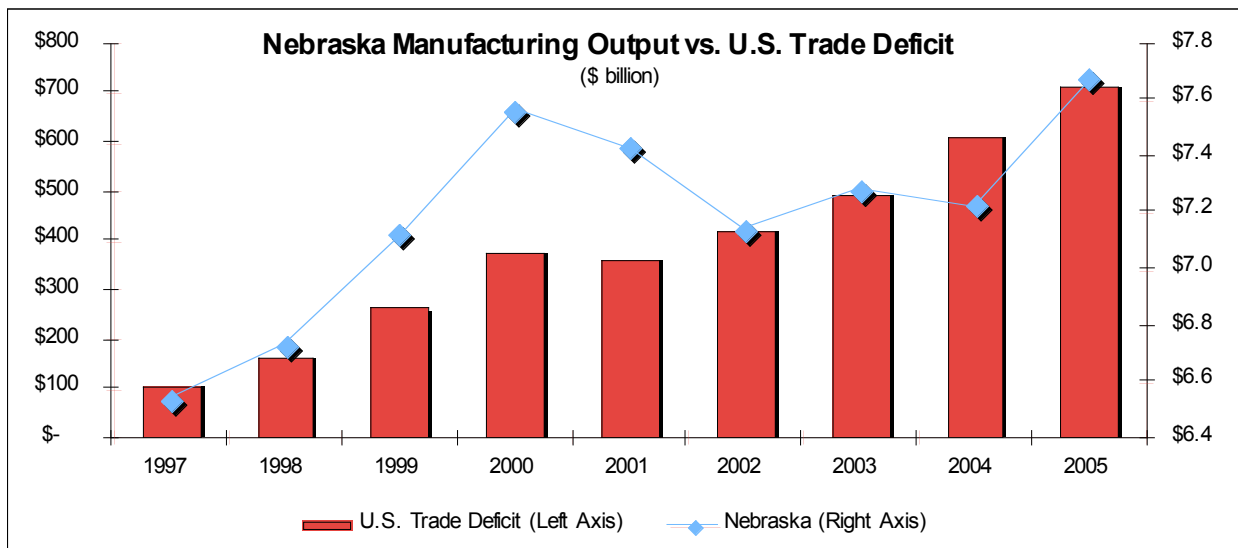
Raw materials, capital goods and industrial products used to manufacture goods in the United States account for approximately half of total U.S. merchandise imports.

- Numerous Nebraska sectors benefit from imports in some way.
- Imported **fertilizers and minerals** help **Nebraska farmers** keep costs low and improve productivity.
- Nebraska's **machinery manufacturers** use imported **steel** to produce industrial equipment for the U.S. market.

Capital Goods Imports Benefiting Nebraska'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%

Nebraska's manufacturing output is considerably higher than a decade ago. In fact, the state experienced some of its strongest growth during periods when imports contributed to increasing national trade deficits.



NEBRASKA'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 Nebraska's growth, and account for **16.6 percent of state GDP**, 1.5 times more than manufacturing.
- Imports comprise a significant portion of Nebraska's **transportation and product sales** (both wholesale and retail). These industries account for 20.5 percent of state GDP.

NEBRASKA FAMILIES ENJOY A HIGHER STANDARD OF LIVING BECAUSE OF IMPORTS

Imports help keep prices for Nebraska 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 Nebraska 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)

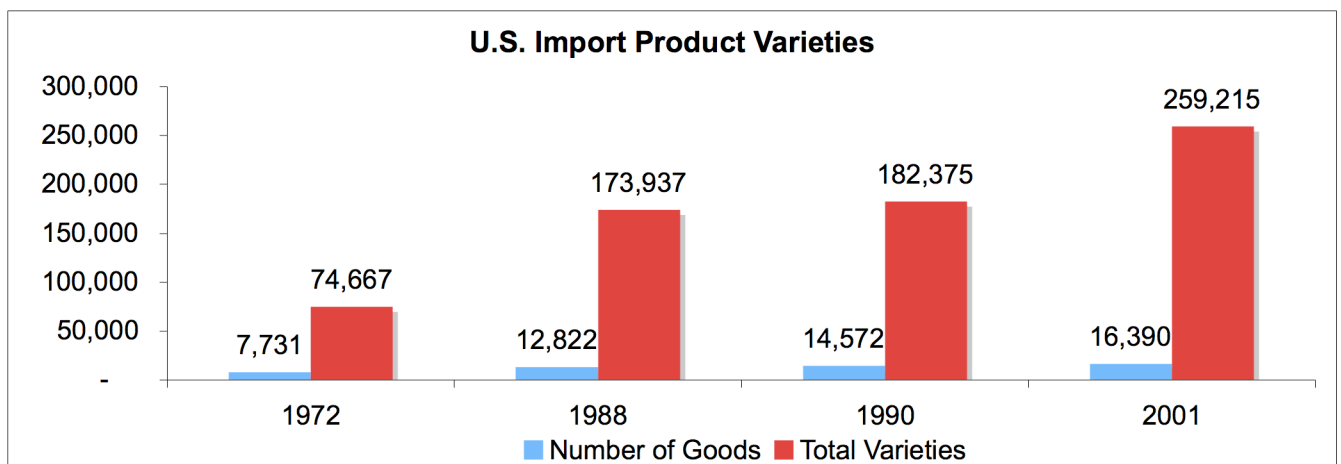
<u>Traded Goods</u>	<u>Price Change</u>
Toys	-36%
Household Appliances	-15%
Clothing	-11%
Footwear	-6%
<u>Non-Traded Goods</u>	
Milk	24%
Margarine	22%
Ice Cream	17%
Sugar	9%

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

- In 2005, 35,000 families in Nebraska 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.

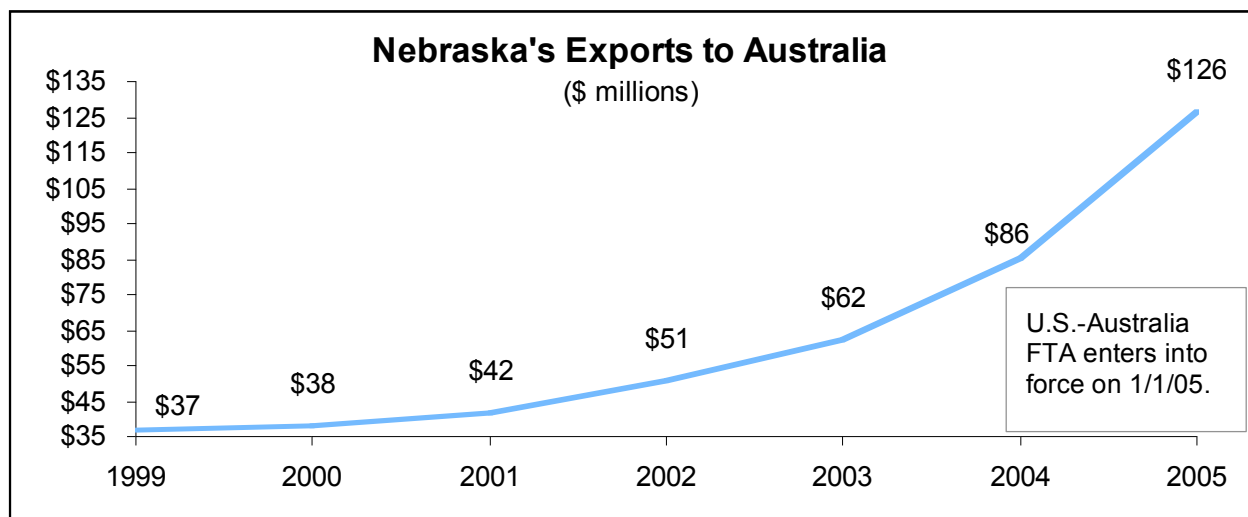
- Trade allows consumers to enjoy products with limited U.S. production (e.g., coffee) as well as out-of-season goods (e.g., strawberries in January).
- The number of product varieties imported by the United States increased fourfold over the last three decades.



MORE OF A GOOD THING FOR NEBRASKA – 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, Nebraska's exports to Canada have increased \$570 million (178 percent), while exports to Mexico have increased \$425 million (410 percent).
- In 2001, a recession year, Nebraska's total trade with **Canada** generated \$971 million for Nebraska's economy and supported 35,507 jobs.
- Similarly, the free trade agreement with **Australia**, which went into effect in 2005, has had a significant effect on export growth from Nebraska to Australia.



SOURCES

JOBS

Laura Baughman and Joseph Francois (<http://www.businessroundtable.org>)
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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

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IMPORTS

U.S. Department of Labor (<http://www.bls.gov/mxp/home.htm>)
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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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Joseph Francois and Laura Baughman
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