



Trade Makes Oklahoma Strong

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

TRADE CREATES JOBS FOR OKLAHOMANS

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

- Today, trade supports **370,074 jobs** in Oklahoma.
- **18.3 percent of jobs** in Oklahoma are supported by trade, up from 11.3 percent in 1992.
- As trade in Oklahoma has grown, unemployment has fallen. Oklahoma’s unemployment rate – **4.4 percent** – is below the national average.

Oklahoma’s Three Most Export-Intensive Industries

<u>Industry</u>	<u>% Export-Related</u>
Primary Metals	33.3%
Machinery	27.7
Transportation Equipment	22.8

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

- In 2004, more than **2,400 Oklahoma companies** sold their products abroad.
- 1,944 exporters – **81.8 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.

<http://trade.businessroundtable.org>

TEN WAYS TRADE MAKES OKLAHOMA STRONG

Trade supports nearly one in five jobs in Oklahoma.

Oklahoma’s exports have increased three times faster than its GDP.

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

Exports generated nearly 4% of Oklahoma’s 2005 GDP.

Foreign-owned companies employ 31,700 Oklahomans.

Foreign-owned firms pay workers 32% more.

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

Marketing imports demand services, which account for 12.6% of Oklahoma’s GDP.

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

NAFTA worked for Oklahoma. In 2005, Oklahoma exports to Canada and Mexico were \$1.7 billion and \$391 million.

OKLAHOMA'S FARMERS AND KEY INDUSTRIES GROW WITH EXPORTS

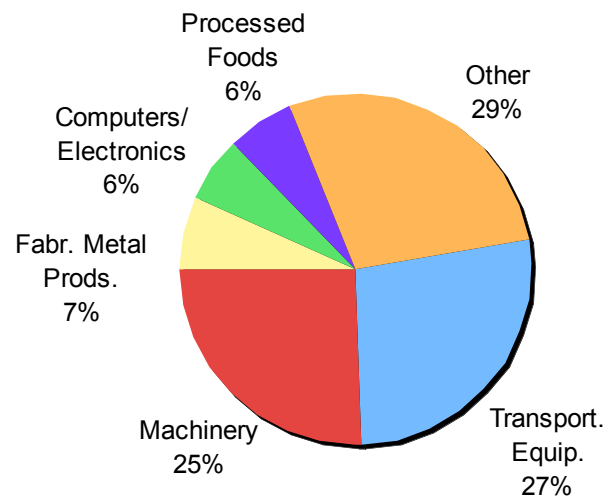
Oklahoma farmers are strong exporters. The state exported **\$822 million** worth of **agricultural products** in 2005.

- Oklahoma ranks among the top 10 U.S. exporters of **wheat** (4th), **peanuts** (7th), and **feeds and fodder** (8th).

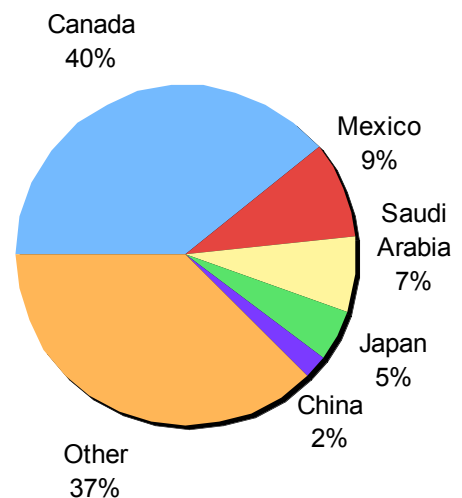
According to the U.S. Department of Commerce, Oklahoma ranked 32nd in the United States with **total exports valued at \$4.3 billion** in 2005.

- **Transportation equipment** was the state's leading export in 2005, accounting for **27 percent** of total exports.
- One of the fastest growing exports for Oklahoma is **livestock and animal products**, which grew at an annual rate of 733 percent between 2001 and 2005.
- In 2005, Oklahoma companies sold their products in **167 foreign markets**.
- The top export market is **Canada** (\$1.7 billion). Other leading markets include **Mexico** (\$391 million) and **Saudi Arabia** (\$316 million).
- **Kuwait** is one of Oklahoma's fastest growing trading partners. In 2005, Oklahoma companies exported \$78 million worth of goods to Kuwait, an increase of 581 percent since 2001.
- In 2005, exports represented approximately **3.6 percent of Oklahoma's state GDP**.
- Since 2002, exports have increased **three times faster** than state GDP.

Leading Export Products



Leading Export Markets



“Like all states, it is critical that Oklahoma appreciate and accommodate the realities of the 21st Century global marketplace. Many lower-wage jobs are going overseas and many import markets are opening up for Oklahoma products and Oklahoma-based services. We must be proactive regarding such developments.”

-Governor Brad Henry

OKLAHOMA WORKERS & BUSINESSES BENEFIT FROM FOREIGN INVESTMENT

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

- Foreign-owned companies employ **more than 31,700 workers**, nearly three percent of all Oklahoma employees.
- **Manufacturing** accounts for **11,200 “insourced” jobs**, representing 35 percent of all insourced jobs in Oklahoma.
- U.S. subsidiaries of **foreign companies pay** an average compensation of \$63,428 per year, **32 percent higher** than U.S. companies.

Selected Corporations with Operations in Oklahoma

<u>Company</u>	<u>Industry</u>	<u>Country</u>
BP	Petroleum/Chemicals	United Kingdom
Bridgestone Americas	Rubber Products	Japan
Deutsche Telekom	Telecommunications	Germany
GlaxoSmithKline	Pharmaceuticals	United Kingdom
HSBC	Financial Services	United Kingdom
Lafarge North America	Building Materials	France
Michelin	Rubber Products	France
Nestle USA, Inc.	Food Products	Switzerland
Oldcastle Inc.	Building Materials	Ireland
Saint-Gobain	Glass & Engineered Materials	France
Siemens	Machinery	Germany
Sigma Alimentos	Food Products	Mexico

In July 2006, MG Motors North America/Europe, a venture of China’s oldest carmaker, Nanjing Automobile Corporation, announced that it had chosen Oklahoma for its new operations.

The company, which will attempt to revive the classic British MG brand in the United States, will locate its headquarters in Oklahoma City, an assembly plant in Ardmore, and a research and development component in Norman, at the University of Oklahoma. All totaled, MG will create more than 500 jobs in Oklahoma, including 325 manufacturing jobs, with an annual payroll in excess of \$30 million.

“To ensure a prosperous future for Oklahoma, it is vital that we understand the global economy and position ourselves accordingly. Amid the realities of the global marketplace, it is especially exciting that MG Motors North America/Europe announced earlier this month that it will locate in Oklahoma.

Interconnected economies have made the world smaller, and Oklahoma is riding the crest of this change.”

-Governor Brad Henry

OKLAHOMA MANUFACTURERS NEED IMPORTS TO BE COMPETITIVE

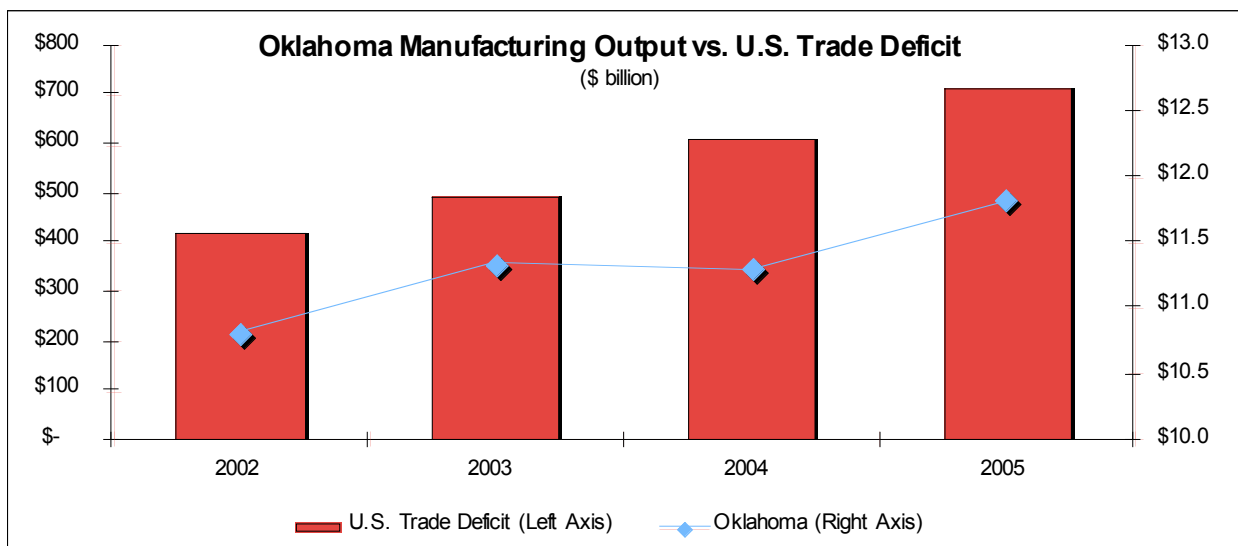
Raw materials, capital goods and industrial products used to manufacture goods in the United States account for approximately half of total U.S. merchandise imports.

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

Capital Goods Imports Benefiting Oklahoma'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%

Despite increasing national trade deficits, Oklahoma's manufacturing output has increased by nearly \$1 billion since 2002.



OKLAHOMA'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 Oklahoma's growth, and account for **12.6 percent of state GDP**, 1.3 times more than manufacturing.
- Imports comprise a significant portion of Oklahoma's **transportation and product sales** (both wholesale and retail). These industries account for 15.3 percent of state GDP.

OKLAHOMA FAMILIES ENJOY A HIGHER STANDARD OF LIVING BECAUSE OF IMPORTS

Imports help keep prices for Oklahoma 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 Oklahoma 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)

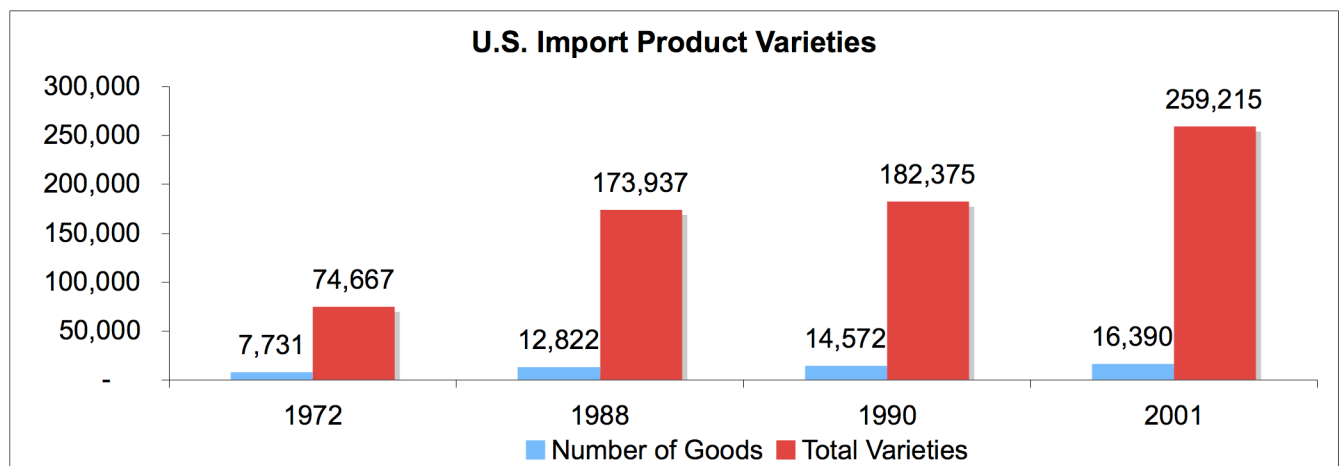
<u>Traded Goods</u>	<u>Price Change</u>
Toys	-36%
Household Appliances	-15%
Clothing	-11%
Footwear	-6%
<u>Non-Traded Goods</u>	
Milk	24%
Margarine	22%
Ice Cream	17%
Sugar	9%

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

- In 2005, 117,000 families in Oklahoma 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.

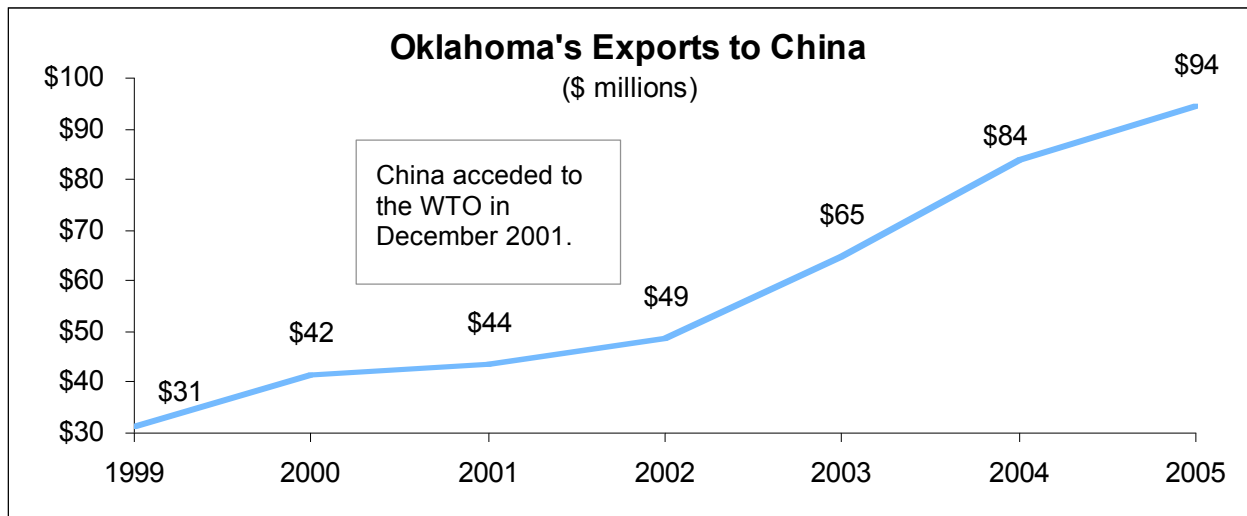
- Trade allows consumers to enjoy products with limited U.S. production (e.g., coffee) as well as out-of-season goods (e.g., strawberries in January).
- The number of product varieties imported by the United States increased fourfold over the last three decades.



MORE OF A GOOD THING FOR OKLAHOMA – 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, Oklahoma's exports to Canada have increased \$1.0 billion (163 percent), while exports to Mexico have increased \$222 million (137 percent).
- In 2001, a recession year, Oklahoma's total trade with **Canada** generated \$1.4 billion for Oklahoma's economy and supported 58,386 jobs.
- Similarly, **China's** accession to the World Trade Organization, which went into effect in late 2001, has had a significant effect on export growth from Oklahoma to China.



SOURCES

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STANDARD OF LIVING

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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/>)
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