



# Trade Makes Tennessee Strong

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

## TRADE CREATES JOBS FOR TENNESSEANS

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

- Today, trade supports **617,437 jobs** in Tennessee.
- **17.4 percent of jobs** in Tennessee are supported by trade, up from 9.0 percent in 1992.

### *Tennessee’s Three Most Export-Intensive Industries*

<u>Industry</u>	<u>% Export-Related</u>
Primary Metals	33.3%
Chemicals	29.7
Transportation Equipment	24.7

Tennessee’s **five international ports** generate **billions of dollars for the state economy** and **support thousands of jobs**.

- Trade through the Port of Memphis alone provides nearly **17,000 jobs** in Shelby County and **\$5.5 billion** to the local economy.

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

- In 2004, more than **5,300 Tennessee companies** sold their products abroad.
- 4,188 exporters – **78.7 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 TENNESSEE STRONG

Trade supports more than one in six jobs in Tennessee.

Tennessee’s exports have increased 3.3 times faster than its GDP since 2002.

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

8.3% of Tennessee’s GDP was from exports in 2005.

Foreign-owned companies employ 136,000 Tennesseans.

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 14.3% of Tennessee’s GDP.

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

NAFTA worked for Tennessee. In 2005, Tennessee exports to Canada and Mexico totaled nearly \$9 billion.

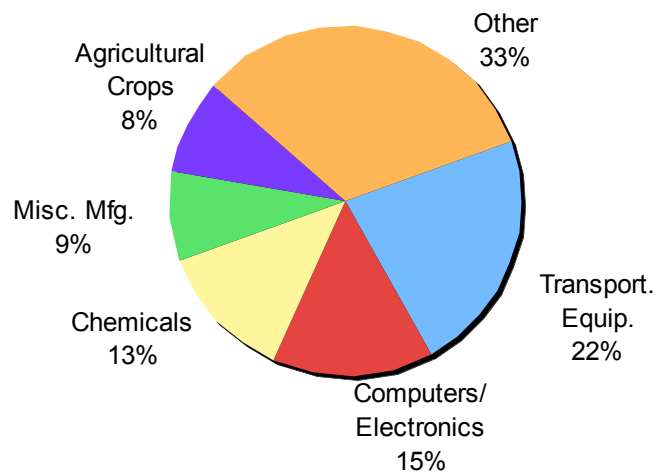
## TENNESSEE'S FARMERS AND KEY INDUSTRIES GROW WITH EXPORTS

Tennessee farmers are strong exporters. The state exported **\$761 million** worth of **agricultural products** in 2005 and ranked among the top 10 U.S. exporters of **tobacco** (3<sup>rd</sup>), **cotton and linters** (7<sup>th</sup>), and **cottonseed** (7<sup>th</sup>).

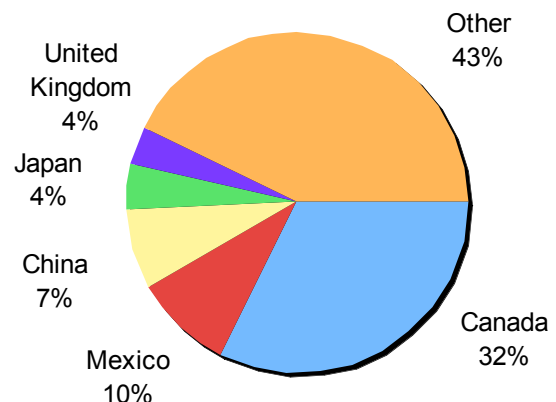
According to the U.S. Department of Commerce, Tennessee ranked 16<sup>th</sup> in the United States with **total exports valued at \$19.1 billion** in 2005.

- **Transportation equipment** was the state's leading export product in 2005, accounting for 22 percent of exports.
- One of the fastest growing exports for Tennessee is **agricultural crops**, which grew at an annual rate of 61 percent between 2001 and 2005.
- In 2005, Tennessee companies sold their products in **nearly 200 foreign markets**.
- The top export market is **Canada** (\$6.1 billion). Other leading markets include **Mexico** (\$1.8 billion) and **China** (\$1.4 billion).
- **China** is one of Tennessee's fastest growing trading partners. In 2005, Tennessee companies exported \$1.4 billion worth of goods to China, an increase of 802 percent since 2000.
- In 2005, exports represented approximately **8.3 percent of Tennessee's state GDP**.
- Tennessee's share of exports to GDP ranked 11<sup>th</sup> among all states in 2005.
- Since 2002, exports have increased **3.3 times faster** than state GDP.

**Leading Export Products**



**Leading Export Markets**



*"In this era of open global markets, businesses in Tennessee have two clear choices when it comes to international trade: they can either embrace it and profit from it or they can ignore it. I clearly believe that learning about the process of exporting Tennessee products to foreign markets is the most beneficial approach for both the health of Tennessee's economy and for the prospect of creating more jobs in Tennessee."*

*-Governor Phil Bredesen, announcing the creation of the Export Tennessee program for small and medium-sized businesses in November 2005*

## TENNESSEE WORKERS & BUSINESSES BENEFIT FROM FOREIGN INVESTMENT

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

- **629 divisions**, affiliates, and subsidiaries of foreign-owned companies from **27 countries** operate in Tennessee.
- These companies employ **nearly 136,000 workers**, over five percent of all Tennessee employees, **ranking it 15<sup>th</sup>** in the nation in “insourced” workers.
- **Manufacturing** accounts for **67,000 insourced jobs**, representing 53 percent of all manufacturing jobs in Tennessee.
- U.S. subsidiaries of **foreign companies pay** an average compensation of \$63,428 per year, **32 percent higher** than U.S. companies.

*Denso Tennessee, a subsidiary of Japanese auto parts manufacturing company Denso Corp, is investing \$185 million to expand its Maryville facility.*

*The plant, which will create up to 500 jobs by 2010, will produce electronic instruments for automobiles. Even before its latest expansion, Denso Tennessee employed 2,500 fulltime workers and had invested more than \$850 million.*

*Tennessee has attracted significant Japanese investment—approximately \$12 billion—ranking second only to California among all U.S. states.*

### Selected Corporations with Operations in Tennessee

<u>Company</u>	<u>Location</u>	<u>Employees</u>	<u>Industry</u>	<u>Country</u>
American Water Heater Co.	Multiple (3)	1,112	Heaters	Canada
Bridgestone	Multiple (6)	3,420	Tires	Japan
Food Lion	Clinton	300	Grocery Stores	Belgium
General Shale Products	Multiple (8)	470	Concrete	Austria
Gerdau AmeriSteel	Multiple (4)	755	Fabricated Metal	Brazil
Harris Tarkett, Inc.	Johnson City	380	Wood Mills	Germany
Hutcheson HTS	Multiple (4)	1,100	Rubber Products	France
Mahle	Multiple (2)	1,823	Auto Parts	Germany
Nissan	Multiple (3)	7,400	Transport. Equip.	Japan
Quebecor World	Multiple (9)	5,400	Printing	Canada
Panasonic	Knoxville	459	Electronics	Japan
Smurfit Group	Multiple (8)	880	Packaging	Ireland
Wilson Sporting Goods	Multiple (3)	790	Sporting Goods	Finland

*Recognizing the importance of foreign investment, Governor Bredesen sponsored international missions to Japan and Australia in 2005 and 2006.*

## TENNESSEE MANUFACTURERS NEED IMPORTS TO BE COMPETITIVE

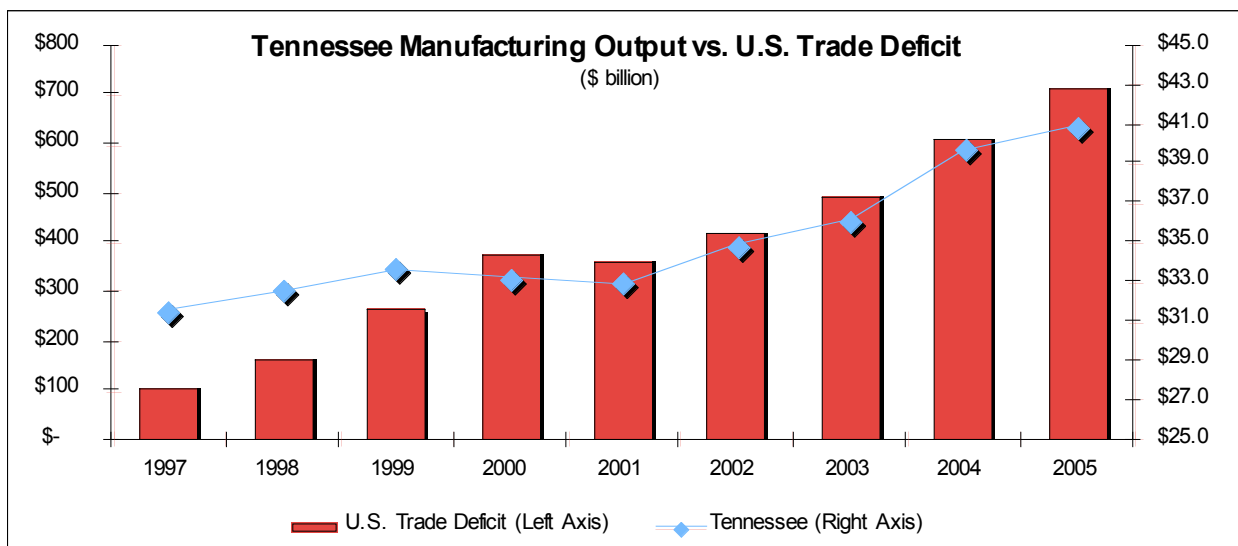
Raw materials, capital goods and industrial products used to manufacture goods in the United States account for approximately half of total U.S. merchandise imports.

- Numerous Tennessee manufacturing sectors benefit from imports.
- Tennessee's **computer and electronics manufacturers** import **components** and other parts to keep costs down.
- Tennessee's **fabricated metal producers** use imported **steel** to produce goods for the domestic market.

### Capital Goods Imports Benefiting Tennessee's Manufacturers

Product	Price Change, 1996-2005
<b>All Capital Goods</b>	<b>-23.4%</b>
Electric Generators and Parts	-6.4%
Non-Electrical Machinery, (excl. Computers)	-9.4%
Business Machinery (excl. Computers)	-12.4%
Computers	-50.2%

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



## TENNESSEE'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 Tennessee's growth, and account for **14.3 percent of state GDP**.
- Imports comprise a significant portion of Tennessee **transportation and product sales** (both wholesale and retail). These industries account for 20.0 percent of state GDP.

## TENNESSEE FAMILIES ENJOY A HIGHER STANDARD OF LIVING BECAUSE OF IMPORTS

Imports help keep prices for Tennessee 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 Tennessee 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)

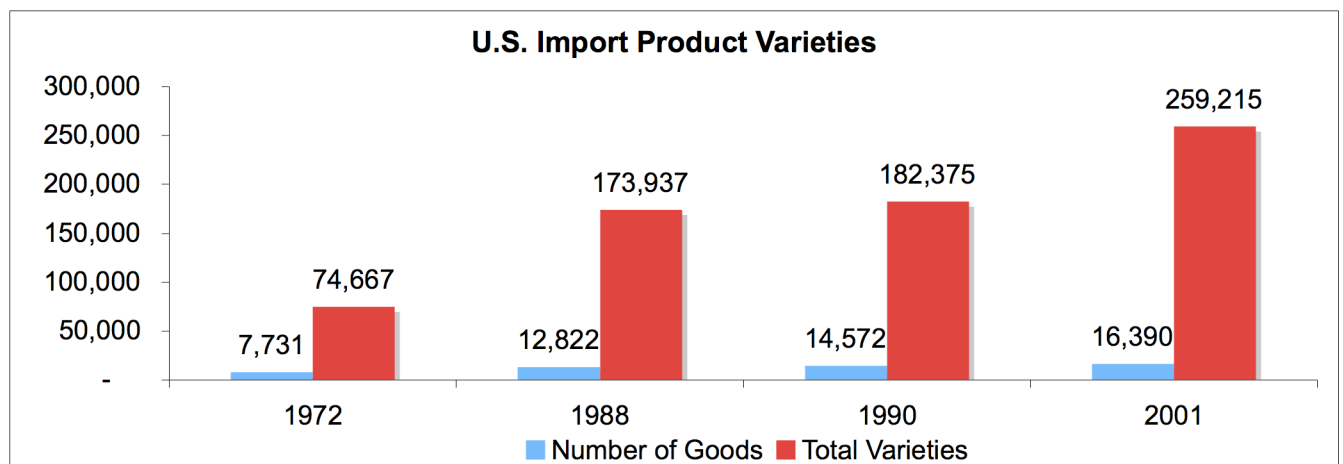
<u>Traded Goods</u>	<u>Price Change</u>
Toys	-36%
Household Appliances	-15%
Clothing	-11%
Footwear	-6%
<u>Non-Traded Goods</u>	
Milk	24%
Margarine	22%
Ice Cream	17%
Sugar	9%

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

- In 2005, 178,000 families in Tennessee 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.

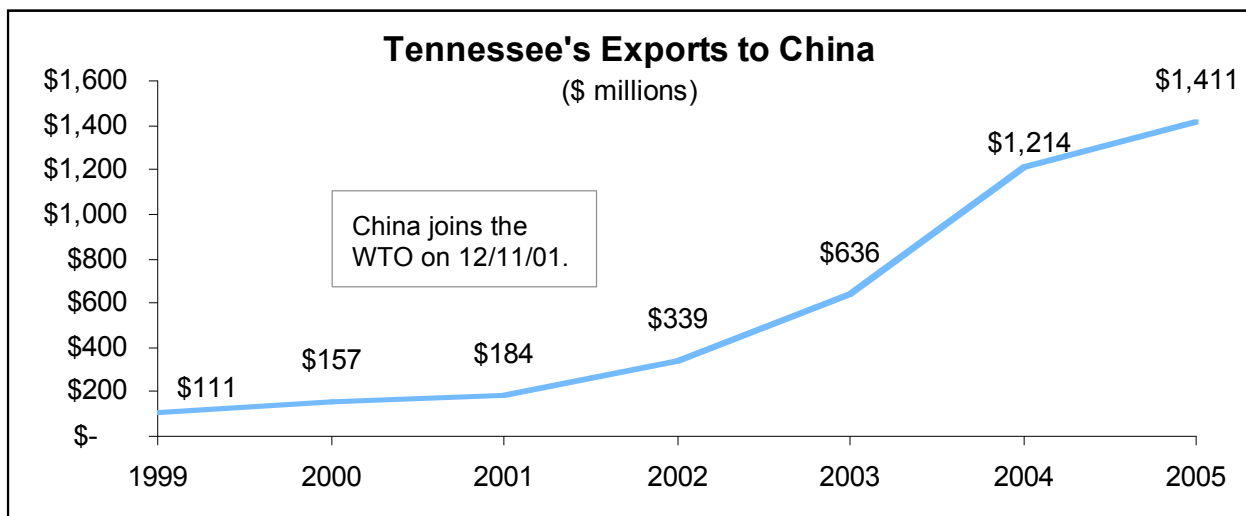
- Trade allows consumers to enjoy products with limited U.S. production (e.g., coffee) as well as out-of-season goods (e.g., strawberries in January).
- The number of product varieties imported by the United States increased fourfold over the last three decades.



## MORE OF A GOOD THING FOR TENNESSEE – 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, Tennessee's exports to Canada have increased \$4.2 billion (211 percent), while exports to Mexico have increased \$1.4 billion (321 percent).
- In 2001, a recession year, Tennessee's total trade with **Canada** generated \$3.1 billion for Tennessee's economy and supported 107,857 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 Tennessee to China.



## SOURCES

### JOBS

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U.S. Department of Labor (<http://www.bls.gov/lau/home.htm>)

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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([http://www.2.tnecd.net/news\\_archive/article.asp?storynum=560](http://www.2.tnecd.net/news_archive/article.asp?storynum=560))

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

(<http://ita.doc.gov/td/industry/otea/edb/index.html>), (<http://www.bea.gov/beat/regional/gsp/>)

### FOREIGN INVESTMENT

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([http://www.knoxnews.com/kns/business/article/0,1406,KNS\\_376\\_5178649,00.html](http://www.knoxnews.com/kns/business/article/0,1406,KNS_376_5178649,00.html))

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Tennessee Department of Economic Development, "Foreign Investment and Employment in

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Tennessee Department of Economic Development, "Directory of Foreign Investment in Tennessee"

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### IMPORTS

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U.S. Department of Commerce (<http://www.bea.gov/beat/regional/gsp/>)

### STANDARD OF LIVING

Council of Economic Advisers (<http://www.gpoaccess.gov/eop/index.html>)

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/>)

U.S. Census Bureau (<http://www.census.gov/hhes/www/poverty/poverty.html>)

Christian Broda and David Weinstein ([http://www.ny.frb.org/research/staff\\_reports/sr180.html](http://www.ny.frb.org/research/staff_reports/sr180.html))

### TRADE LIBERALIZATION

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

Joseph Francois and Laura Baughman ([http://tradepartnership.com/pdf\\_files/2004\\_Canada\\_Jobs.pdf](http://tradepartnership.com/pdf_files/2004_Canada_Jobs.pdf))

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