



# Trade Makes Texas Strong

Texas gains from global trade. Export growth increases jobs by advancing Texas' manufacturers, services providers and farmers. Imports keep costs low, helping Texas businesses compete and saving Texas families real dollars at the cash register. Foreign investment in Texas creates good jobs across a range of sectors.

## TRADE CREATES JOBS FOR TEXANS

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

- Today, trade supports **2.2 million jobs** in Texas.
- **17.7 percent of jobs** in Texas are supported by trade, up from 10.9 percent in 1992.

### *Texas' Three Most Export-Intensive Industries*

<u>Industry</u>	<u>%Export-Related</u>
Computers	38.3%
Machinery	35.1
Chemicals	29.5

- **More than 280,000 jobs in Texas are associated with the Port of Houston**, which ranks first in the United States in foreign tonnage.
- The Port directly employs **54,730 workers** in Texas with more than **\$2.3 billion in direct wages and salaries**.

Trade particularly benefits employees of Texas' small- and mid-size companies.

- In 2004, more than **28,300 Texas companies** sold their products abroad; **91.3 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 TEXAS STRONG

Trade supports one in six jobs in Texas.

Texas ranks first among all U.S. states in total exports.

Since 2002, Texas' exports have increased 33% faster than its GDP.

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

13% of Texas' gross domestic product was from exports in 2005.

Foreign-owned companies employ 340,000 Texans.

Foreign-owned firms pay workers 32% more.

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

Marketing imports demand services and services account for 17% of Texas' GDP.

NAFTA worked for Texas. In 2005, Texas exports to Mexico and Canada were \$50 billion and \$15 billion.

## TEXAS FARMERS AND KEY INDUSTRIES GROW WITH EXPORTS

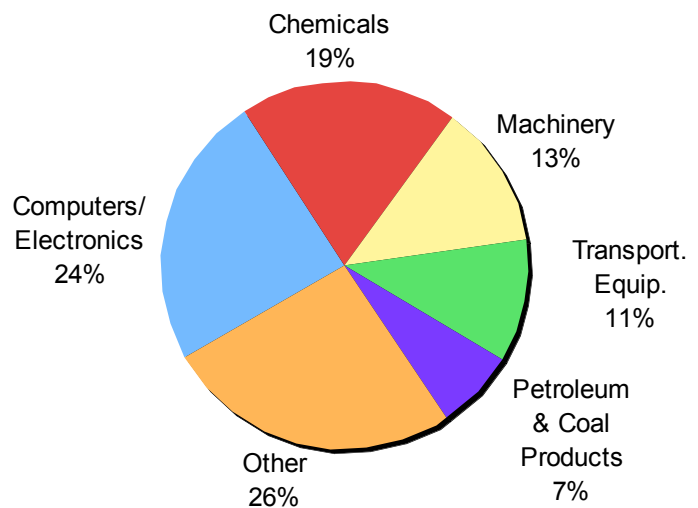
Texas farmers are strong exporters. The state is the Nation's **third largest agricultural product exporter**, with 2005 exports valued at **\$3.5 billion**.

- Texas dominates U.S. exports of **cotton and cottonseed, and cotton and linters**. It is a leading exporter of virtually every other crop category, including **feeds and fodders, peanuts and products, hides and skins, and animal fats**.

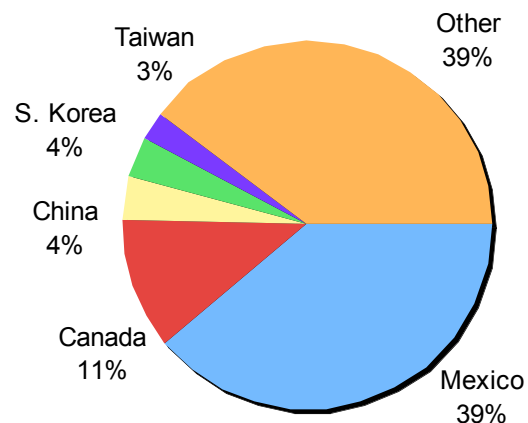
According to the U.S. Department of Commerce, Texas ranked **first** in the United States with **total exports valued at \$128.8 billion** in 2005.

- **Computers and electronic products** were Texas' leading export category in 2005 accounting for 24 percent of total exports.
- One of the fastest growing export sectors for Texas is **petroleum and coal products**, which grew at an annual rate of 22.9 percent between 2001 and 2005.
- In 2005, Texas companies sold their products in **over 215 foreign markets**.
- The top export market is **Mexico** (\$50.1 billion). Other top markets include **Canada** (\$14.7 billion) and **China** (\$4.9 billion).
- **China** is also one of Texas' fastest growing trading partners. Since 2000, Texas' exports to China have risen by 238 percent.
- In 2005, exports represented approximately **13 percent of Texas' state GDP**.
- Texas' share of exports to state GDP ranked third among all states in 2005.
- Since 2002, exports have increased **133 percent faster** than state GDP.

**Leading Export Products**



**Leading Export Markets**



## TEXAS WORKERS & BUSINESSES BENEFIT FROM FOREIGN INVESTMENT

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

- Foreign-owned companies employ **more than 341,200 workers**, nearly four percent of all Texas employees, **ranking it 3<sup>rd</sup>** in the nation in “insourced” workers.

*In November 2006, Toyota opened a new \$800 million plant in San Antonio that will initially produce 150,000 trucks annually and employ more than 2,000 workers.*

*Estimates on indirect employment related to the plant range as high as 10,000 new jobs, and Toyota has said that it may also produce SUVs at the plant, which would increase employment to over 4,300.*

- Manufacturing** accounts for **92,600 insourced jobs**, representing 27 percent of all insourced jobs in Texas.

*Toyota credited Governor Rick Perry, who was personally involved in the negotiations, with refueling the intensity of Toyota’s interest in the San Antonio area. Texas provided more \$130 million in incentives, but noted that the plant will generate billions of dollars for local economy.*

- U.S. subsidiaries of **foreign companies pay** an average compensation of \$63,428 per year, **32 percent higher** than U.S. companies.

### Selected Multinational Corporations with Operations in Texas

<u>Company</u>	<u>Industry</u>	<u>Country</u>
Akzo Nobel	Pharmaceuticals	Netherlands
Panasonic	Electronics	Japan
Siemens	Electronics	Germany
Nestle USA	Food Products	Switzerland
BAE Systems	Aerospace/Defense	United Kingdom
Maersk Inc.	Container Shipping	Denmark
HSBC	Financial Services	United Kingdom
Lafarge North America	Building Materials	France

*Recognizing the importance of foreign investment, Governor Perry established the TexasOne program in 2003 to aggressively market the state as the “best business location in the world.” In fiscal year 2007 alone, TexasOne will:*

- Sponsor international trade missions to France, Turkey, Taiwan, Germany, Canada, and Mexico.*
- Hold multiple investment seminars in Mexico, its largest trading partner.*
- Host an investment delegation from Canada.*
- Publish country-specific investment guides for British and Japanese companies.*
- Purchase advertising space in Site Selection, FDI, Financial Times, Business Facilities, Expansion Management, America Economica (Mexico and Latin America), and industry specific news sources.*

## TEXAS MANUFACTURERS NEED IMPORTS TO BE COMPETITIVE

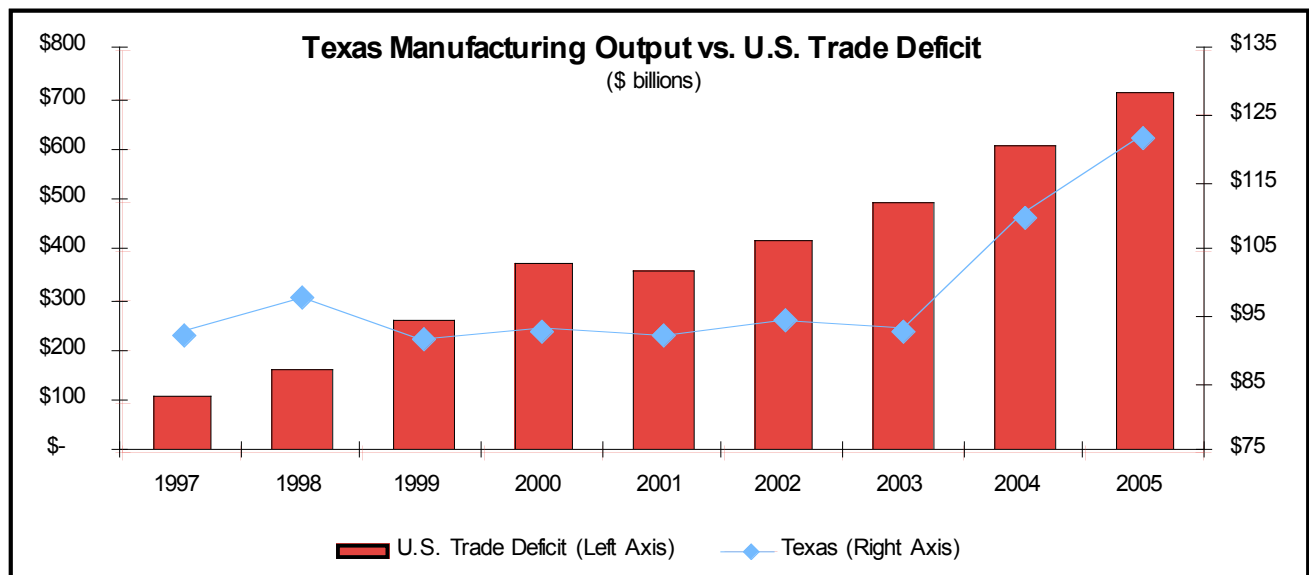
Raw materials, capital goods and industrial products used to manufacture goods in the United States account for approximately half of total U.S. merchandise imports.

- Numerous Texas manufacturing sectors benefit from imports in some way.
- Texas companies **use imported iron, steel, and machinery parts** to produce finished goods for both the domestic and international markets.
- Imported **fertilizers and minerals** help **Texas farmers** keep costs low and improve productivity.

### *Capital Goods Imports Benefiting Texas' 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%

Texas experienced some of its strongest growth during periods when imports contributed to increasing national trade deficits. In fact, Texas' manufacturing output increased by nearly \$30 billion between 2003 and 2005, years with record national deficits.



## TEXAS' 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 Texas' growth, and account for **16.7 percent of state GDP**, nearly one-and-a-half times more than manufacturing.
- Imports comprise a significant portion of Texas **transportation and product sales** (both wholesale and retail). These industries account for 16.8 percent of state GDP.

<http://trade.businessroundtable.org>

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

Imports help **keep prices for Texas 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 Texas 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)

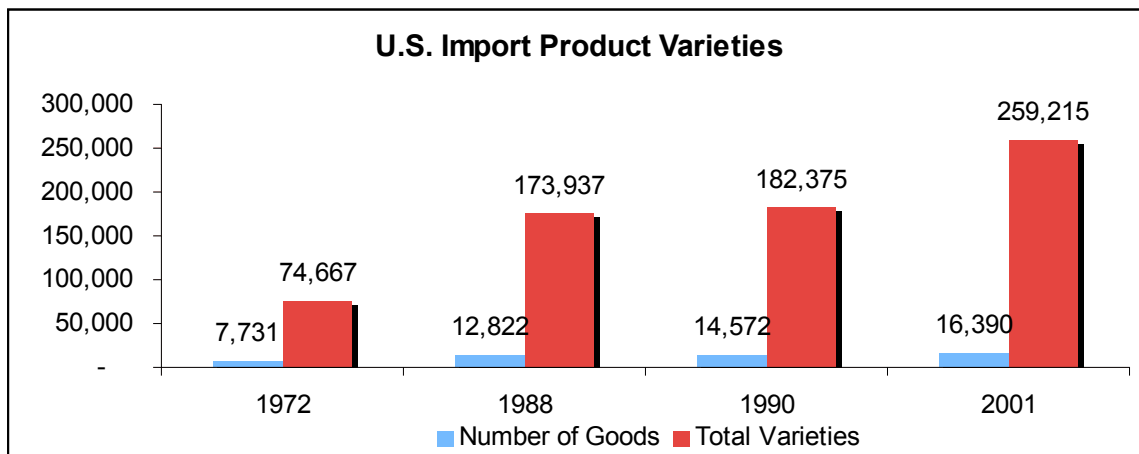
<u>Traded Goods</u>	<u>Price Change</u>
Toys	-36%
Household Appliances	-15%
Clothing	-11%
Footwear	-6%
<u>Non-Traded Goods</u>	
Milk	24%
Margarine	22%
Ice Cream	17%
Sugar	9%

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

- In 2005, 806,000 families in Texas 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.

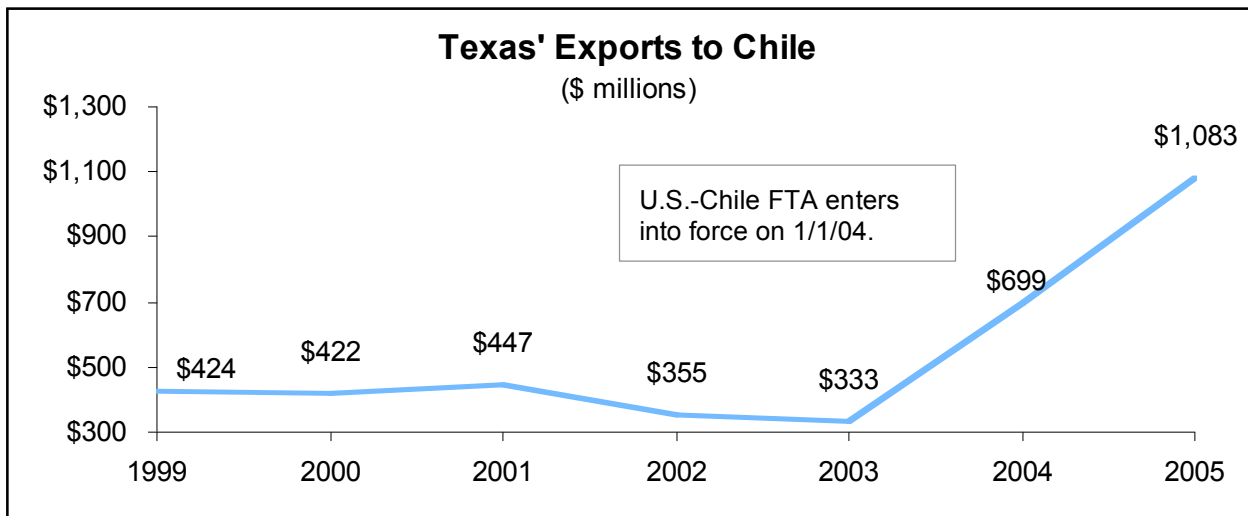
- Trade allows consumers to enjoy products with limited U.S. production (e.g., coffee) as well as out-of-season goods (e.g., strawberries in January).
- The number of product varieties imported by United States increased fourfold over the last three decades.



## MORE OF A GOOD THING FOR TEXAS – 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, Texas' exports to Canada have increased \$10.6 billion (260 percent), while exports to Mexico have increased \$31.2 billion (164 percent).
- In 2001, a recession year, Texas' total trade with **Canada** generated \$10.2 for Texas' economy and supported over 368,700 jobs.
- Similarly, **U.S.-Chile Free Trade Agreement**, which went into effect in 2004, has had a significant effect on export growth from Texas to Chile.



## SOURCES

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Laura Baughman and Joseph Francois (<http://www.businessroundtable.org>)  
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The Port of Houston Authority  
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### EXPORTS

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### FOREIGN INVESTMENT

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Texas Office of Economic Development and Tourism, "Texas Marketing Plan, FY 2007."

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### STANDARD OF LIVING

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(<http://www.bls.gov/cex/home.htm>)  
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### TRADE LIBERALIZATION

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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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