

HOW ARKANSAS' ECONOMY BENEFITS FROM TRADE & INVESTMENT



Overview

With more than 96 percent of the world's population and 75 percent of its purchasing power outside the United States, economic recovery, jobs, and future growth for Arkansas and America will depend on trade and investment. That includes reaching those customers with American goods and services through exports and expanding buying power and options for American companies and families with imports.

New Business Roundtable research, U.S. government data, and other data sources demonstrate the benefits of international trade and investment to jobs and the economy in Arkansas. In 2020, the COVID-19 global pandemic has brought dual public health and economic crises. Meeting both challenges requires restoring trade and supporting trade-dependent jobs to help Arkansas recover.

Trade Creates & Supports Jobs in Arkansas

- **International trade, including exports and imports, supported 335,200 Arkansas jobs – one in five in 2018.** These trade-related jobs grew six times faster than total employment from 1992 to 2018 and are at large and small companies, on farms, in factories, and at the headquarters of Arkansas' globally engaged firms. A rebound in trade will help restore trade-related jobs lost during the pandemic in Arkansas. *(See Arkansas Jobs Depend On Two-Way Trade)*
- **Arkansas exported \$7.1 billion in goods and \$1.9 billion in services in 2018**, including aerospace products and parts, oilseeds and grains, basic chemicals and travel services. Of Arkansas' 2,306 exporters, 77 percent are small- and medium-sized companies with less than 500 workers. *(See Arkansas Businesses Grow With Exports)*
- **Customers in 172 countries and territories buy Arkansas-made goods and services**, including billions of dollars in annual exports to top markets like Canada, Mexico and China. Policies that help Arkansas businesses, workers, and farmers once again reach the growing number of customers around the world can help lead an economic and jobs recovery. *(See Arkansas Companies Export Throughout The World)*
- **Imports lower prices and increase choices for Arkansas companies and families.** Lower raw material and input costs help Arkansas companies stay competitive in global markets, while families can stretch paychecks further as trade agreements reduce the cost of products by eliminating costly barriers to trade. *(See Arkansas Companies and Families Benefit from Imports)*
- **Free trade agreements (FTAs) have helped fuel rapid export growth from Arkansas to partner countries.** In 2018, \$3.1 billion of Arkansas' goods exports, or 44 percent, went to FTA partners. This represents an increase of 38 percent since 2009. *(See Arkansas Needs Trade Agreements To Grow)*
- **Foreign-owned companies invest and build facilities and employ 46,400 workers in Arkansas.** *(See Foreign Investment In Arkansas Creates Jobs)*



ARKANSAS JOBS DEPEND ON TWO-WAY TRADE



Overview

Creating and preserving quality U.S. jobs is a goal shared by all Americans. With more than 96 percent of the world's population and 75 percent of the world's purchasing power outside of the United States, future American economic growth and job creation depend on open markets abroad. At the beginning of 2020, the COVID-19 global pandemic dramatically decreased trade, stopped economic growth and ended millions of jobs across America, including in Arkansas. Policies that expand trade can create new job opportunities in Arkansas and help it recover faster.

Trade Creates & Supports Jobs in Arkansas

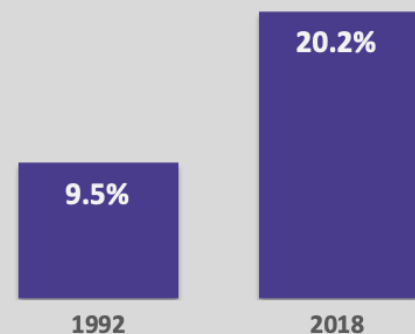
- Export growth increases jobs by generating new business for Arkansas' manufacturers, services providers and farmers. Imports support jobs and keep costs low, helping Arkansas businesses compete and saving Arkansas families real dollars at the cash register.
- One in five Arkansas jobs depends upon international trade.
- Arkansas' trade-related employment grew six times faster than total employment from 1992 to 2018.
- Jobs in export-dependent industries pay about 16 percent more than jobs in less export-intensive industries.
- U.S. exporting plants increase employment 2 to 4 percent faster annually than plants that do not export. Exporting plants also are less likely to go out of business.
- Trade-supported jobs are not just at companies that export and import. Trade supports higher wages for workers and lower costs for companies and consumers, providing them with more money to spend on other things. This spending supports additional jobs throughout the U.S. economy in sectors like entertainment, education and construction.

By the Numbers

335,200

Number of Jobs in Arkansas Supported by Trade

Share of Jobs Tied to Trade
Increased 111 percent from 1992 to 2018



Jobs Tied to Trade
Top Sectors, 2018

Trade & Distribution	77,800
Prof., Scient. & Tech. Services	45,800
Personal & Rec. Services	16,300
Construction	15,400
Manufacturing	14,300



ARKANSAS BUSINESSES GROW WITH EXPORTS



Overview

Arkansas exported an estimated \$7.1 billion in goods and \$1.9 billion in services in 2018. Between 2009 and 2018, Arkansas goods exports have increased by 19 percent and services exports by 46 percent. Large companies now account for 81 percent of the value of Arkansas' goods exports, with the rest provided by small- and medium-sized enterprises (SMEs).

Small & Large Employers Partner to Export

In addition to exporting directly themselves, thousands of American SMEs export indirectly when they sell goods and services to large U.S. exporters. Based on their direct and indirect export activity combined, SMEs represent more than 40 percent of the value of U.S. exports.

Top Arkansas Exports

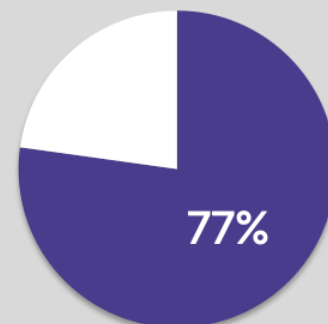
- Arkansas ranks among the top 15 state exporters in 8 industries, including first in poultry and eggs (\$181 million), third in knit apparel (\$27 million), fourth in aquaculture (\$4.7 million), and 10th in products from purchased steel (\$21 million).
- Arkansas is America's 17th largest exporter of agricultural products. It is the largest exporter of poultry and eggs, the fourth largest exporter of aquaculture, the 12th largest exporter of oilseeds and grains, and the 13th largest exporter of miscellaneous crops.
- One of Arkansas' fastest growing export categories is animal foods, which increased by 18 percent since 2009. In 2018, exports of these products reached \$23 million.

By the Numbers

2,306

Number of Arkansas Businesses that Exported in 2018

Share of Arkansas Exporters that are Small- & Medium-Sized Businesses



Top Arkansas Exports, 2018

Goods

Aerospace Products & Parts	\$1.4 billion
Oilseeds & Grains	\$874 million
Basic Chemicals	\$457 million
Meat Products	\$379 million
Grain & Oilseed Milling Products	\$279 million

Services

Travel	\$697 million
Equip. Install., Maint., & Repair	\$309 million
Education	\$156 million

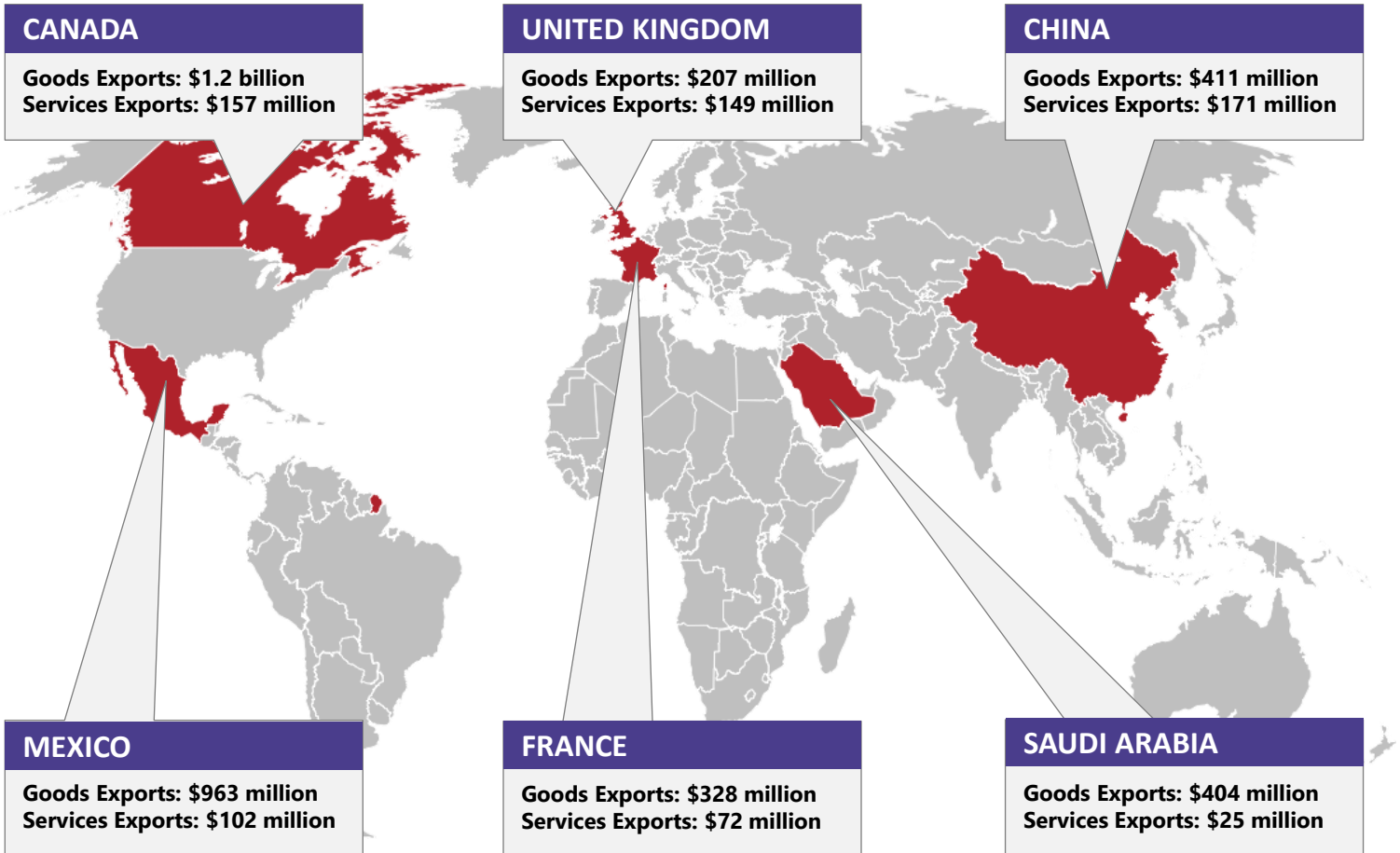


ARKANSAS COMPANIES EXPORT THROUGHOUT THE WORLD



In 2018, Arkansas companies sold their products in 172 countries and territories.

Top export markets include:



Fast Facts: How Exports Help the Arkansas Economy Grow

- Goods and services exports accounted for 7.0 percent of Arkansas' state GDP in 2018.
- Arkansas' exports have grown at an average annual rate of 3.1 percent since 2009.
- Arkansas' top export markets for goods are Canada, Mexico, and China. Its top market for services is China.
- Arkansas' goods exports to Colombia have grown by 15 percent per year since 2009, while Arkansas' services exports to Singapore have grown by 10 percent per year.
- Restoring trade can help lead a jobs recovery when supported by policies that help Arkansas businesses, workers, and farmers reach the growing number of customers around the world.



ARKANSAS COMPANIES AND FAMILIES BENEFIT FROM IMPORTS



Overview

Imports provide a variety of benefits for Arkansas companies and families. Imported consumer goods help keep prices down for Arkansas families while increasing choices for foods and other products that are not available locally. Imported inputs help Arkansas manufacturers compete in both the United States and international markets, while exported goods (e.g., components) and services (e.g., design) often return to the United States as imports. To best meet the COVID-19 challenges, trade policies should ensure that American families and businesses retain access to both domestic and international inputs, supplies and services they need at prices they can afford.

Arkansas Families Benefit from Imports

- In 2018, 61 percent of Arkansas' imports were consumer goods. Prices for imported consumer goods tend to drop year after year, leaving Arkansas families more money to spend on locally provided goods and services, such as housing, education, and health care.
- Trade and investment liberalization policies save the average Arkansas family of four more than \$10,000 per year through lower prices and increased specialization.

2008-2018 Price Decrease



-88% for Televisions



-63% for Computers



-45% for Toys

Most Importers are Small Businesses

- In 2018, 2,102 Arkansas companies imported goods from 124 countries around the world.
- Nationally, 77 percent of importers were very small businesses with less than 20 employees, while less than 3 percent had over 500 employees.

Arkansas Exports and Imports are Linked Through Global Value Chains

- In 2018, 39 percent of Arkansas goods imports were raw materials, components and parts that are used by U.S. manufacturers to stay competitive.
- Many of Arkansas' top imports are critical components for Arkansas exports. Conversely, Arkansas exports of raw materials and parts may return to the United States in imported finished goods.



Imports:
Jet engines and parts
(\$152M in 2018)



Exports:
Aerospace products
(\$995M in 2018)



ARKANSAS NEEDS TRADE AGREEMENTS TO GROW

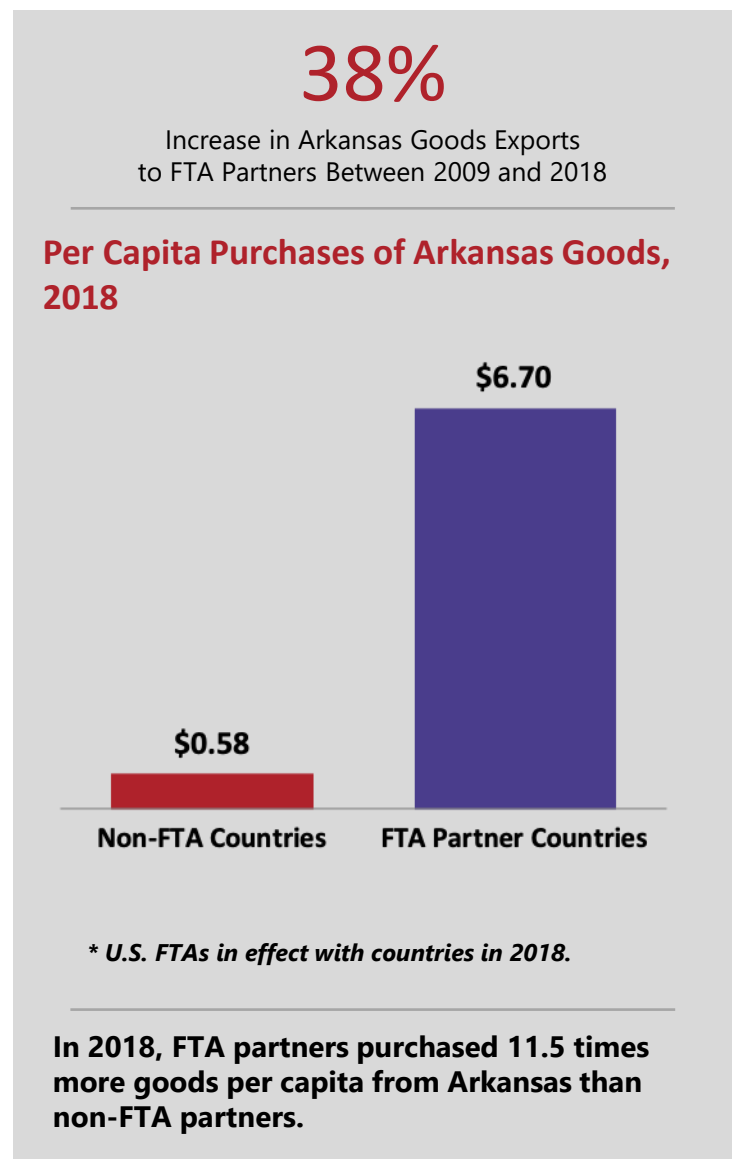


Overview

Trade with our free trade agreement (FTA) partner countries supports millions of American jobs. Trade agreements level the playing field by lowering other nations' trade barriers, opening up foreign markets to U.S. exports and setting strong, enforceable rules for trade between the United States and those other countries. Arkansas businesses, workers and farmers benefit from market-opening agreements, and would be harmed from new barriers to trade that limit exports, competitiveness, and jobs in Arkansas and the United States.

- In 2018, \$3.1 billion of Arkansas' goods exports, or 44 percent, went to FTA partners.
- Since 2009, Arkansas' goods exports to countries with FTAs in effect with the United States in 2018 have increased by 38 percent.
- Arkansas' exports to Canada and Mexico have increased by \$1.6 billion (290 percent) since NAFTA went into effect in 1994.
- Arkansas' exports to Oman have increased by over 5,200 percent – from \$1 million to \$55 million – since the FTA with Oman took effect in 2009.
- Arkansas' exports to Korea of converted paper products have increased from \$277,000 to \$26 million since the FTA with Korea went into effect in 2011.
- Mexico bought 68 percent of Arkansas' exports of iron, steel and ferroalloys – about \$105 million – in 2018.
- In 2018, \$508 million of Arkansas' services exports, or 26 percent, went to FTA partners.
- Arkansas' exports to Australia of travel services tripled from \$10 million to \$31 million since 2006 (earliest year available).

By the Numbers



FOREIGN INVESTMENT IN ARKANSAS CREATES JOBS



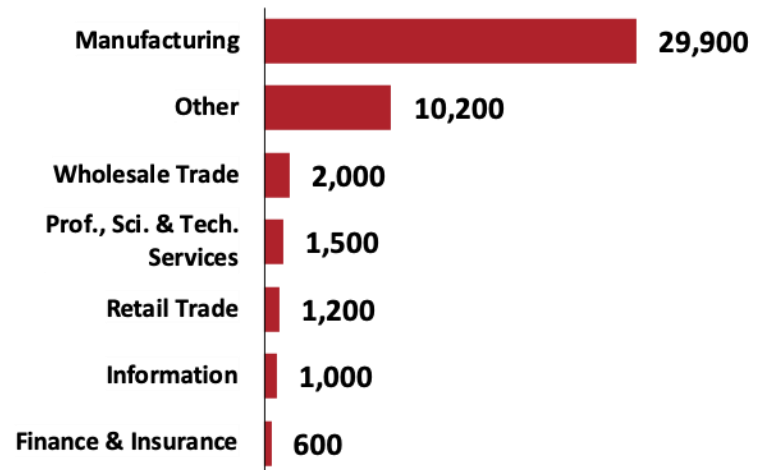
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Foreign-owned companies help grow the U.S. economy and jobs. In 2017, foreign-owned companies added over \$1 trillion to U.S. GDP, including goods exports of \$380 billion and R&D spending of over \$60 billion. They employed 7.4 million workers in the United States, including 2 million workers – or 1 out of every 6 – in the manufacturing sector.

Arkansas is no exception. Foreign-owned companies make significant investments in Arkansas to open or expand facilities every year and are important customers for local goods and services providers. Subsidiaries of foreign-owned companies alone employed tens of thousands of workers in Arkansas in 2017, including:

- 6,500 workers employed by companies based in the United Kingdom;
- 6,300 workers employed by companies based in France;
- 5,900 workers employed by companies based in Japan;
- 4,700 workers employed by companies based in Switzerland;
- 2,900 workers employed by companies based in Canada.

Foreign-Owned Companies Employed 46,400 Arkansas Workers Across Many Industries, 2017



Selected Foreign-Owned Companies Employing Workers in Arkansas

Company	Industry	Country
ABB Inc.	Electrical Equipment Manufacturing	Switzerland
Dassault Falcon Jet Corp.	Aerospace Products Manufacturing	France
Denso Manufacturing	Automotive Parts Manufacturing	Japan
Domtar Paper Company LLC	Paper Manufacturing	Canada
Siemens	Electrical Equipment Manufacturing	Germany
Gerdau Ameristeel	Steel Manufacturing	Brazil
Infosys Technology Ltd.	IT/Business Services	India
Stihl Southwest, Inc.	Equipment Manufacturing	Germany



DATA SOURCES



ARKANSAS JOBS DEPEND ON TWO-WAY TRADE

Population and Purchasing Power: Derived from World Bank population and GDP estimates

Jobs-Tied-to-Trade: Baughman and Francois, "Trade and American Jobs: The Impact of Trade on U.S. and State-Level Employment" (2020) (https://s3.amazonaws.com/brt.org/Trade_and_American_Jobs_2020.pdf)

Exporting Firm Wages: Riker, "Export-Intensive Industries Pay More on Average: An Update" (2015) (<https://www.usitc.gov/publications/332/ec201704a.pdf>)

Exporting Firm Growth: Bernard and Jensen, "Exporting and Productivity in the USA" (2004) (<http://faculty.tuck.dartmouth.edu/images/uploads/faculty/andrew-bernard/exprod.pdf>)

ARKANSAS BUSINESSES GROW WITH EXPORTS

Small and Large Firms Partnering to Export (for 2006, the most recent year for which data were available): U.S. International Trade Commission, *Small and Medium-Sized Enterprises: Characteristics and Performance*, November 2010, (<http://www.usitc.gov/publications/332/pub4189.pdf>)

Exports, Rankings, and Trends: The Trade Partnership, derived from U.S. Census Bureau ("Census") data (<http://tradepartnership.com/data/cdxports-and-cdxjobs>)

Exporting Company Information: Census, "A Profile of U.S. Importing and Exporting Companies, 2017 – 2018" (<https://www.census.gov/foreign-trade/Press-Release/edb/2018/>)

ARKANSAS COMPANIES EXPORT THROUGHOUT THE WORLD

Exports, Rankings, and Trends: The Trade Partnership (<http://tradepartnership.com/data/cdxports-and-cdxjobs>)

Export vs. GDP Growth: Derived from Census export data and U.S. Bureau of Economic Analysis (BEA) "GDP by State" database (<http://bea.gov/regional/index.htm>)

ARKANSAS COMPANIES USE IMPORTS TO MAKE COMPETITIVE PRODUCTS

Importing Company Information: Census, "A Profile of U.S. Importing and Exporting Companies, 2017 – 2018" (<https://www.census.gov/foreign-trade/Press-Release/edb/2018/>)

Imports as Components: Derived from Census end-use import data

Savings from Liberalization: Bradford, Grieco, and Hufbauer, "The Payoff to America from Global Integration" (2005) (<http://www.piie.com/publications/papers/2iie3802.pdf>)

Price Changes: Derived from BLS Consumer Price Index database (<http://www.bls.gov/cpi/>)

ARKANSAS NEEDS TRADE AGREEMENTS TO GROW

Exports and Trends: The Trade Partnership (<http://tradepartnership.com/data/cdxports-and-cdxjobs>)

Per Capita Purchases of Arkansas Goods: Derived from The Trade Partnership (<http://tradepartnership.com/data/cdxports-and-cdxjobs>) and World Bank population estimates

FOREIGN INVESTMENT IN ARKANSAS CREATES JOBS

Employment Data: BEA "Direct Investment & Multinational Companies" database (http://bea.gov/iTable/index_MNC.cfm)

Foreign Investors: Uniworld BP database of "Foreign Firms Operating in the United States" (<http://www.uniworldbp.com>)

