

How Arkansas' Economy Benefits from International Trade & Investment



Overview

With more than 95 percent of the world's population and 80 percent of the world's purchasing power outside the United States, future economic growth and jobs for Arkansas and America increasingly depend on expanding U.S. trade and investment opportunities in the global marketplace.

The following pages feature key facts and figures drawn from new Business Roundtable research, U.S. government data, and other data sources that demonstrate the benefits of international trade and investment to economic growth and jobs in Arkansas.

Why is International Trade & Investment Important to Arkansas?

- **International trade, including exports and imports, supports 348,400 Arkansas jobs – more than 1 in 5.** These trade-related jobs grew six times faster than total employment from 2004 to 2014 and are at large and small companies, on farms, in factories, and at the headquarters of Arkansas' globally engaged firms. *(See Arkansas Jobs Depend On Two-Way Trade)*
- **Arkansas exported \$8.6 billion in goods and \$2.1 billion in services in 2014**, including aerospace products & parts, oilseeds & grains, basic chemicals and travel services. Of Arkansas' 2,264 exporters, 79 percent are small- and medium-sized companies with less than 500 workers. *(See Arkansas Businesses Grow With Exports)*
- **Customers in 181 countries and territories buy Arkansas-made goods and services**, including hundreds of millions of dollars in annual exports to top markets like Canada, China and Mexico. Arkansas' goods exports have grown more than two times faster than state GDP since 2004. *(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 Workers Use Imports To Compete)*
- **Free trade agreements (FTAs) have helped fuel rapid export growth from Arkansas to partner countries.** In 2014, \$3.4 billion of Arkansas' goods exports, or 40 percent, went to FTA partners. This represents a 78 percent increase since 2004. *(See Arkansas Needs Trade Agreements To Grow)*
- **Foreign-owned companies invest and build facilities and employ 43,100 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 95 percent of the world's population and 80 percent of the world's purchasing power outside of the United States, future American economic growth and job creation depend on open markets abroad.

Trade Creates & Supports Jobs in Arkansas

- Export growth increases jobs by generating new business for Arkansas' manufacturers, service providers and farmers. Imports support jobs and keep costs low, helping Arkansas businesses compete and saving Arkansas families real dollars at the cash register.
- More than one in five Arkansas jobs depends upon international trade.
- Arkansas' trade-related employment grew six times faster than total employment from 2004 to 2014.
- Jobs in more export-intensive 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.

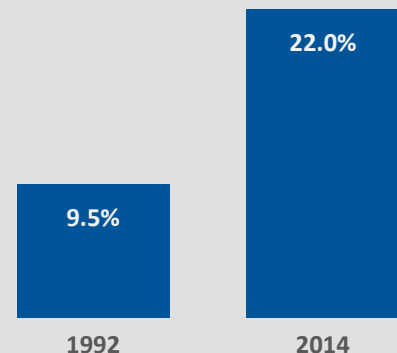
By the Numbers

348,400

**Number of Jobs in Arkansas
Supported by Trade**

Share of Jobs Tied to Trade

Increased 130 percent from 1992 to 2014



Jobs Tied to Trade Top Sectors, 2014

Retail	39,400
Management, Administrative Services	27,000
Manufacturing	26,200
Transportation & Warehousing	16,600
Professional, Scientific, Tech. Services	13,900



Arkansas Businesses Grow with Exports

Overview

Arkansas exported an estimated \$8.6 billion in goods and \$2.1 billion in services in 2014. Between 2009 and 2014, Arkansas goods exports have increased by 37 percent and services exports by 40 percent. Large companies now account for 78 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

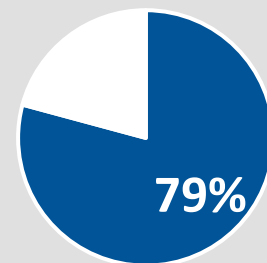
- Arkansas ranks among the top 15 state exporters in 11 industries, including third in poultry & eggs (\$80 million) and knit apparel (\$38 million), sixth in misc. crops (\$376 million), and ninth in architectural & structural metals (\$86 million).
- Arkansas is America's 13th largest exporter of agricultural products. It is the largest exporter of rice, the third largest exporter of poultry and eggs, and the fifth largest exporter of both cotton and farmed fish and related products.
- One of Arkansas' fastest growing export categories is misc. foods, which have increased by 19 percent per year since 2004. In 2014, exports of these products reached \$58 million.

By the Numbers

2,264

**Number of Arkansas Businesses
that Exported in 2013**

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



Top Arkansas Exports, 2014

Goods

Aerospace Products & Parts	\$1.7 billion
Oilseeds & Grains	\$1.7 billion
Basic Chemicals	\$474 million
Meat Products	\$389 million
Misc. Crops	\$376 million

Services

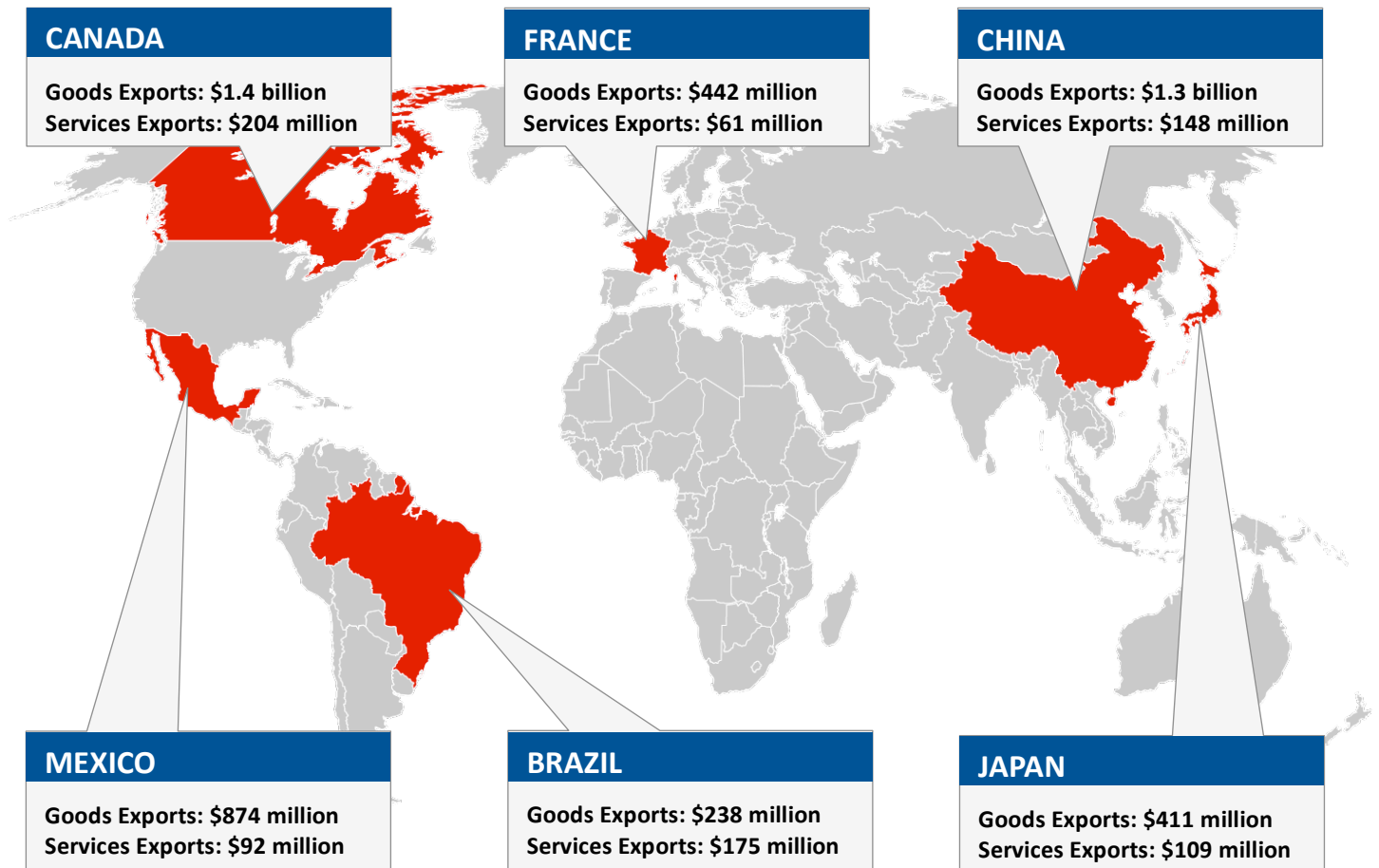
Travel	\$475 million
Telecommunications	\$432 million
Equip. Maintenance & Repair	\$216 million



Arkansas Companies Export throughout the World

In 2014, Arkansas companies sold their products in 181 countries and territories.

Top export markets include:



Fast Facts: How Exports Help the Arkansas Economy Grow

- Goods exports accounted for 7.1 percent of Arkansas' state GDP in 2014.
- Arkansas' goods exports have grown more than two times faster than state GDP since 2004. The average annual export growth during this period was 7.9 percent, while the average annual state GDP growth was 3.6 percent.
- Arkansas' top export markets for goods are Canada, China, and Mexico. Its top market for services is Canada.
- Arkansas' goods exports to Guatemala have grown by 22 percent per year since 2004. Exports to Colombia grew by 13 percent per year, while exports to Indonesia grew by 13 percent per year.



Arkansas Companies & Workers Use Imports to Make Products and Compete in International Markets

Overview

In 2014, 60 percent (\$1.3 trillion) of the products imported into the United States were inputs and components used by American producers. Lower cost inputs keep U.S. manufacturing competitive in international markets. Imports frequently contain components (like cotton or semiconductors) and services inputs (like design) provided by U.S. companies and farmers, including companies and farmers in Arkansas.

- Services, especially transportation from Arkansas' ports, finance and insurance, marketing and legal services are needed to bring imported goods to American manufacturers and households.
- In 2013, about 75 percent of identified U.S. importers were very small businesses with less than 20 employees.
- Trade and investment liberalization policies save the average Arkansas family of four more than \$10,000 per year.
- Imports help keep prices down for Arkansas families while increasing their choices for goods and services. Prices for imported consumer goods tend to drop year after year.

In 2013, about 184,000 U.S. companies (including 1,703 in Arkansas) imported products...

And roughly three-quarters of U.S. importers were very small businesses with less than 20 employees.

Imports Decrease Prices for Goods & Services



-87.0%

Decrease in the Price of Televisions Between 2004 and 2014.



-69.2%

Decrease in the Price of Computers Between 2004 and 2014.



-42.9%

Decrease in the Price of Toys Between 2004 and 2014.

Imports Increase Choices for Goods & Services

Arkansas Needs Trade Agreements to Grow

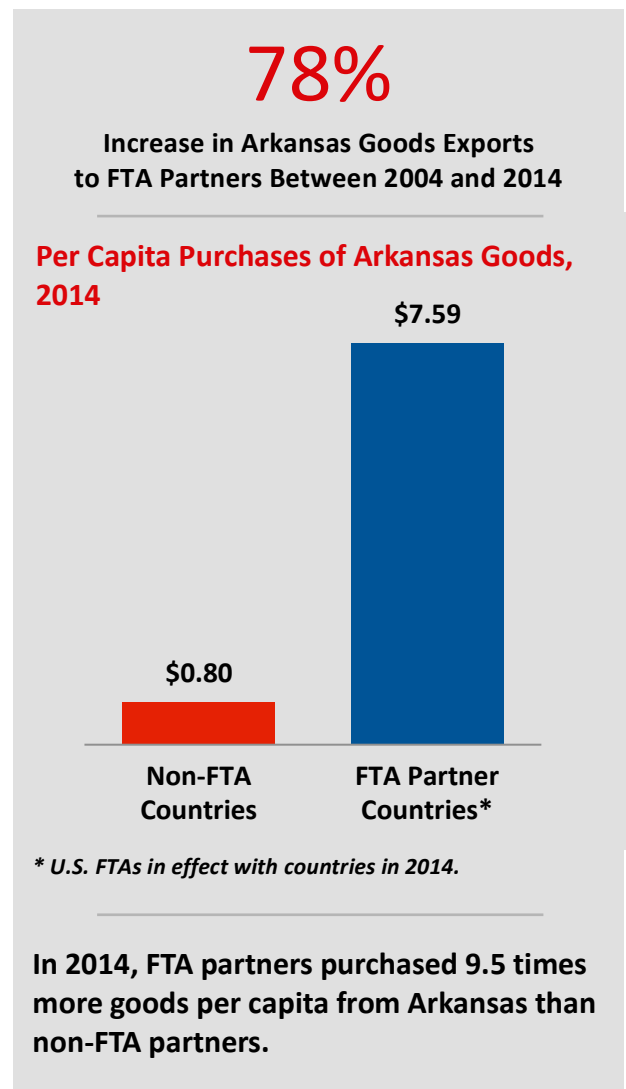


Overview

The United States has some of the lowest trade barriers in the world. Overall U.S. trade with our free trade agreement (FTA) partner countries supports more than 17.7 million 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 has increased its exports to FTA partners following implementation of the U.S. FTAs with those countries.

- In 2014, \$3.4 billion of Arkansas' goods exports, or 40 percent, went to FTA partners.
- Since 2004 Arkansas' goods exports to countries with FTAs in effect with the United States in 2014 have increased by 78 percent.
- Arkansas' exports to Canada and Mexico have increased by \$1.8 billion (317 percent) since NAFTA went into effect in 1994.
- Arkansas' exports to Chile have increased by 497 percent since the U.S.-Chile FTA took effect in 2004.
- Arkansas' exports to Guatemala of meat products have increased every year, from \$564,000 to \$46 million, since the FTA with Guatemala went into effect in 2006.
- Mexico bought 77 percent of Arkansas' exports of pulp & paperboard mill products in 2014.
- Countries negotiating the Trans-Pacific Partnership (TPP) and Transatlantic Trade and Investment Partnership (TTIP) agreements purchased \$4.6 billion, or 54 percent, of Arkansas' goods exports in 2014.

By the Numbers





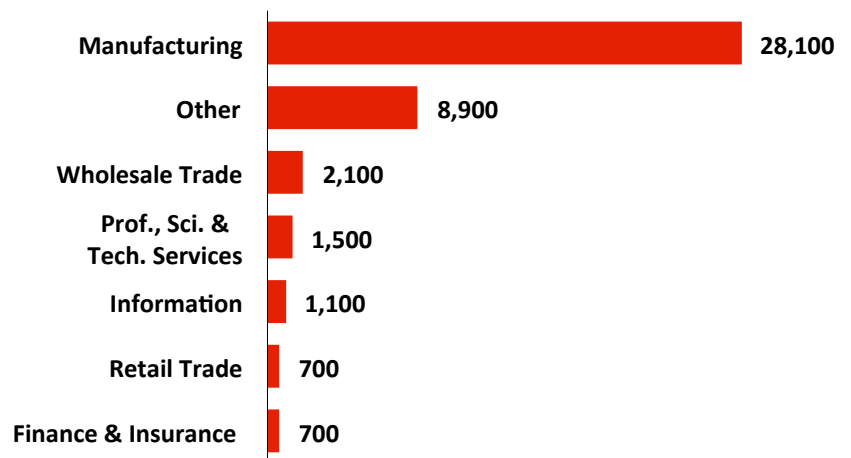
Foreign Investment in Arkansas Creates Jobs

Overview

Foreign-owned companies invest significant amounts of capital to open or expand facilities in Arkansas every year. Foreign-owned companies from around the world employ tens of thousands of workers in Arkansas, including:

- 5,800 workers employed by companies based in France;
- 5,100 workers employed by companies based in Japan;
- 5,000 workers employed by companies based in the United Kingdom;
- 4,500 workers employed by companies based in Switzerland;
- 2,800 workers employed by companies based in the Netherlands.

Foreign-Owned Companies Employ 43,100 Arkansas Workers Across Many Industries



Selected Foreign-Owned Companies Employing Workers in Arkansas

Company	Industry	Country
ArcelorMittal Pine Bluff	Steel Product Manufacturing	Luxembourg
Cott Beverages	Beverage Manufacturing	Canada
Denso Manufacturing	Automotive Parts Manufacturing	Japan
Dassault Falcon Jet Corp.	Aerospace Products Manufacturing	France
Domtar Industries	Paper Manufacturing	Canada
Gerdau Ameristeel	Steel Manufacturing	Brazil
Infosys Technology Ltd.	IT/Business Services	India
Pipelife Jet Stream Inc.	Plastics and Chemical Manufacturing	Belgium
Saint-Gobain/Certainteed Companies	Building Materials Product Manufacturing	France
Sims Metal Management	Metal Recycling Services	Australia
Stihl Southwest, Inc.	Equipment Manufacturing	Germany
Welltec Inc.	Oilfield Services	Denmark
West Fraser, Inc.	Wood Product Manufacturing	Canada



ARKANSAS JOBS DEPEND ON TWO-WAY TRADE

Jobs-Tied-to-Trade: Baughman and Francois, “Trade and American Jobs, The Impact of Trade on U.S. and State-Level Employment: 2014 Update” (2016) (<http://businessroundtable.org/resources/trade-and-american-jobs-2016-update>)

Exporting Firm Wages: Riker, “Export-Intensive Industries Pay More on Average: An Update” (2015) (<https://www.usitc.gov/publications/332/ec201504a.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 2007, 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, 2012 – 2013” (<http://www.census.gov/foreign-trade/Press-Release/edb/2013>)

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 & WORKERS USE IMPORTS TO COMPETE IN INTERNATIONAL MARKETS

Importing Company Information: Census, “A Profile of U.S. Importing and Exporting Companies, 2012 – 2013” (<http://www.census.gov/foreign-trade/Press-Release/edb/2013>)

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

Jobs-Tied-to-FTAs: U.S. Chamber of Commerce, “Opening Markets, Creating Jobs: Estimated U.S. Employment Effects of Trade with FTA Partners” (2010) (http://tradepartnership.com/wp-content/uploads/2014/06/opening_markets_creating_jobs_USChamber.pdf)

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>)