

How Kentucky's 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 Kentucky 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 Kentucky.

Why is International Trade & Investment Important to Kentucky?

- **International trade, including exports and imports, supports 539,300 Kentucky jobs – more than 1 in 5.** These trade-related jobs grew 4.8 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 Kentucky's globally engaged firms. *(See Kentucky Jobs Depend On Two-Way Trade)*
- **Kentucky exported \$28.6 billion in goods and \$4.7 billion in services in 2014,** including aerospace products & parts, motor vehicles, resins & synthetic fibers and travel services. Of Kentucky's 4,420 exporters, 79 percent are small- and medium-sized companies with less than 500 workers. *(See Kentucky Businesses Grow With Exports)*
- **Customers in 195 countries and territories buy Kentucky-made goods and services,** including billions of dollars in annual exports to top markets like Canada, Mexico and the United Kingdom. Kentucky's goods exports have grown more than two times faster than state GDP since 2004. *(See Kentucky Companies Export Throughout The World)*
- **Imports lower prices and increase choices for Kentucky companies and families.** Lower raw material and input costs help Kentucky 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 Kentucky Companies And Workers Use Imports To Compete)*
- **Free trade agreements (FTAs) have helped fuel rapid export growth from Kentucky to partner countries.** In 2014, \$12.4 billion of Kentucky's goods exports, or 43 percent, went to FTA partners. This represents a 90 percent increase since 2004. *(See Kentucky Needs Trade Agreements To Grow)*
- **Foreign-owned companies invest and build facilities and employ 100,700 workers in Kentucky.** *(See Foreign Investment In Kentucky Creates Jobs)*



Kentucky 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 Kentucky

- Export growth increases jobs by generating new business for Kentucky's manufacturers, service providers and farmers. Imports support jobs and keep costs low, helping Kentucky businesses compete and saving Kentucky families real dollars at the cash register.
- More than one in five Kentucky jobs depends upon international trade.
- Kentucky's trade-related employment grew 4.8 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.

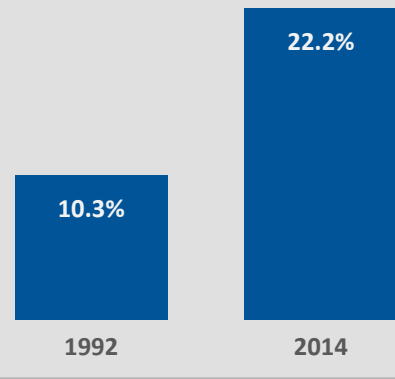
By the Numbers

539,300

Number of Jobs in Kentucky Supported by Trade

Share of Jobs Tied to Trade

Increased 116 percent from 1992 to 2014



Jobs Tied to Trade Top Sectors, 2014

Retail	59,200
Management, Administrative Services	38,700
Manufacturing	36,100
Transportation & Warehousing	26,500
Professional, Scientific, Tech. Services	24,000



Kentucky Businesses Grow with Exports

Overview

Kentucky exported an estimated \$28.6 billion in goods and \$4.7 billion in services in 2014. Between 2009 and 2014, Kentucky goods exports have increased by 56 percent and services exports by 30 percent. Large companies now account for 73 percent of the value of Kentucky's 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 Kentucky Exports

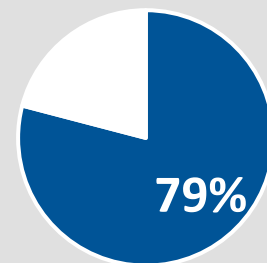
- Kentucky ranks among the top 10 state exporters in 23 industries, including first in misc. animal products (\$396 million), third in aerospace products & parts (\$7.8 billion) and misc. leather products (\$196 million), and fourth in glass & glass products (\$373 million).
- Kentucky is America's 16th largest exporter of agricultural products. It is the largest exporter of horses and other equine, the second largest exporter of tobacco, the 12th largest exporter of poultry and eggs, and the 13th largest exporter of corn.
- One of Kentucky's fastest growing export categories is bakery & tortilla products, which have increased by 27 percent per year since 2004. In 2014, exports of these products reached \$44 million.

By the Numbers

4,420

Number of Kentucky Businesses that Exported in 2013

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



Top Kentucky Exports, 2014

Goods

Aerospace Products & Parts	\$7.8 billion
Motor Vehicles	\$4.2 billion
Resins & Synthetic Fibers	\$1.4 billion
Motor Vehicle Parts	\$1.4 billion
Pharmaceuticals & Medicines	\$1.3 billion

Services

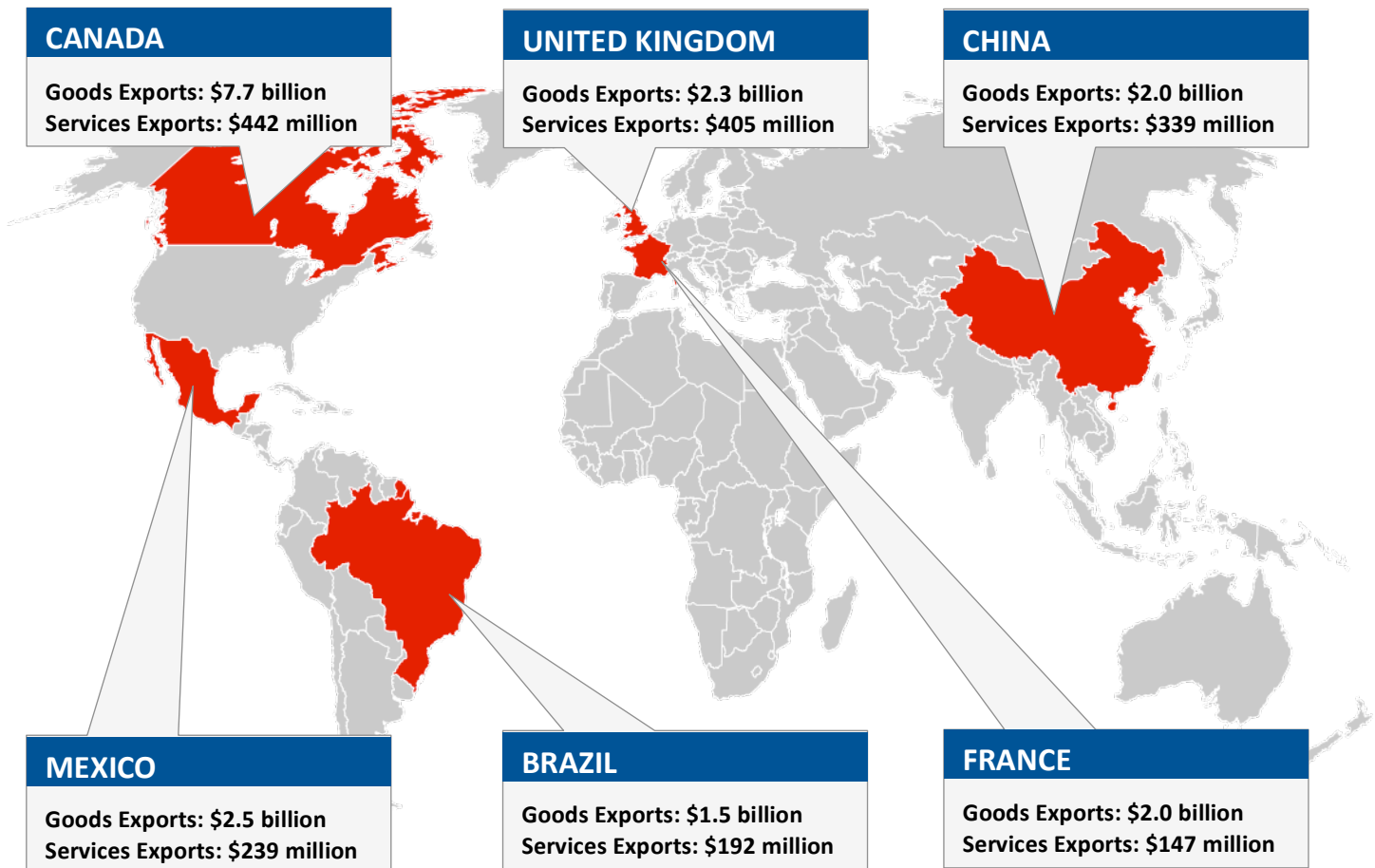
Travel	\$1.5 billion
Air Freight & Port Services	\$660 million
Equip. Maintenance & Repair	\$451 million



Kentucky Companies Export throughout the World

In 2014, Kentucky companies sold their products in 195 countries and territories.

Top export markets include:



Fast Facts: How Exports Help the Kentucky Economy Grow

- Goods exports accounted for 15.3 percent of Kentucky's state GDP in 2014.
- Kentucky's goods exports have grown more than two times faster than state GDP since 2004. The average annual export growth during this period was 8.0 percent, while the average annual state GDP growth was 3.3 percent.
- Kentucky's top export markets for goods are Canada, Mexico, and the United Kingdom. Its top market for services is Canada.
- Kentucky's goods exports to Brazil have grown by 20 percent per year since 2004. Exports to China grew by 18 percent per year, while exports to Mexico grew by 14 percent per year.



Kentucky 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 Kentucky.

- Services such as transportation, finance and insurance, marketing, and legal services are needed to bring imported goods to Kentucky's 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 Kentucky family of four more than \$10,000 per year.
- Imports help keep prices down for Kentucky 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 3,367 in Kentucky) 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



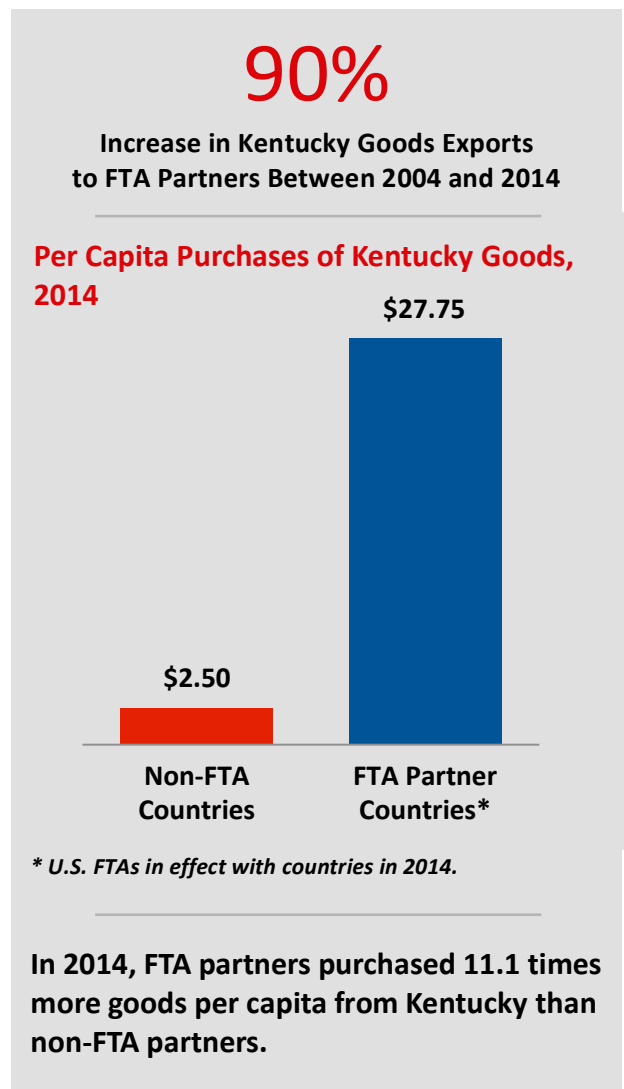
Kentucky Needs Trade Agreements to Grow

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. Kentucky has increased its exports to FTA partners following implementation of the U.S. FTAs with those countries.

- In 2014, \$12.4 billion of Kentucky's goods exports, or 43 percent, went to FTA partners.
- Since 2004 Kentucky's goods exports to countries with FTAs in effect with the United States in 2014 have increased by 90 percent.
- Kentucky's exports to Canada and Mexico have increased by \$8.7 billion (589 percent) since NAFTA went into effect in 1994.
- Kentucky's exports to Oman have increased by 1,725 percent since the U.S.-Oman FTA took effect in 2009.
- Kentucky's exports to South Korea of aerospace products & parts have increased every year, from \$395,000 to \$42 million, since the FTA with South Korea went into effect in 2012.
- Canada bought 75 percent of Kentucky's exports of motor vehicle bodies & trailers in 2014.
- Countries negotiating the Trans-Pacific Partnership (TPP) and Transatlantic Trade and Investment Partnership (TTIP) agreements purchased \$20.8 billion, or 73 percent, of Kentucky's goods exports in 2014.

By the Numbers





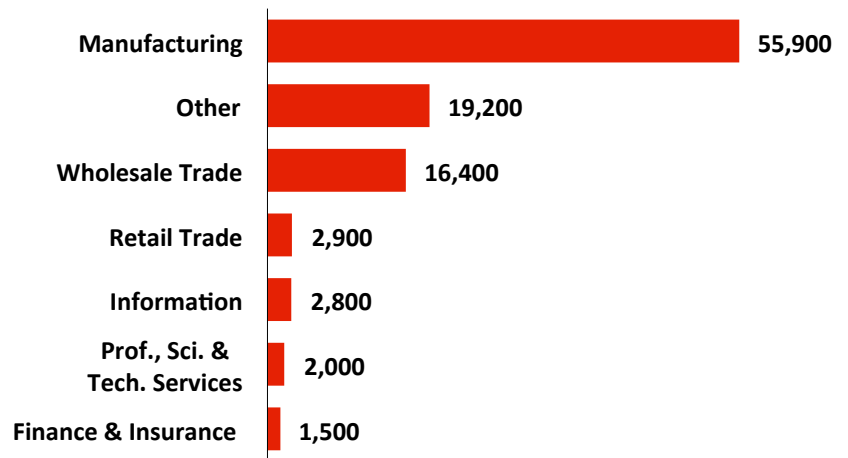
Foreign Investment in Kentucky Creates Jobs

Overview

Foreign-owned companies invest significant amounts of capital to open or expand facilities in Kentucky every year. Foreign-owned companies from around the world employ more than 100,000 workers in Kentucky, including:

- 36,200 workers employed by companies based in Japan;
- 9,100 workers employed by companies based in Germany;
- 9,100 workers employed by companies based in the United Kingdom;
- 9,000 workers employed by companies based in Canada;
- 6,800 workers employed by companies based in France.

Foreign-Owned Companies Employ 100,700 Kentucky Workers Across Many Industries



Selected Foreign-Owned Companies Employing Workers in Kentucky

Company	Industry	Country
ABB Inc.	Power Distribution Equipment Mfg.	Switzerland
Arkema Inc.	Plastic and Chemical Manufacturing	France
Bekaert Corporation	Steel Product Manufacturing	Belgium
Cemex	Cement Manufacturing	Mexico
Domtar Paper Company LLC	Paper Manufacturing	Canada
Gerdau Ameristeel	Steel Manufacturing	Brazil
Holiday Inn	Hotel Services	United Kingdom
Rexel Inc.	Electronic Components Manufacturing	France
Robert Bosch Tool Corp.	Automotive Parts Manufacturing	Germany
Toyota Motor Manufacturing	Motor Vehicle Manufacturing	Japan
Vitelmed Medtech Global	Healthcare Services	New Zealand



KENTUCKY JOBS DEPEND ON TWO-WAY TRADE

Jobs-Tied-to-Trade: Boughman 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>)

KENTUCKY 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>)

KENTUCKY 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>)

KENTUCKY 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/>)

KENTUCKY NEEDS TRADE AGREEMENTS TO GROW

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

Per Capita Purchases of Kentucky 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 KENTUCKY 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>)