

## How Tennessee'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 Tennessee 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 Tennessee.

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### Why is International Trade & Investment Important to Tennessee?

- **International trade, including exports and imports, supports 829,452 Tennessee jobs – more than 1 in 5.** These trade-related jobs grew 6.4 times faster than total employment from 2004 to 2013 and are at large and small companies, on farms, in factories, and at the headquarters of Tennessee's globally engaged firms. *(See Tennessee Jobs Depend On Two-Way Trade)*
- **Tennessee exported \$31.9 billion in goods and \$8.5 billion in services in 2013,** including medical equipment & supplies, motor vehicle parts, motor vehicles and travel services. Of Tennessee's 7,172 exporters, 83 percent are small- and medium-sized companies with less than 500 workers. *(See Tennessee Businesses Grow With Exports)*
- **Customers in 211 countries buy Tennessee-made goods and services,** including billions of dollars in annual exports to top markets like Canada, Mexico and China. Tennessee's goods exports have grown more than three times faster than state GDP since 2003. *(See Tennessee Companies Export Throughout The World)*
- **Imports lower prices and increase choices for Tennessee companies and families.** Lower raw material and input costs help Tennessee 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 Tennessee Companies And Workers Use Imports To Compete)*
- **Free trade agreements (FTAs) have helped fuel rapid export growth from Tennessee to partner countries.** In 2013, \$16.9 billion of Tennessee's goods exports, or 53 percent, went to FTA partners. This represents a 164 percent increase since 2003. *(See Tennessee Needs Trade Agreements To Grow)*
- **Foreign-owned companies invest and build facilities and employ 125,700 workers in Tennessee.** *(See Foreign Investment In Tennessee Creates Jobs)*



## Tennessee 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 Tennessee

- Export growth increases jobs by generating new business for Tennessee's manufacturers, service providers and farmers. Imports support jobs and keep costs low, helping Tennessee businesses compete and saving Tennessee families real dollars at the cash register.
- More than one in five Tennessee jobs depend upon international trade.
- Tennessee's trade-related employment grew 6.4 times faster than total employment from 2004 to 2013.
- Jobs in U.S. exporting plants pay on average up to 18 percent more than similar jobs in non-exporting plants.
- 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.

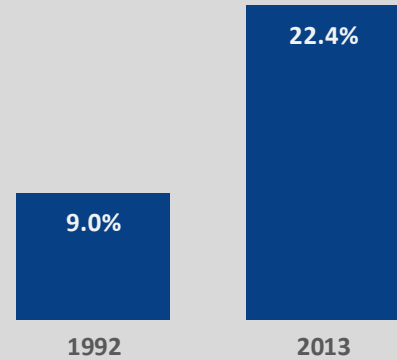
### By the Numbers

**829,452**

Number of Jobs in Tennessee Supported by Trade

#### Share of Jobs Tied to Trade

Increased 149% from 1992 to 2013



#### Jobs Tied to Trade Top Sectors, 2013

Retail	91,700
Management, Administrative Services	69,000
Manufacturing	45,100
Transportation & Warehousing	42,100
Professional, Scientific, Tech Services	40,800



## Tennessee Businesses Grow with Exports

### Overview

Tennessee exported an estimated \$31.9 billion in goods and \$8.5 billion in services in 2013. Between 2009 and 2013, Tennessee goods exports have increased by 58 percent and services exports by 25 percent. Large companies now account for 85 percent of the value of Tennessee'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 Tennessee Exports

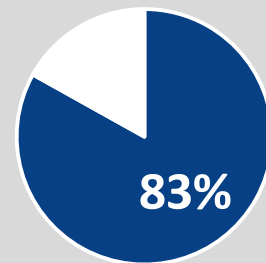
- Tennessee ranks among the top 10 state exporters in 26 industries, including second in medical equipment (\$3.6 billion) and software products (\$75 million) and third in resins & synthetic fibers (\$1.8 billion) and beverages (\$702 million).
- Tennessee is America's 28th largest exporter of agricultural products. It is the third leading exporter of tobacco and ranks among the top 10 exporters of cotton and greenhouse products.
- One of Tennessee's fastest growing export categories is medical equipment, which have increased by 27 percent per year since 2003. In 2013, exports of these products reached \$3.6 billion.

### By the Numbers

**7,172**

Number of Tennessee Businesses that Exported in 2012

### Share of Tennessee Exporters that are Small- & Medium-Sized Businesses



### Top Tennessee Exports, 2013

#### Goods

Medical Equipment & Supplies	\$3.6 billion
Motor Vehicle Parts	\$2.9 billion
Motor Vehicles	\$2.3 billion
Computer Equipment	\$2.1 billion
Basic Chemicals	\$2.1 billion

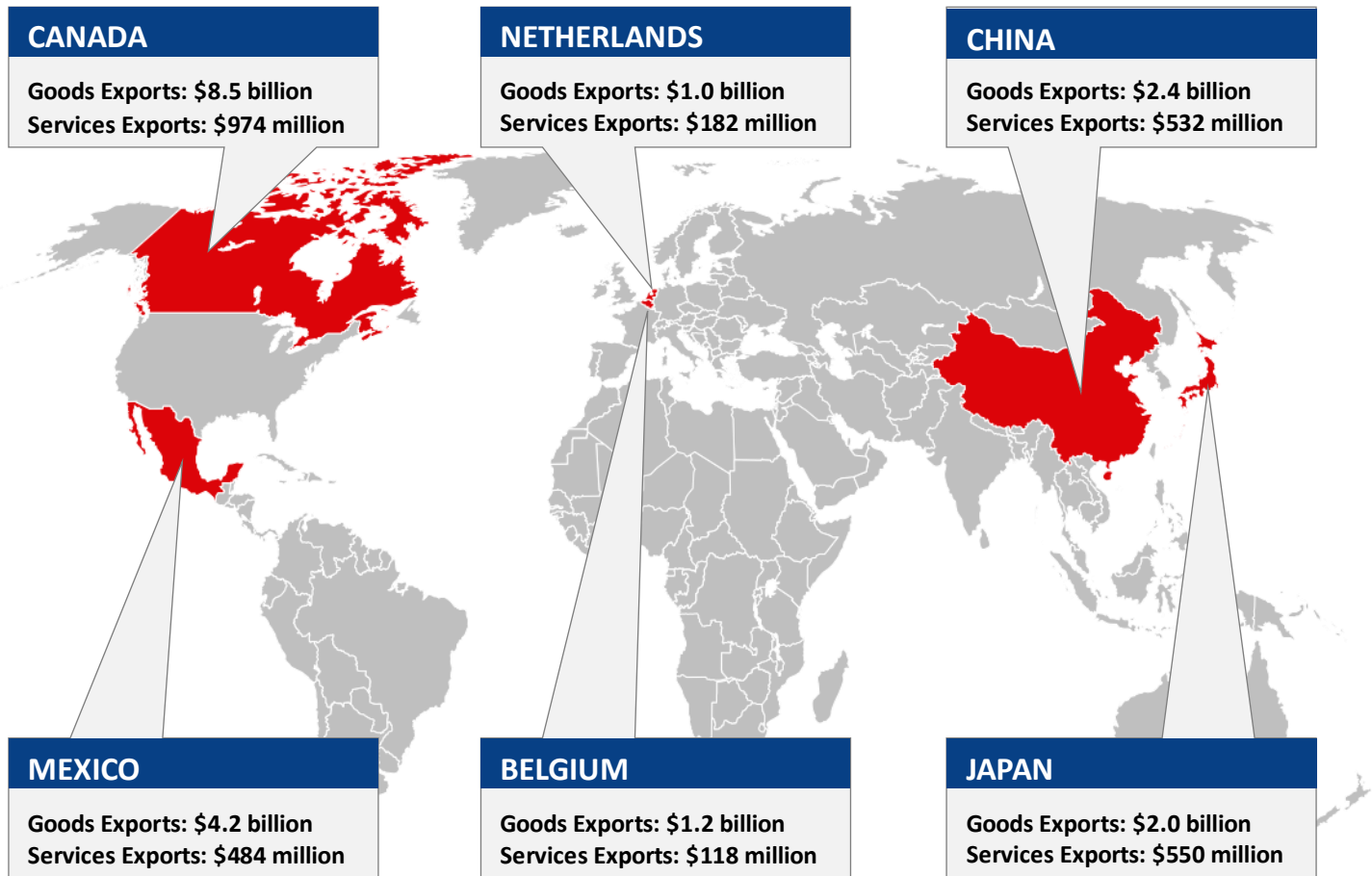
#### Services

Travel	\$3.2 billion
Air Freight & Port Services	\$1.0 billion
Industrial Processes Royalties	\$524 million



## Tennessee Companies Export throughout the World

In 2013, Tennessee companies sold their products in 184 international markets.  
Top export markets include:



### Fast Facts: How Exports Help the Tennessee Economy Grow

- Goods exports accounted for 11.1 percent of Tennessee's state GDP in 2013.
- Tennessee's goods exports have grown more than three times faster than state GDP since 2003. The average annual export growth during this period was 11.1 percent, while the average annual state GDP growth was 3.4 percent.
- Tennessee's top export markets for goods are Canada, Mexico, and China. Its top market for services is Canada.
- Among major export markets for Tennessee's goods, Russia and Chile have grown the fastest at 33 percent per year since 2003. Exports to China grew by 21 percent per year.



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

### Overview

In 2013, 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 Tennessee.

- Services, especially transportation from Tennessee's ports, finance and insurance, marketing and legal services are needed to bring imported goods to American manufacturers and households.
- In 2012, 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 Tennessee family of four more than \$10,000 per year.
- Imports help keep prices down for Tennessee families while increasing their choices for goods and services. Prices for imported consumer goods tend to drop year after year.

**In 2012, nearly 186,000 U.S. companies (including 5,430 in Tennessee) 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



**-86.9%**

Decrease in the Price of Televisions Between 2003 and 2013.



**-71.2%**

Decrease in the Price of Computers Between 2003 and 2013.



**-41.9%**

Decrease in the Price of Toys Between 2003 and 2013.

### Imports Increase Choices for Goods & Services



### Overview

The United States has some of the lowest trade barriers in the world. Overall U.S. trade with our 20 free trade agreement (FTA) partner countries supports 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. Tennessee has increased its exports to FTA partners following implementation of the U.S. FTAs with those countries.

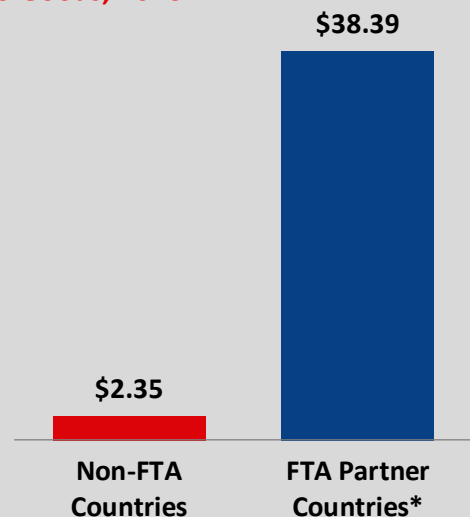
- In 2013, \$16.9 billion of Tennessee's goods exports, or 53 percent, went to FTA partners.
- Since 2003 Tennessee's goods exports to countries with FTAs in effect with the United States in 2012 have increased by 164 percent.
- Tennessee's exports to Canada and Mexico have increased by \$10.3 billion (428 percent) since NAFTA went into effect in 1994.
- Tennessee's exports to Chile have increased by 1,037 percent, from \$39 million to \$447 million, since the FTA with Chile took effect in 2004.
- Tennessee's exports to Korea of motor vehicles have increased nearly tenfold, from \$13 million to \$126 million in the two years since the FTA with Korea went into effect.
- Canada and Mexico combined to buy 81 percent of Tennessee's exports of rubber products in 2013.
- Countries negotiating the Trans-Pacific Partnership (TPP) and Transatlantic Trade and Investment Partnership (TTIP) agreements purchased \$22.7 billion, or 71 percent, of Tennessee's goods exports in 2013.

### By the Numbers

**164%**

**Increase in Tennessee Goods Exports to FTA Partners Between 2003 and 2013**

**Per Capita Purchases of U.S. Goods, 2013**



*\* U.S. FTAs in effect with countries in 2013.*

**In 2013, FTA partners purchased 16.3 times more goods per capita from Tennessee than non-FTA partners.**



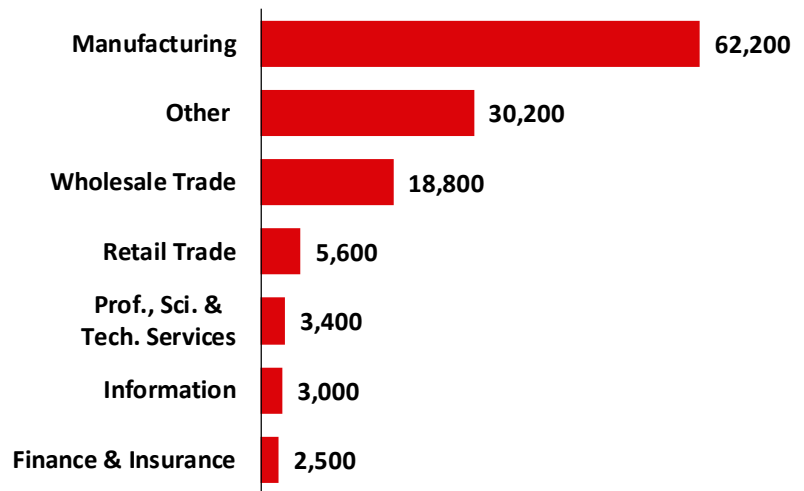
## Foreign Investment in Tennessee Creates Jobs

### Overview

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

- 34,000 workers employed by companies based in Japan;
- 17,300 workers employed by companies based in the United Kingdom;
- 15,100 workers employed by companies based in Germany;
- 9,900 workers employed by companies based in France;
- 9,500 workers employed by companies based in the Netherlands.

### Foreign-Owned Companies Employ 125,700 Tennessee Workers Across Many Industries



### Selected Foreign-Owned Companies Employing Workers in Tennessee

Company	Industry	Country
Alstom Power Inc.	Machinery Manufacturing	France
Arkema Inc.	Chemicals Manufacturing	France
BASF Corp.	Chemicals Manufacturing	Germany
Cemex	Cement Manufacturing	Mexico
EMI Music Publishing Inc.	Entertainment Services	United Kingdom
Gerdau Ameristeel	Steel Manufacturing	Brazil
JTEKT Automotive Tennessee	Steel Product Manufacturing	Japan
KPMG LLP	Accounting Services	United Kingdom
Nissan, N.A.	Motor Vehicle Manufacturing	Japan
Siemens Energy & Automation	Electronics and Engineering Services	Germany
Sims Metal Management	Recycling Services	Australia
Valtimet Inc.	Steel Product Manufacturing	France



## Data Sources

### TENNESSEE 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" (2014) (<http://businessroundtable.org/resources/trade-and-american-jobs-2014-update>)

**Exporting Firm Wages:** Riker, "Do Jobs in Export Industries Still Pay More? And Why?" (2010) ([http://www.trade.gov/mas/ian/build/groups/public/@tg\\_ian/documents/webcontent/tg\\_ian\\_003208.pdf](http://www.trade.gov/mas/ian/build/groups/public/@tg_ian/documents/webcontent/tg_ian_003208.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>)

### TENNESSEE 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, 2011 – 2012" (<http://www.census.gov/foreign-trade/Press-Release/edb/2012>)

### TENNESSEE 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>)

### TENNESSEE COMPANIES & WORKERS USE IMPORTS TO COMPETE IN INTERNATIONAL MARKETS

**Importing Company Information:** Census, "A Profile of U.S. Importing and Exporting Companies, 2011 – 2012" (<http://www.census.gov/foreign-trade/Press-Release/edb/2012>)

**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/>)

### TENNESSEE NEEDS TRADE AGREEMENTS TO GROW

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

**Per Capita Purchases of Tennessee 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/pdf\\_files/US%20Chamber%20-%20Opening%20Markets,%20Creating%20Jobs%20study.pdf](http://tradepartnership.com/pdf_files/US%20Chamber%20-%20Opening%20Markets,%20Creating%20Jobs%20study.pdf))

### FOREIGN INVESTMENT IN TENNESSEE CREATES JOBS

**Employment Data:** BEA "Direct Investment & Multinational Companies" database ([http://bea.gov/iTable/index\\_MNC.cfm](http://bea.gov/iTable/index_MNC.cfm))

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