

## How Iowa's Economy Benefits from International Trade & Investment



IOWA

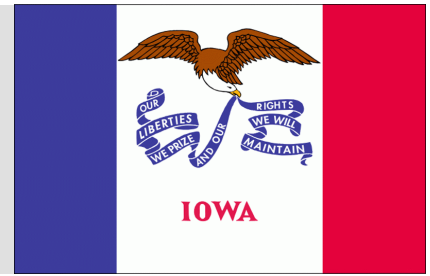
### Overview

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 Iowa 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 Iowa.

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

- **International trade, including exports and imports, supports 402,700 Iowa jobs – nearly one in five.** These trade-related jobs grew five times faster than total employment from 1992 to 2016 and are at large and small companies, on farms, in factories, and at the headquarters of Iowa's globally engaged firms. *(See Iowa Jobs Depend On Two-Way Trade)*
- **Iowa exported \$15.1 billion in goods and \$3.8 billion in services in 2016,** including oilseeds & grains, ag. & construction machinery, meat products and industrial processes royalties. Of Iowa's 3,221 exporters, 83 percent are small- and medium-sized companies with less than 500 workers. *(See Iowa Businesses Grow With Exports)*
- **Customers in 193 countries and territories buy Iowa-made goods and services,** including billions of dollars in annual exports to top markets like Canada, China and Mexico. Iowa's goods exports have grown more than 40 percent faster than state GDP since 2006. *(See Iowa Companies Export Throughout The World)*
- **Imports lower prices and increase choices for Iowa companies and families.** Lower raw material and input costs help Iowa 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 Iowa Companies And Workers Use Imports To Compete)*
- **Free trade agreements (FTAs) have helped fuel rapid export growth from Iowa to partner countries.** In 2016, \$7.0 billion of Iowa's goods exports, or 46 percent, went to FTA partners. This represents an increase of 27 percent since 2006. *(See Iowa Needs Trade Agreements To Grow)*
- **Foreign-owned companies invest and build facilities and employ 56,400 workers in Iowa.** *(See Foreign Investment In Iowa Creates Jobs)*



**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 Iowa**

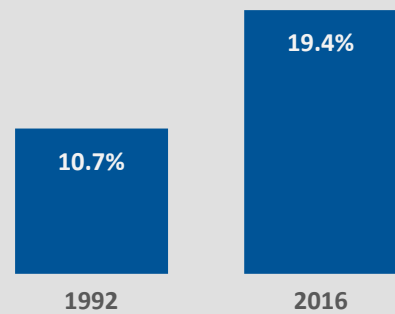
- Export growth increases jobs by generating new business for Iowa's manufacturers, service providers and farmers. Imports support jobs and keep costs low, helping Iowa businesses compete and saving Iowa families real dollars at the cash register.
- Nearly one in five Iowa jobs depends upon international trade.
- Iowa's trade-related employment grew five times faster than total employment from 1992 to 2016.
- 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**

**402,700**

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

**Share of Jobs Tied to Trade Increased 80 percent from 1992 to 2016**



**Jobs Tied to Trade Top Sectors, 2016**

Trade & Distribution	81,500
Professional, Scientific, Tech. Services	42,700
Agriculture	41,100
Personal & Recreational Services	34,300
Manufacturing	33,700



**Overview**

Iowa exported an estimated \$15.1 billion in goods and \$3.8 billion in services in 2016. Between 2006 and 2016, Iowa goods exports have increased by 44 percent and services exports by 111 percent. Large companies now account for 81 percent of the value of Iowa'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 Iowa Exports**

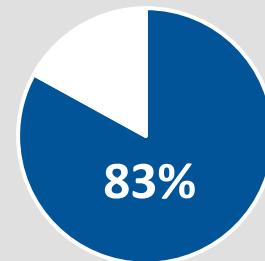
- Iowa ranks among the top 10 state exporters in 12 industries, including first in swine (\$5.5 billion), second in oilseeds & grains (\$4.5 billion), third in meat products (\$1.5 billion), and third in pesticides & fertilizers (\$425 million).
- Iowa is America's third largest exporter of agricultural products. It is the largest exporter of swine, the second largest exporter of oilseeds & grains, the fourth largest exporter of cattle, and the seventh largest exporter of poultry & eggs.
- One of Iowa's fastest growing export categories is communications equipment, which have increased by 13 percent per year since 2006. In 2016, exports of these products reached \$188 million.

**By the Numbers**

**3,221**

**Number of Iowa Businesses that Exported in 2015**

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



**Top Iowa Exports, 2016**

**Goods**

Oilseeds & Grains	\$4.5 billion
Ag. & Construction Machinery	\$1.7 billion
Meat Products	\$1.5 billion
Grain & Oilseed Milling Products	\$918 million
Basic Chemicals	\$606 million

**Services**

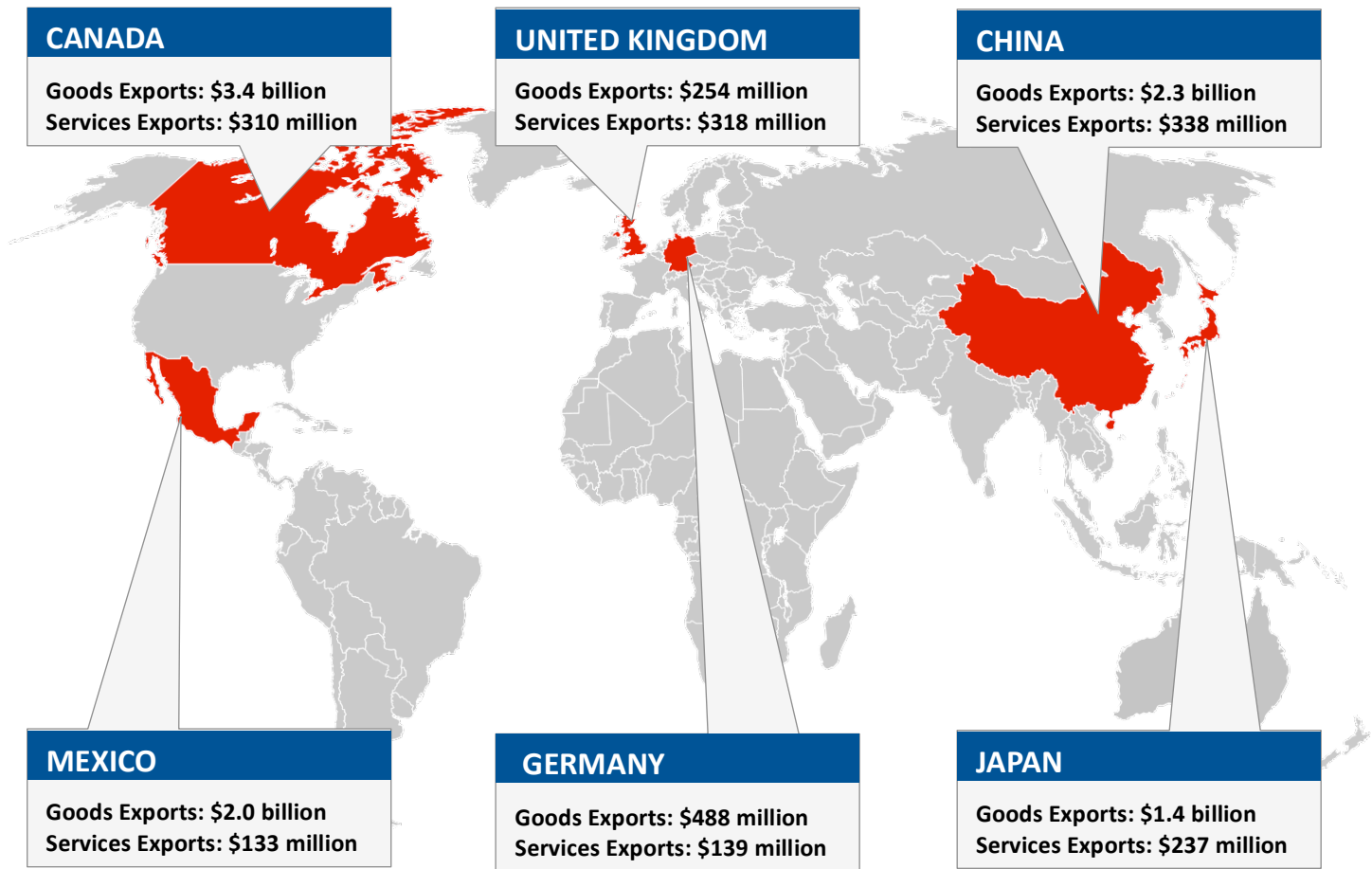
Royalties from Industrial Processes	\$655 million
Insurance Services	\$634 million
Travel	\$556 million



## Iowa Companies Export throughout the World

In 2016, Iowa companies sold their products in 193 countries and territories.

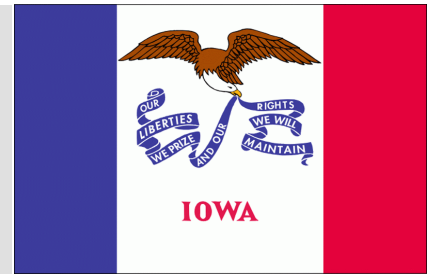
Top export markets include:



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

- Goods and services exports accounted for 10.3 percent of Iowa's state GDP in 2016.
- Iowa's exports have grown more than 40 percent faster than state GDP since 2006. The average annual export growth during this period was 5.4 percent, while the average annual state GDP growth was 3.8 percent.
- Iowa's top export markets for goods are Canada, China, and Mexico. Its top market for services is China.
- Iowa's goods exports to Hong Kong have grown by 14 percent per year since 2006, while Iowa's services exports to China have grown by 22 percent per year.

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



### Overview

In 2016, 56 percent (\$1.2 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 Iowa.

- Services such as transportation, finance and insurance, marketing and legal services are needed to bring imported goods to American manufacturers and households.
- In 2015, 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 Iowa family of four more than \$10,000 per year.
- Imports help keep prices down for Iowa families while increasing their choices for goods and services. Prices for imported consumer goods tend to drop year after year.

**In 2015, about 197,000 U.S. companies (including 2,579 in Iowa) imported products...**

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

### Imports Decrease Prices



**-87.9%**

Decrease in the Price of Televisions Between 2006 and 2016.



**-63.3%**

Decrease in the Price of Computers Between 2006 and 2016.



**-44.7%**

Decrease in the Price of Toys Between 2006 and 2016.

### Imports Increase Choices

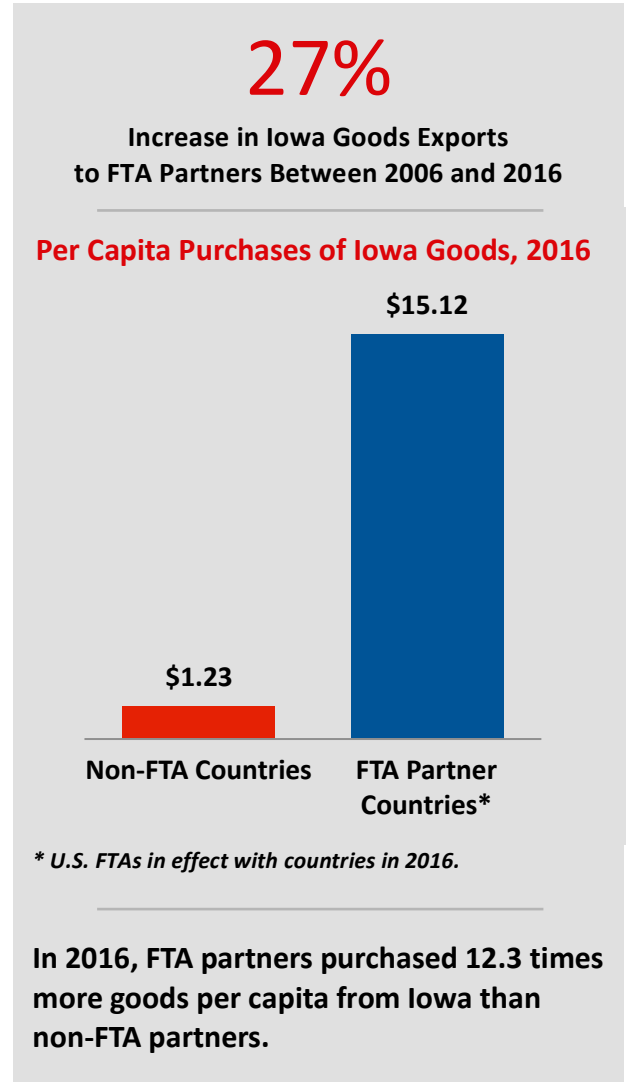


### Overview

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

- In 2016, \$7.0 billion of Iowa's goods exports, or 46 percent, went to FTA partners.
- Since 2006, Iowa's goods exports to countries with FTAs in effect with the United States in 2016 have increased by 27 percent.
- Iowa's exports to Canada and Mexico have increased by \$4.3 billion (391 percent) since NAFTA went into effect in 1994.
- Iowa's exports to Nicaragua have increased by 243 percent since the FTA with Nicaragua took effect in 2006.
- Iowa's exports to Peru of oilseeds & grains have increased from \$10 million to \$77 million since the FTA with Peru went into effect in 2009.
- Korea bought 10 percent of Iowa's exports of aluminum in 2016.
- In 2016, \$941 million of Iowa's services exports, or 24 percent, went to FTA partners.
- Iowa's exports to Singapore of royalties from industrial processes have increased from \$4.9 million to \$29 million, or by over 488 percent, since 2006 (earliest year available).

### By the Numbers



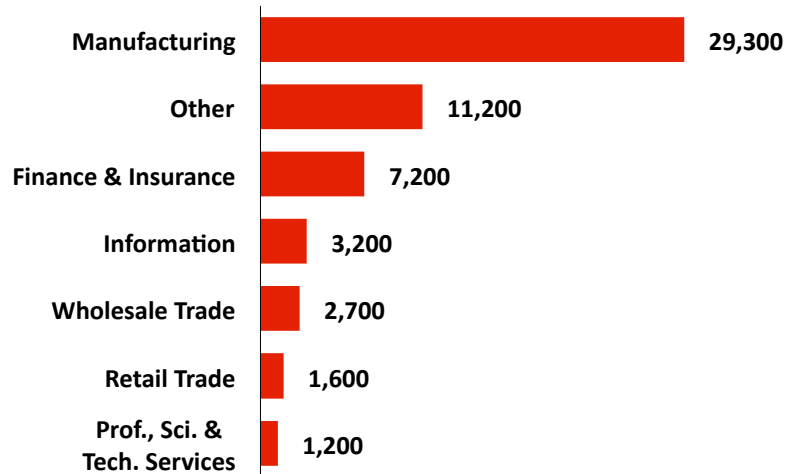


**Overview**

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

- 8,200 workers employed by companies based in the United Kingdom;
- 6,600 workers employed by companies based in the Netherlands;
- 6,000 workers employed by companies based in Japan;
- 4,600 workers employed by companies based in France;
- 4,500 workers employed by companies based in Germany.

**Foreign-Owned Companies Employed 56,400 Iowa Workers Across Many Industries, 2015**



**Selected Foreign-Owned Companies Employing Workers in Iowa**

Company	Industry	Country
ABB Inc.	Electrical Equipment Manufacturing	Switzerland
Adecco Staffing	Employment Services	Switzerland
Ajinomoto Food Ingredients	Food Manufacturing	Japan
Ernst & Young	Accounting Services	United Kingdom
Gerdau Ameristeel	Steel Product Manufacturing	Brazil
Great Western Bank	Banking Services	Australia
Holiday Inn	Hotel Services	United Kingdom
Hubbard Feeds	Animal Feed	Canada
KPMG LLP	Accounting Services	Netherlands
Nutrien	Agricultural and Chemical Products	Canada
Schneider Electric	Power Distribution Equipment Manufacturer	France
Siemens Industry	Engineering Services	Germany





### **IOWA JOBS DEPEND ON TWO-WAY TRADE**

**Jobs-Tied-to-Trade:** Baughman and Francois, “Terminating NAFTA: The National and State-by-State Impacts on Jobs, Exports and Output” (2018) (<http://businessroundtable.org/media/news-releases/new-study-withdrawal-nafta-would-jeopardize-american-jobs-and-hurt-u.s.-economy>)

**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>)

### **IOWA 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, 2014 – 2015” (<https://www.census.gov/foreign-trade/Press-Release/edb/2015/>)

### **IOWA 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>)

### **IOWA COMPANIES & WORKERS USE IMPORTS TO COMPETE IN INTERNATIONAL MARKETS**

**Importing Company Information:** Census, “A Profile of U.S. Importing and Exporting Companies, 2014 – 2015” (<https://www.census.gov/foreign-trade/Press-Release/edb/2015/>)

**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/>)

### **IOWA NEEDS TRADE AGREEMENTS TO GROW**

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

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

### **FOREIGN INVESTMENT IN IOWA 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>)