

HOW IOWA'S 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 Iowa 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 Iowa. 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 Iowa recover.

Trade Creates & Supports Jobs in Iowa

- **International trade, including exports and imports, supported 412,800 Iowa jobs – one in five in 2018.** These trade-related jobs grew five 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 Iowa's globally engaged firms. A rebound in trade will help restore trade-related jobs lost during the pandemic in Iowa. *(See Iowa Jobs Depend On Two-Way Trade)*
- **Iowa exported \$16.6 billion in goods and \$4.0 billion in services in 2018**, including oilseeds and grains, agriculture and construction machinery, meat products and insurance services. Of Iowa's 3,396 exporters, 83 percent are small- and medium-sized companies with less than 500 workers. *(See Iowa Businesses Grow With Exports)*
- **Customers in 192 countries and territories buy Iowa-made goods and services**, including billions of dollars in annual exports to top markets like Canada, Mexico and Japan. Iowa's goods exports have grown more than 10 percent faster than state GDP since 2009. Policies that help Iowa businesses, workers, and farmers once again reach the growing number of customers around the world can help lead an economic and jobs recovery. *(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 Families Benefit from Imports)*
- **Free trade agreements (FTAs) have helped fuel rapid export growth from Iowa to partner countries.** In 2018, \$8.5 billion of Iowa's goods exports, or 52 percent, went to FTA partners. This represents an increase of 49 percent since 2009. *(See Iowa Needs Trade Agreements To Grow)*
- **Foreign-owned companies invest and build facilities and employ 58,200 workers in Iowa.** *(See Foreign Investment In Iowa Creates Jobs)*



IOWA 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 Iowa. Policies that expand trade can create new job opportunities in Iowa and help it recover faster.

Trade Creates & Supports Jobs in Iowa

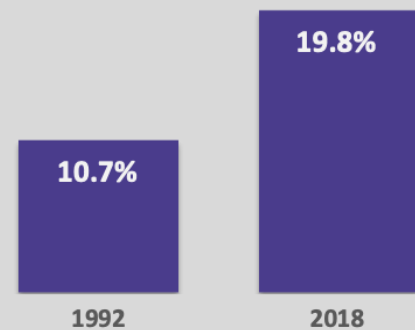
- Export growth increases jobs by generating new business for Iowa's manufacturers, services providers and farmers. Imports support jobs and keep costs low, helping Iowa businesses compete and saving Iowa families real dollars at the cash register.
- One in five Iowa jobs depends upon international trade.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

412,800

Number of Jobs in Iowa Supported by Trade

Share of Jobs Tied to Trade
Increased 84 percent from 1992 to 2018



Jobs Tied to Trade Top Sectors, 2018

Trade & Distribution	97,800
Prof., Scient. & Tech. Services	46,500
Personal & Rec. Services	21,300
Construction	20,100
Agriculture	18,200



IOWA BUSINESSES GROW WITH EXPORTS



Overview

Iowa exported an estimated \$16.6 billion in goods and \$4.0 billion in services in 2018. Between 2009 and 2018, Iowa goods exports have increased by 34 percent and services exports by 70 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

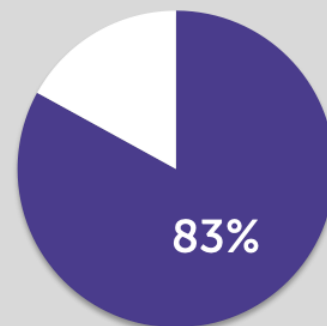
- Iowa ranks among the top five state exporters in six industries, including second in oilseeds and grains (\$4.2 billion), third in agriculture and construction machinery (\$2.6 billion), fourth in meat products (\$1.7 billion), and fourth in animal foods (\$187 million).
- Iowa is America's fourth largest exporter of agricultural products. It is the second largest exporter of oilseeds and grains, the seventh largest exporter of poultry and eggs, the ninth largest exporter of swine, and the 14th largest exporter of cattle.
- One of Iowa's fastest growing export categories is pesticides and fertilizers, which increased by 7 percent since 2009. In 2018, exports of these products reached \$491 million.

By the Numbers

3,396

Number of Iowa Businesses that Exported in 2018

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



Top Iowa Exports, 2018

Goods

Oilseeds & Grains	\$4.2 billion
Ag. & Construction Machinery	\$2.6 billion
Meat Products	\$1.7 billion
Grain & Oilseed Milling Products	\$841 million
Basic Chemicals	\$680 million

Services

Insurance Services	\$784 million
Royalties from Industrial Processes	\$598 million
Travel	\$521 million

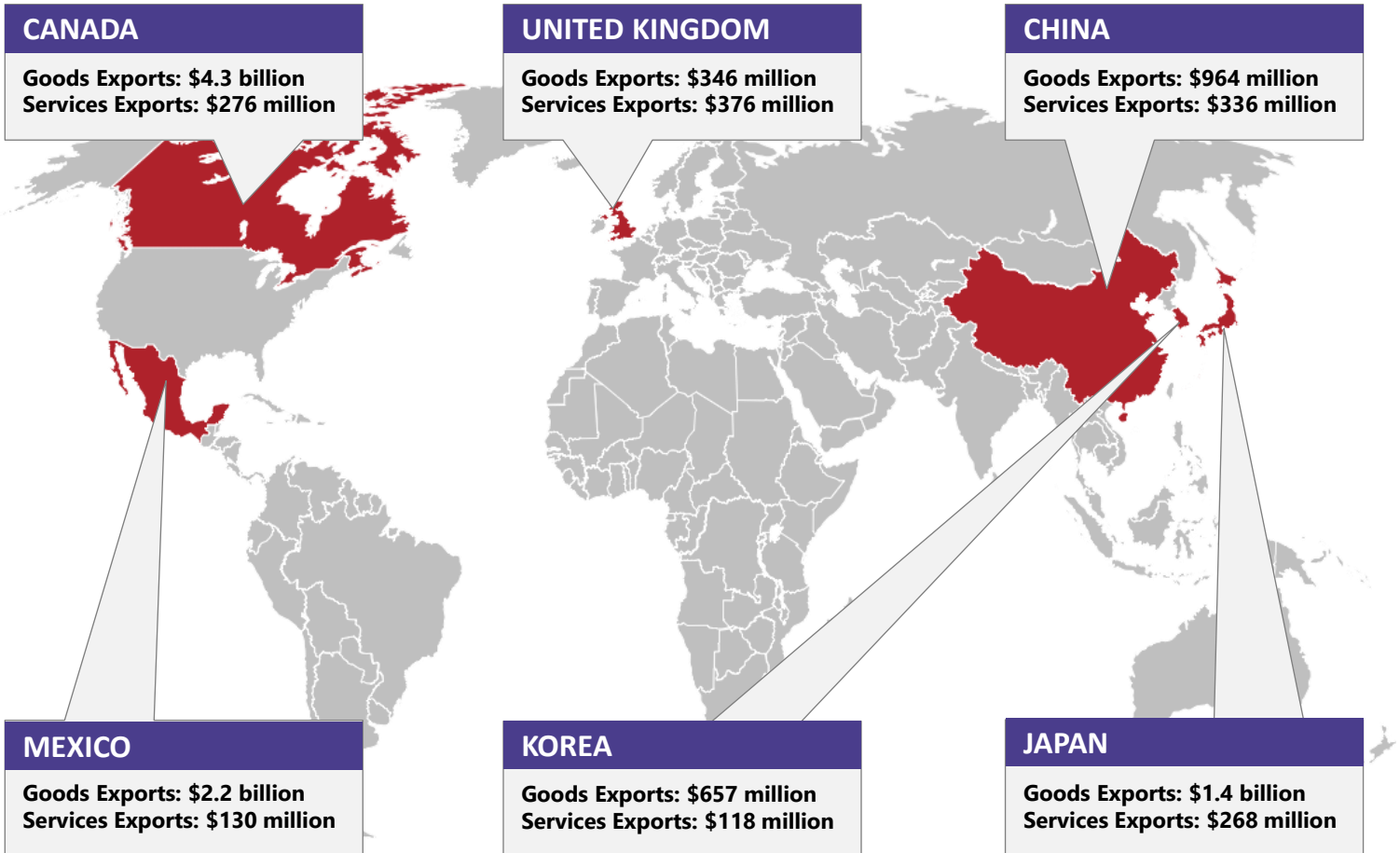


IOWA COMPANIES EXPORT THROUGHOUT THE WORLD



In 2018, Iowa companies sold their products in 192 countries and territories.

Top export markets include:



Fast Facts: How Exports Help the Iowa Economy Grow

- Goods and services exports accounted for 10.8 percent of Iowa's state GDP in 2018.
- Iowa's exports have grown more than 10 percent faster than state GDP since 2009. The average annual export growth during this period was 4.2 percent, while the average annual state GDP growth was 3.8 percent.
- Iowa's top export markets for goods are Canada, Mexico, and Japan. Its top market for services is the United Kingdom.
- Iowa's goods exports to Argentina have grown by 26 percent per year since 2009, while Iowa's services exports to Singapore have grown by 14 percent per year.
- Restoring trade can help lead a jobs recovery when supported by policies that help Iowa businesses, workers, and farmers reach the growing number of customers around the world.



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IOWA COMPANIES AND FAMILIES BENEFIT FROM IMPORTS



Overview

Imports provide a variety of benefits for Iowa companies and families. Imported consumer goods help keep prices down for Iowa families while increasing choices for foods and other products that are not available locally. Imported inputs help Iowa 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.

Iowa Families Benefit from Imports

- In 2018, 25 percent of Iowa's imports were consumer goods. Prices for imported consumer goods tend to drop year after year, leaving Iowa 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 Iowa 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, 2,932 Iowa companies imported goods from 134 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.

Iowa Exports and Imports are Linked Through Global Value Chains

- In 2018, 75 percent of Iowa goods imports were raw materials, components and parts that are used by U.S. manufacturers to stay competitive.
- Many of Iowa's top imports are critical components for Iowa exports. Conversely, Iowa exports of raw materials and parts may return to the United States in imported finished goods.



Imports:
Bulk agricultural
chemicals
(\$258M in 2018)



Exports:
Retail insecticides,
herbicides, etc.
(\$464M in 2018)



IOWA 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. Iowa 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 Iowa and the United States.

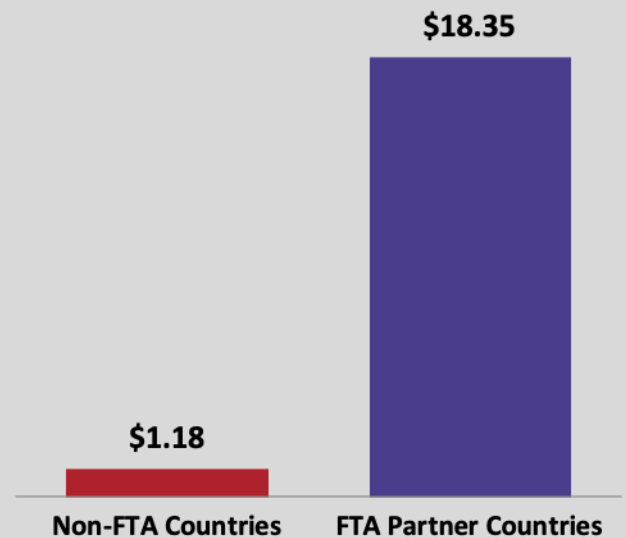
- In 2018, \$8.5 billion of Iowa's goods exports, or 52 percent, went to FTA partners.
- Since 2009, Iowa's goods exports to countries with FTAs in effect with the United States in 2018 have increased by 49 percent.
- Iowa's exports to Canada and Mexico have increased by \$5.4 billion (487 percent) since NAFTA went into effect in 1994.
- Iowa's exports to Peru have increased by 335 percent – from \$28 million to \$121 million – since the FTA with Peru took effect in 2009.
- Iowa's exports to Australia of pesticides and fertilizers have increased from \$3.8 million to \$30 million since the FTA with Australia went into effect in 2005.
- Canada accounted for \$161 million of Iowa's \$175 million in exports of HVAC and refrigeration equipment to the world in 2018.
- In 2018, \$930 million of Iowa's services exports, or 23 percent, went to FTA partners.
- Iowa's exports to Singapore of industrial processes have increased from \$4.9 million to \$36 million, or by 640 percent, since 2006 (earliest year available).

By the Numbers

49%

Increase in Iowa Goods Exports to FTA Partners Between 2009 and 2018

Per Capita Purchases of Iowa Goods, 2018



* U.S. FTAs in effect with countries in 2018.

In 2018, FTA partners purchased 15.6 times more goods per capita from Iowa than non-FTA partners.



FOREIGN INVESTMENT IN IOWA CREATES JOBS



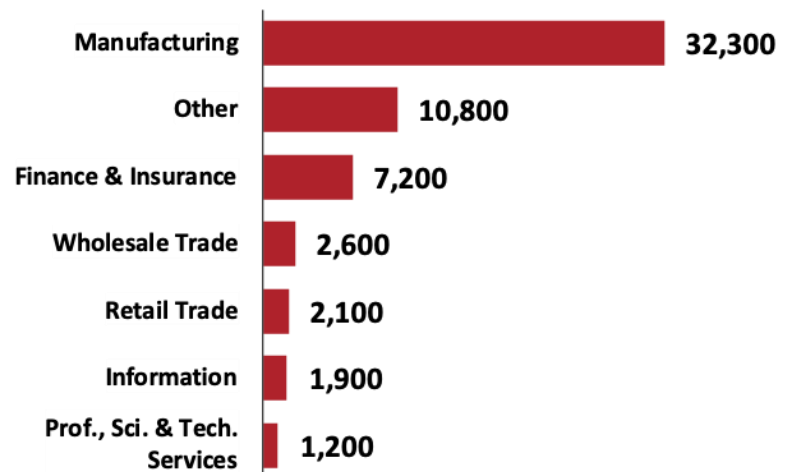
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Foreign-owned companies help grow the U.S. economy and jobs. In 2017, foreign-owned companies added over \$1 trillion to U.S. GDP, including goods exports of \$380 billion and R&D spending of over \$60 billion. They employed 7.4 million workers in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

Iowa is no exception. Foreign-owned companies make significant investments in Iowa 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 Iowa in 2017, including:

- 7,500 workers employed by companies based in the United Kingdom;
- 6,300 workers employed by companies based in the Netherlands;
- 5,300 workers employed by companies based in Japan;
- 3,900 workers employed by companies based in Germany;
- 3,800 workers employed by companies based in Switzerland.

Foreign-Owned Companies Employed 58,200 Iowa Workers Across Many Industries, 2017



Selected Foreign-Owned Companies Employing Workers in Iowa

Company	Industry	Country
Bridgestone Americas	Tire Manufacturing	Japan
Ajinomoto Food Ingredients	Food Manufacturing	Japan
Gerdau Ameristeel	Steel Product Manufacturing	Brazil
Imerys USA	Mineral Mining	France
Holiday Inn	Hotel Services	United Kingdom
KPMG LLP	Accounting Services	Netherlands
Stantec, Inc.	Architecture, Engineering & Design Services	Canada
Siemens Industry	Engineering Services	Germany



DATA SOURCES



IOWA 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>)

IOWA 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/>)

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 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/>)

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)

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

