

# HOW INDIANA'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 Indiana 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 Indiana. 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 Indiana recover.

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## Trade Creates & Supports Jobs in Indiana

- **International trade, including exports and imports, supported 746,700 Indiana jobs – nearly 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 Indiana's globally engaged firms. A rebound in trade will help restore trade-related jobs lost during the pandemic in Indiana. *(See Indiana Jobs Depend On Two-Way Trade)*
- **Indiana exported \$40.8 billion in goods and \$9.0 billion in services in 2018,** including pharmaceuticals and medicines, motor vehicle parts, motor vehicles and royalties from industrial processes. Of Indiana's 8,506 exporters, 84 percent are small- and medium-sized companies with less than 500 workers. *(See Indiana Businesses Grow With Exports)*
- **Customers in 198 countries and territories buy Indiana-made goods and services,** including billions of dollars in annual exports to top markets like Canada, Mexico and China. Indiana's goods exports have grown more than 50 percent faster than state GDP since 2009. Policies that help Indiana businesses, workers, and farmers once again reach the growing number of customers around the world can help lead an economic and jobs recovery. *(See Indiana Companies Export Throughout The World)*
- **Imports lower prices and increase choices for Indiana companies and families.** Lower raw material and input costs help Indiana 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 Indiana Companies and Families Benefit from Imports)*
- **Free trade agreements (FTAs) have helped fuel rapid export growth from Indiana to partner countries.** In 2018, \$22.1 billion of Indiana's goods exports, or 54 percent, went to FTA partners. This represents an increase of 85 percent since 2009. *(See Indiana Needs Trade Agreements To Grow)*
- **Foreign-owned companies invest and build facilities and employ 203,000 workers in Indiana.** *(See Foreign Investment In Indiana Creates Jobs)*



# INDIANA 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 Indiana. Policies that expand trade can create new job opportunities in Indiana and help it recover faster.

## Trade Creates & Supports Jobs in Indiana

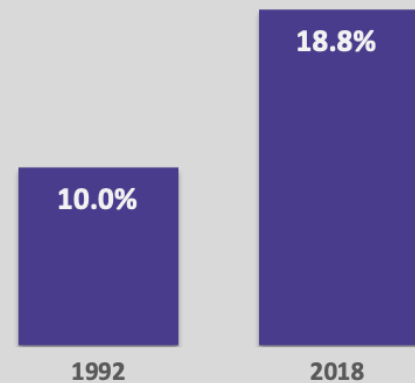
- Export growth increases jobs by generating new business for Indiana's manufacturers, services providers and farmers. Imports support jobs and keep costs low, helping Indiana businesses compete and saving Indiana families real dollars at the cash register.
- Nearly one in five Indiana jobs depends upon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

# 746,700

Number of Jobs in Indiana Supported by Trade

**Share of Jobs Tied to Trade Increased 88 percent from 1992 to 2018**



## Jobs Tied to Trade Top Sectors, 2018

Trade & Distribution	184,500
Prof., Scient. & Tech. Services	106,400
Personal & Rec. Services	44,300
Construction	35,800
Transportation & Warehousing	30,200



# INDIANA BUSINESSES GROW WITH EXPORTS



## Overview

Indiana exported an estimated \$40.8 billion in goods and \$9.0 billion in services in 2018. Between 2009 and 2018, Indiana goods exports have increased by 68 percent and services exports by 45 percent. Large companies now account for 85 percent of the value of Indiana'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 Indiana Exports

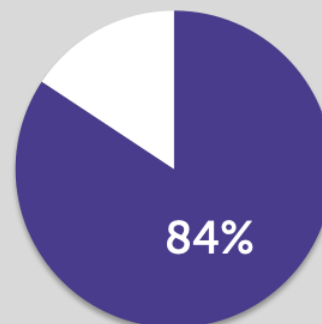
- Indiana ranks among the top five state exporters in 11 industries, including first in pharmaceuticals and medicines (\$7.0 billion) and in miscellaneous wood products (\$356 million), second in engines and turbines (\$2.2 billion), and second in miscellaneous transportation equipment (\$616 million).
- Indiana is America's 12th largest exporter of agricultural products. It is the fourth largest exporter of swine, the eighth largest exporter of oilseeds and grains, the 20th largest exporter of poultry and eggs, and the 21st largest exporter of cattle.
- One of Indiana's fastest growing export categories is miscellaneous general purpose machinery, which increased by 8 percent since 2009. In 2018, exports of these products reached \$1.2 billion.

## By the Numbers

# 8,506

Number of Indiana Businesses  
that Exported in 2018

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



## Top Indiana Exports, 2018

### Goods

Pharmaceuticals & Medicines	\$7.0 billion
Motor Vehicle Parts	\$4.7 billion
Motor Vehicles	\$3.1 billion
Medical Equipment & Supplies	\$2.4 billion
Engines & Turbines	\$2.2 billion

### Services

Royalties from Industrial Processes	\$2.0 billion
Travel	\$1.8 billion
R&D & Testing Services	\$1.6 billion

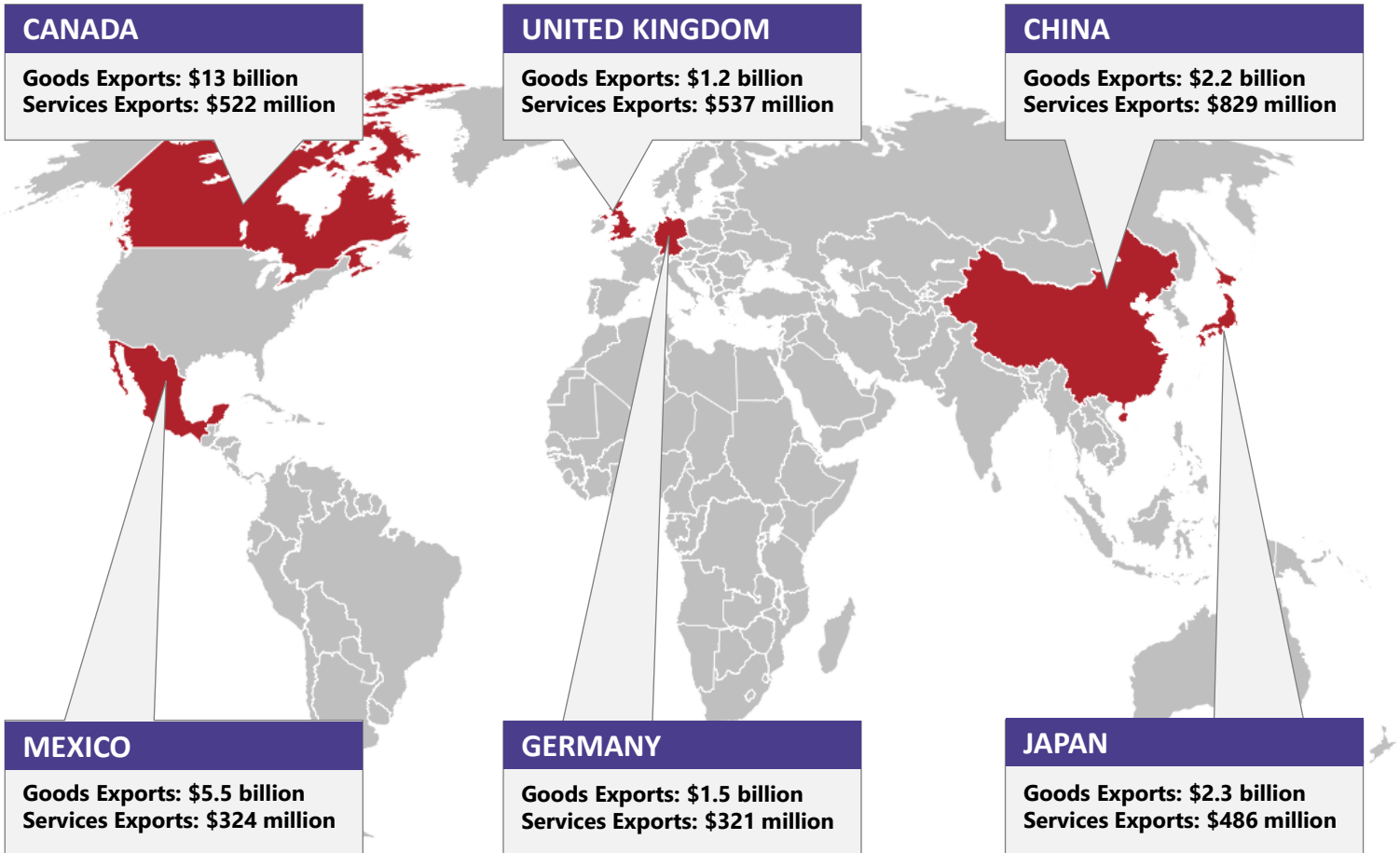


# INDIANA COMPANIES EXPORT THROUGHOUT THE WORLD



In 2018, Indiana companies sold their products in 198 countries and territories.

Top export markets include:



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

- Goods and services exports accounted for 13.6 percent of Indiana's state GDP in 2018.
- Indiana's exports have grown more than 50 percent faster than state GDP since 2009. The average annual export growth during this period was 5.8 percent, while the average annual state GDP growth was 3.9 percent.
- Indiana's top export markets for goods are Canada, Mexico, and Japan. Its top market for services is Switzerland.
- Indiana's goods exports to Italy have grown by 23 percent per year since 2009, while Indiana's services exports to Singapore have grown by 17 percent per year.
- Restoring trade can help lead a jobs recovery when supported by policies that help Indiana businesses, workers, and farmers reach the growing number of customers around the world.



# INDIANA COMPANIES AND FAMILIES BENEFIT FROM IMPORTS



## Overview

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

## Indiana Families Benefit from Imports

- In 2018, 40 percent of Indiana's imports were consumer goods. Prices for imported consumer goods tend to drop year after year, leaving Indiana 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 Indiana 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, 6,577 Indiana companies imported goods from 162 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.

## Indiana Exports and Imports are Linked Through Global Value Chains

- In 2018, 60 percent of Indiana goods imports were raw materials, components and parts that are used by U.S. manufacturers to stay competitive.
- Many of Indiana's top imports are critical components for Indiana exports. Conversely, Indiana exports of raw materials and parts may return to the United States in imported finished goods.



**Imports:**  
**Engine parts**  
**(\$825M in 2018)**



**Exports:**  
**Internal combustion engines**  
**(\$1.5B in 2018)**



# INDIANA 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. Indiana 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 Indiana and the United States.

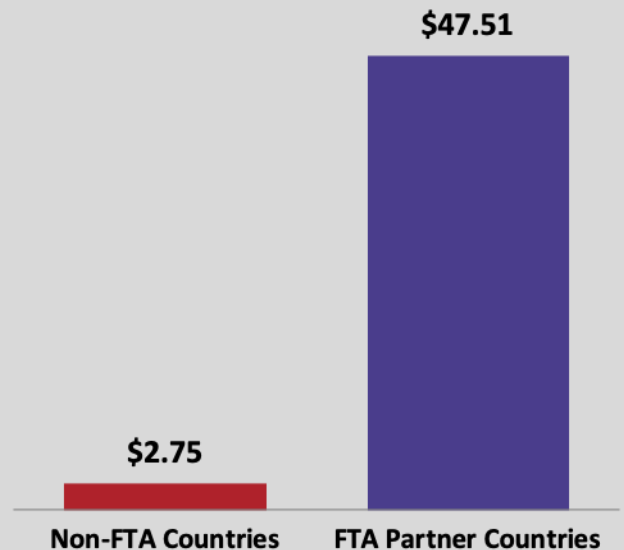
- In 2018, \$22.1 billion of Indiana's goods exports, or 54 percent, went to FTA partners.
- Since 2009, Indiana's goods exports to countries with FTAs in effect with the United States in 2018 have increased by 85 percent.
- Indiana's exports to Canada and Mexico have increased by \$14.6 billion (339 percent) since NAFTA went into effect in 1994.
- Indiana's exports to Chile have increased by 663 percent – from \$22 million to \$169 million – since the FTA with Chile took effect in 2004.
- Indiana's exports to Australia of motor vehicles have increased from \$76,000 to \$401 million since the FTA with Australia went into effect in 2005.
- Canada bought \$345 million of Indiana's \$356 million in miscellaneous wood products exports in 2018.
- In 2018, \$2.1 billion of Indiana's services exports, or 23 percent, went to FTA partners.
- Indiana's exports to Singapore of royalties from industrial processes have increased from \$18 million to \$122 million, or by 575 percent, since 2006 (earliest year available).

## By the Numbers

85%

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

### Per Capita Purchases of Indiana Goods, 2018



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

**In 2018, FTA partners purchased 17.3 times more goods per capita from Indiana than non-FTA partners.**



# FOREIGN INVESTMENT IN INDIANA CREATES JOBS



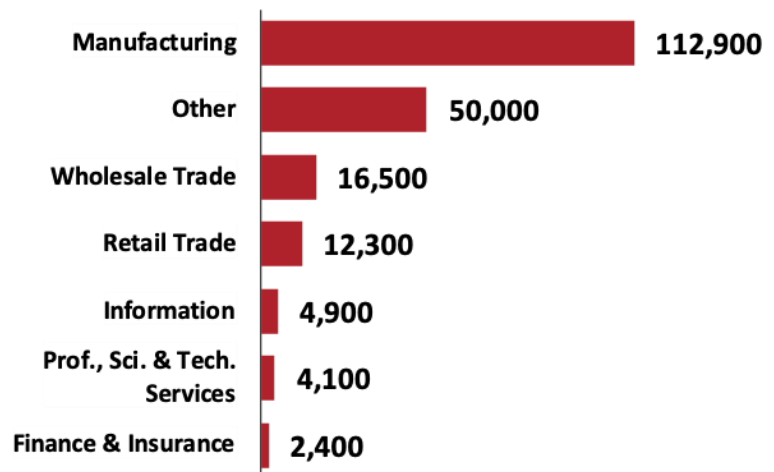
## Overview

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.

Indiana is no exception. Foreign-owned companies make significant investments in Indiana to open or expand facilities every year and are important customers for local goods and services providers. Subsidiaries of foreign-owned companies alone employed hundreds of thousands of workers in Indiana in 2017, including:

- 54,200 workers employed by companies based in Japan;
- 35,600 workers employed by companies based in the United Kingdom;
- 30,000 workers employed by companies based in France;
- 15,900 workers employed by companies based in Canada;
- 15,900 workers employed by companies based in Germany.

## Foreign-Owned Companies Employed 203,000 Indiana Workers Across Many Industries, 2017



## Selected Foreign-Owned Companies Employing Workers in Indiana

### Company

ArcelorMittal  
BAE Electronic Systems  
Bimbo Bakeries USA  
Candlewood Suites  
Honda Manufacturing  
IDEX Corporation  
Stantec, Inc.  
Toyota Motor Manufacturing

### Industry

Steel Product Manufacturing  
Defense/Security/Aerospace Services  
Food Products Manufacturing  
Hotel Services  
Automotive Manufacturing  
Machinery Manufacturing  
Architecture, Engineering & Design Services  
Automotive Manufacturing

### Country

Luxembourg  
United Kingdom  
Mexico  
United Kingdom  
Japan  
Germany  
Canada  
Japan



# DATA SOURCES



## INDIANA 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](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>)

## INDIANA 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/>)

## INDIANA 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>)

## INDIANA 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/>)

## INDIANA NEEDS TRADE AGREEMENTS TO GROW

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

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

## FOREIGN INVESTMENT IN INDIANA 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>)

