HOW KENTUCKY'S ECONOMY BENEFITS FROM 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.

Trade Creates & Supports Jobs in Kentucky

- **International trade, including exports and imports, supports 512,300 Kentucky jobs – more than one in five.** These trade-related jobs grew five times faster than total employment from 1992 to 2017 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 $31.4 billion in goods and $5.2 billion in services in 2017**, including miscellaneous animal products, aerospace products & parts, lime & gypsum products and travel services. Of Kentucky's 4,471 exporters, 78 percent are small- and medium-sized companies with less than 500 workers. *(See Kentucky Businesses Grow With Exports)*

- **Customers in 197 countries and territories buy Kentucky-made goods and services**, including billions of dollars in annual exports to top markets like Canada, the United Kingdom and China. Kentucky's exports have grown more than 70 percent faster than state GDP since 2007. *(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 Use Imports to Make Competitive Products)*

- **Free trade agreements (FTAs) have helped fuel rapid export growth from Kentucky to partner countries.** In 2017, $12.2 billion of Kentucky's goods exports, or 39 percent, went to FTA partners. This represents an increase of 26 percent since 2007. *(See Kentucky Needs Trade Agreements To Grow)*

- **Foreign-owned companies invest and build facilities and employ 129,400 workers in Kentucky.** *(See Foreign Investment In Kentucky Creates Jobs)*

Contact: Paul DeLaney, Business Roundtable: pdelaney@brt.org
www.brt.org/trade
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 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 five times faster than total employment from 1992 to 2017.

- 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

- Number of Jobs in Kentucky Supported by Trade: 512,300

Share of Jobs Tied to Trade
Increased 98 percent from 1992 to 2017

Jobs Tied to Trade
Top Sectors, 2017

<table>
<thead>
<tr>
<th>Sector</th>
<th>Jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade &amp; Distribution</td>
<td>114,100</td>
</tr>
<tr>
<td>Prof., Scient. &amp; Tech. Services</td>
<td>66,400</td>
</tr>
<tr>
<td>Agriculture</td>
<td>41,500</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>40,700</td>
</tr>
<tr>
<td>Personal &amp; Rec. Services</td>
<td>27,500</td>
</tr>
</tbody>
</table>

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        www.brt.org/trade
Overview

Kentucky exported an estimated $31.4 billion in goods and $5.2 billion in services in 2017. Between 2007 and 2017, Kentucky goods exports have increased by 59 percent and services exports by 40 percent. Large companies now account for 56 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 22 industries, including first in miscellaneous animal products ($243 million), second in aerospace products & parts ($11.7 billion), third in lime & gypsum products ($20 million), and fourth in beverages ($459 million).
- Kentucky is America’s 21st largest exporter of agricultural products. It is the largest exporter of miscellaneous animal products, the eighth largest exporter of poultry & eggs, the 13th largest exporter of miscellaneous crops, and the 15th largest exporter of swine.
- One of Kentucky’s fastest growing export categories is medical equipment & supplies, which increased by 1,080 percent since 2007. In 2017, exports of these products reached $555 million.

By the Numbers

4,471
Number of Kentucky Businesses that Exported in 2016

78%
Share of Kentucky Exporters that are Small- & Medium-Sized Businesses

Top Kentucky Exports, 2017

<table>
<thead>
<tr>
<th>Goods</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aerospace Products &amp; Parts</td>
<td>$11.7 billion</td>
</tr>
<tr>
<td>Motor Vehicles</td>
<td>$4.0 billion</td>
</tr>
<tr>
<td>Pharmaceuticals &amp; Medicines</td>
<td>$1.9 billion</td>
</tr>
<tr>
<td>Motor Vehicle Parts</td>
<td>$1.6 billion</td>
</tr>
<tr>
<td>Resins &amp; Synthetic Fibers</td>
<td>$954 million</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Services</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Travel</td>
<td>$2.0 billion</td>
</tr>
<tr>
<td>Air Freight &amp; Port Services</td>
<td>$601 million</td>
</tr>
<tr>
<td>Equip. Install., Maint., &amp; Repair</td>
<td>$482 million</td>
</tr>
</tbody>
</table>

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www.brt.org/trade
KENTUCKY COMPANIES EXPORT THROUGHOUT THE WORLD

In 2017, Kentucky companies sold their products in 197 countries and territories.

Top export markets include:

- **Canada**
  - Goods Exports: $7.7 billion
  - Services Exports: $409 million

- **United Kingdom**
  - Goods Exports: $3.2 billion
  - Services Exports: $442 million

- **China**
  - Goods Exports: $3.1 billion
  - Services Exports: $440 million

- **Mexico**
  - Goods Exports: $2.2 billion
  - Services Exports: $287 million

- **Brazil**
  - Goods Exports: $2.4 billion
  - Services Exports: $172 million

- **France**
  - Goods Exports: $2.9 billion
  - Services Exports: $154 million

Fast Facts: How Exports Help the Kentucky Economy Grow

- Goods and services exports accounted for 18.1 percent of Kentucky's state GDP in 2017.
- Kentucky's exports have grown more than 70 percent faster than state GDP since 2007. The average annual export growth during this period was 4.7 percent, while the average annual state GDP growth was 2.7 percent.
- Kentucky's top export markets for goods are Canada, the United Kingdom, and China. Its top market for services is the United Kingdom.
- Kentucky’s goods exports to China have grown by 19 percent per year since 2007, while Kentucky’s services exports to China have grown by 15 percent per year.

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KENTUCKY COMPANIES USE IMPORTS TO MAKE COMPETITIVE PRODUCTS

Overview

In 2017, 58 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 American manufacturers and households.

- In 2016, 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.

Contact: Paul DeLaney, Business Roundtable: pdelaney@brt.org
www.brt.org/trade
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.

- In 2017, $12.2 billion of Kentucky’s goods exports, or 39 percent, went to FTA partners.

- Since 2007, Kentucky’s goods exports to countries with FTAs in effect with the United States in 2017 have increased by 26 percent.

- Kentucky’s goods exports to Canada and Mexico have increased by $8.4 billion (568 percent) since NAFTA went into effect in 1994.

- Kentucky’s goods exports to Singapore have increased by 284 percent since the FTA took effect in 2004.

- Kentucky’s exports to Korea of aerospace products & parts have increased from $395,000 to $168 million since the FTA went into effect in 2012.

- Canada bought 76 percent of Kentucky’s exports of motor vehicle bodies & trailers in 2017.

- In 2017, $1.4 billion of Kentucky’s services exports, or 27 percent, went to FTA partners.

- Kentucky’s exports to Australia of equipment installation, maintenance & repair services increased from $4.5 million to $19 million, or by 317 percent, since 2006 (earliest year available).

By the Numbers

26%
Increase in Kentucky Goods Exports to FTA Partners Between 2007 and 2017

Per Capita Purchases of Kentucky Goods, 2017

<table>
<thead>
<tr>
<th>Non-FTA Countries</th>
<th>FTA Partner Countries*</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2.87</td>
<td>$26.13</td>
</tr>
</tbody>
</table>

* U.S. FTAs in effect with countries in 2017.

In 2017, FTA partners purchased 9.1 times more goods per capita from Kentucky than non-FTA partners.

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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 employed nearly 130,000 workers in Kentucky, including:

- 45,700 workers employed by companies based in Japan;
- 12,000 workers employed by companies based in Germany;
- 11,200 workers employed by companies based in France;
- 10,800 workers employed by companies based in Canada;
- 9,400 workers employed by companies based in the United Kingdom.

Foreign-Owned Companies Employed 129,400 Kentucky Workers Across Many Industries, 2016

<table>
<thead>
<tr>
<th>Industry</th>
<th>Workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>73,200</td>
</tr>
<tr>
<td>Other</td>
<td>27,400</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>20,800</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>3,500</td>
</tr>
<tr>
<td>Prof., Sci. &amp; Tech. Services</td>
<td>1,900</td>
</tr>
<tr>
<td>Finance &amp; Insurance</td>
<td>1,500</td>
</tr>
<tr>
<td>Information</td>
<td>1,100</td>
</tr>
</tbody>
</table>

Selected Foreign-Owned Companies Employing Workers in Kentucky

<table>
<thead>
<tr>
<th>Company</th>
<th>Industry</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arkema Inc.</td>
<td>Plastic and Chemical Manufacturing</td>
<td>France</td>
</tr>
<tr>
<td>Bekaert Corporation</td>
<td>Steel Product Manufacturing</td>
<td>Belgium</td>
</tr>
<tr>
<td>Cemex</td>
<td>Cement Manufacturing</td>
<td>Mexico</td>
</tr>
<tr>
<td>CGI Group</td>
<td>Business Services</td>
<td>Canada</td>
</tr>
<tr>
<td>Domtar Paper Company LLC</td>
<td>Paper Manufacturing</td>
<td>Canada</td>
</tr>
<tr>
<td>Evonik Corp.</td>
<td>Chemical Manufacturing</td>
<td>Germany</td>
</tr>
<tr>
<td>Holiday Inn</td>
<td>Hotel Services</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>Metalsa Structural Products</td>
<td>Automotive Parts Manufacturing</td>
<td>Mexico</td>
</tr>
<tr>
<td>Rexel Inc.</td>
<td>Electronic Components Manufacturing</td>
<td>France</td>
</tr>
<tr>
<td>Toyota Motor Manufacturing</td>
<td>Motor Vehicle Manufacturing</td>
<td>Japan</td>
</tr>
<tr>
<td>Vitelmed Medtech Global</td>
<td>Healthcare Services</td>
<td>New Zealand</td>
</tr>
<tr>
<td>Zeon Chemicals LP</td>
<td>Chemicals Manufacturing</td>
<td>Japan</td>
</tr>
</tbody>
</table>

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KENTUCKY JOBS DEPEND ON TWO-WAY TRADE


KENTUCKY 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)


KENTUCKY COMPANIES EXPORT THROUGHOUT THE WORLD


KENTUCKY COMPANIES USE IMPORTS TO MAKE COMPETITIVE PRODUCTS


Imports as Components: Derived from Census end-use import data


Price Changes: Derived from BLS Consumer Price Index database (http://www.bls.gov/cpi/)

KENTUCKY NEEDS TRADE AGREEMENTS TO GROW


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

FOREIGN INVESTMENT IN KENTUCKY MAKES 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)

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