

HOW MICHIGAN'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 Michigan 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 Michigan. 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 Michigan recover.

Trade Creates & Supports Jobs in Michigan

- **International trade, including exports and imports, supported 1,105,400 Michigan jobs – nearly one in five in 2018.** These trade-related jobs grew six 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 Michigan's globally engaged firms. A rebound in trade will help restore trade-related jobs lost during the pandemic in Michigan. *(See Michigan Jobs Depend On Two-Way Trade)*
- **Michigan exported \$58.3 billion in goods and \$15.1 billion in services in 2018,** including motor vehicles, motor vehicle parts, motor vehicle bodies and trailers and travel services. Of Michigan's 15,015 exporters, 89 percent are small- and medium-sized companies with less than 500 workers. *(See Michigan Businesses Grow With Exports)*
- **Customers in 204 countries and territories buy Michigan-made goods and services,** including billions of dollars in annual exports to top markets like Canada, Mexico and China. Michigan's goods exports have grown more than 60 percent faster than state GDP since 2009. Policies that help Michigan businesses, workers, and farmers once again reach the growing number of customers around the world can help lead an economic and jobs recovery. *(See Michigan Companies Export Throughout The World)*
- **Imports lower prices and increase choices for Michigan companies and families.** Lower raw material and input costs help Michigan 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 Michigan Companies and Families Benefit from Imports)*
- **Free trade agreements (FTAs) have helped fuel rapid export growth from Michigan to partner countries.** In 2018, \$39.6 billion of Michigan's goods exports, or 68 percent, went to FTA partners. This represents an increase of 76 percent since 2009. *(See Michigan Needs Trade Agreements To Grow)*
- **Foreign-owned companies invest and build facilities and employ 270,300 workers in Michigan.** *(See Foreign Investment In Michigan Creates Jobs)*



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

Trade Creates & Supports Jobs in Michigan

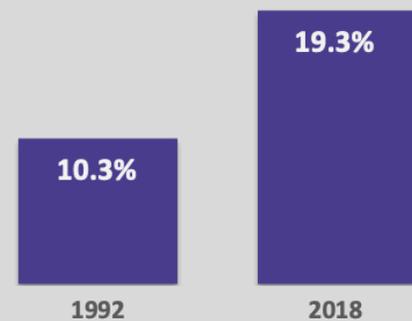
- Export growth increases jobs by generating new business for Michigan's manufacturers, services providers and farmers. Imports support jobs and keep costs low, helping Michigan businesses compete and saving Michigan families real dollars at the cash register.
- Nearly one in five Michigan jobs depends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

1,105,400

Number of Jobs in Michigan Supported by Trade

Share of Jobs Tied to Trade Increased 87 percent from 1992 to 2018



Jobs Tied to Trade Top Sectors, 2018

Trade & Distribution	267,700
Prof., Scient. & Tech. Services	198,400
Personal & Rec. Services	71,300
Construction	47,000
Transportation & Warehousing	31,000



MICHIGAN BUSINESSES GROW WITH EXPORTS



Overview

Michigan exported an estimated \$58.3 billion in goods and \$15.1 billion in services in 2018. Between 2009 and 2018, Michigan goods exports have increased by 77 percent and services exports by 63 percent. Large companies now account for 79 percent of the value of Michigan'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 Michigan Exports

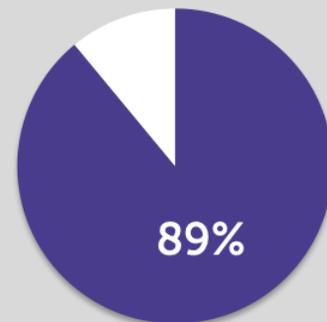
- Michigan ranks among the top state exporters in five industries, including first in motor vehicles (\$12.2 billion), in motor vehicle parts (\$12.0 billion), in motor vehicle bodies and trailers (\$2.7 billion), and in glass and glass products (\$1.1 billion).
- Michigan is America's 19th largest exporter of agricultural products. It is the seventh largest exporter of vegetables and melons, the 11th largest exporter of oilseeds and grains, the 10th largest exporter of greenhouse and nursery products, and the 12th largest exporter of swine.
- One of Michigan's fastest growing export categories is plastics products, which increased by 11 percent since 2009. In 2018, exports of these products reached \$1.1 billion.

By the Numbers

15,015

Number of Michigan Businesses that Exported in 2018

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



Top Michigan Exports, 2018

Goods

Motor Vehicles	\$12.2 billion
Motor Vehicle Parts	\$12.0 billion
Motor Vehicle Bodies & Trailers	\$2.7 billion
Misc. General Purpose Machinery	\$1.7 billion
Resins & Synthetic Fibers	\$1.6 billion

Services

Travel	\$3.2 billion
Misc. Freight & Port Services	\$1.5 billion
Passenger Fares	\$1.4 billion

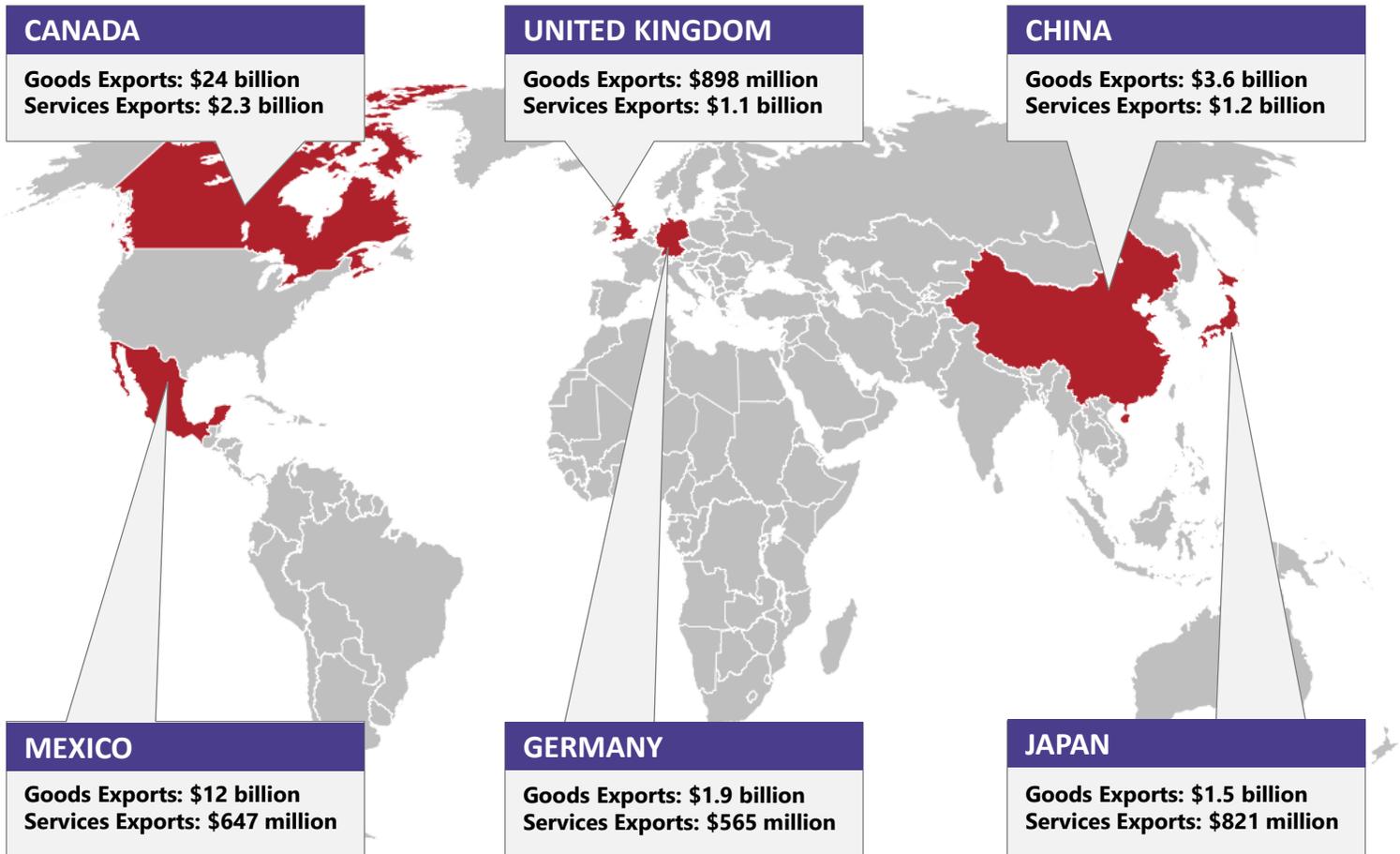


MICHIGAN COMPANIES EXPORT THROUGHOUT THE WORLD



In 2018, Michigan companies sold their products in 204 countries and territories.

Top export markets include:



Fast Facts: How Exports Help the Michigan Economy Grow

- Goods and services exports accounted for 13.9 percent of Michigan's state GDP in 2018.
- Michigan's exports have grown more than 60 percent faster than state GDP since 2009. The average annual export growth during this period was 6.8 percent, while the average annual state GDP growth was 4.2 percent.
- Michigan's top export markets for goods are Canada, Mexico, and China. Its top market for services is Canada.
- Michigan's goods exports to Italy have grown by 30 percent per year since 2009, while Michigan's services exports to China have grown by 15 percent per year.
- Restoring trade can help lead a jobs recovery when supported by policies that help Michigan businesses, workers, and farmers reach the growing number of customers around the world.



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MICHIGAN COMPANIES AND FAMILIES BENEFIT FROM IMPORTS



Overview

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

Michigan Families Benefit from Imports

- In 2018, 16 percent of Michigan's imports were consumer goods. Prices for imported consumer goods tend to drop year after year, leaving Michigan 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 Michigan 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, 10,108 Michigan companies imported goods from 183 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.

Michigan Exports and Imports are Linked Through Global Value Chains

- In 2018, 84 percent of Michigan goods imports were raw materials, components and parts that are used by U.S. manufacturers to stay competitive.
- Many of Michigan's top imports are critical components for Michigan exports. Conversely, Michigan exports of raw materials and parts may return to the United States in imported finished goods.



Imports:
Jet engines and parts
(\$318M in 2018)



Exports:
Aerospace products
(\$1.1B in 2018)



MICHIGAN 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. Michigan 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 Michigan and the United States.

- In 2018, \$39.6 billion of Michigan's goods exports, or 68 percent, went to FTA partners.
- Since 2009, Michigan's goods exports to countries with FTAs in effect with the United States in 2018 have increased by 76 percent.
- Michigan's exports to Canada and Mexico have increased by \$18.1 billion (101 percent) since NAFTA went into effect in 1994.
- Michigan's exports to Chile have increased by 559 percent – from \$65 million to \$431 million – since the FTA with Chile took effect in 2004.
- Michigan's exports to Korea of basic chemicals have increased from \$15 million to \$101 million since the FTA with Korea went into effect in 2012.
- FTA partners are very important for Michigan's auto exports. In 2018, FTA partners accounted for 75 percent of Michigan's motor vehicle exports, 94 percent of its motor vehicle bodies and trailer exports, and 71 percent of its auto parts exports.
- In 2018, \$4.7 billion of Michigan's services exports, or 31 percent, went to FTA partners.
- Michigan's exports to Singapore of royalties from industrial processes have increased from \$18 million to \$68 million, or by 274 percent, since 2006 (earliest year available).

By the Numbers

76%

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

Per Capita Purchases of Michigan Goods, 2018



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

In 2018, FTA partners purchased 30.9 times more goods per capita from Michigan than non-FTA partners.



FOREIGN INVESTMENT IN MICHIGAN CREATES JOBS



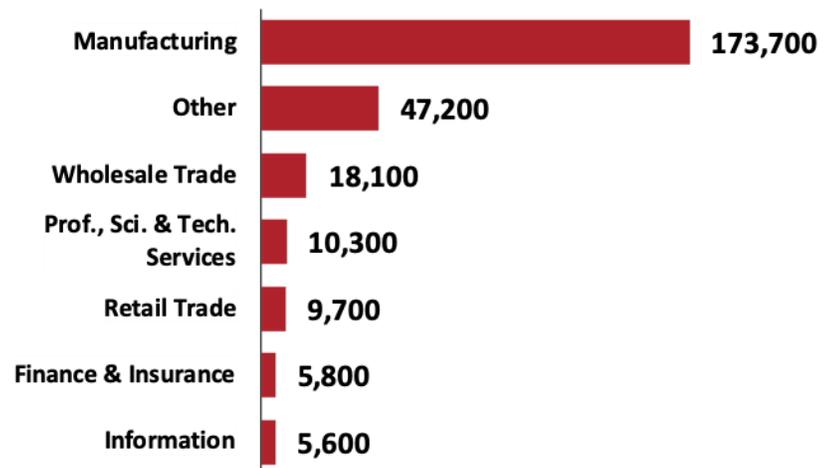
Overview

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.

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

- 42,200 workers employed by companies based in Germany;
- 34,500 workers employed by companies based in Japan;
- 34,400 workers employed by companies based in the United Kingdom;
- 27,000 workers employed by companies based in Canada;
- 22,100 workers employed by companies based in France.

Foreign-Owned Companies Employed 270,300 Michigan Workers Across Many Industries, 2017



Selected Foreign-Owned Companies Employing Workers in Michigan

Company	Industry	Country
BASF Corp.	Chemicals Manufacturing	Germany
Imerys USA	Mineral Mining	France
Comau Inc.	Machinery Manufacturing	Italy
Grupo Antolin-Michigan Inc.	Automotive Parts Manufacturing	Spain
Holcim US Inc.	Cement Manufacturing	Switzerland
Takata Automotive Systems	Automotive Parts Manufacturing	Japan
TI Fluid Systems	Automotive Parts Manufacturing	United Kingdom
Yazaki North America Inc.	Automotive Parts Manufacturing	Japan



DATA SOURCES



MICHIGAN 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>)

MICHIGAN 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/>)

MICHIGAN 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>)

MICHIGAN 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/>)

MICHIGAN NEEDS TRADE AGREEMENTS TO GROW

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

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

FOREIGN INVESTMENT IN MICHIGAN 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>)

