

HOW SOUTH DAKOTA'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 South Dakota 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 South Dakota. 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 South Dakota recover.

Trade Creates & Supports Jobs in South Dakota

- **International trade, including exports and imports, supported 124,500 South Dakota jobs – one in five in 2018.** These trade-related jobs grew four 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 South Dakota's globally engaged firms. A rebound in trade will help restore trade-related jobs lost during the pandemic in South Dakota. *(See South Dakota Jobs Depend On Two-Way Trade)*
- **South Dakota exported \$2.8 billion in goods and \$1.5 billion in services in 2018,** including oilseeds and grains, meat products, agriculture and construction machinery and credit-related services. Of South Dakota's 919 exporters, 77 percent are small- and medium-sized companies with less than 500 workers. *(See South Dakota Businesses Grow With Exports)*
- **Customers in 148 countries and territories buy South Dakota-made goods and services,** including billions of dollars in annual exports to top markets like Canada, Mexico and Japan. Policies that help South Dakota businesses, workers, and farmers once again reach the growing number of customers around the world can help lead an economic and jobs recovery. *(See South Dakota Companies Export Throughout The World)*
- **Imports lower prices and increase choices for South Dakota companies and families.** Lower raw material and input costs help South Dakota 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 South Dakota Companies and Families Benefit from Imports)*
- **Free trade agreements (FTAs) have helped fuel rapid export growth from South Dakota to partner countries.** In 2018, \$1.4 billion of South Dakota's goods exports, or 48 percent, went to FTA partners. This represents an increase of 47 percent since 2009. *(See South Dakota Needs Trade Agreements To Grow)*
- **Foreign-owned companies invest and build facilities and employ 12,600 workers in South Dakota.** *(See Foreign Investment In South Dakota Creates Jobs)*



SOUTH DAKOTA 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 South Dakota. Policies that expand trade can create new job opportunities in South Dakota and help it recover faster.

Trade Creates & Supports Jobs in South Dakota

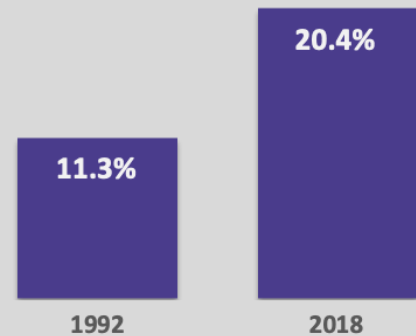
- Export growth increases jobs by generating new business for South Dakota's manufacturers, services providers and farmers. Imports support jobs and keep costs low, helping South Dakota businesses compete and saving South Dakota families real dollars at the cash register.
- One in five South Dakota jobs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

124,500

Number of Jobs in South Dakota Supported by Trade

Share of Jobs Tied to Trade
Increased 80 percent from 1992 to 2018



Jobs Tied to Trade Top Sectors, 2018

Trade & Distribution	30,900
Prof., Scient. & Tech. Services	13,000
Agriculture	6,600
Personal & Rec. Services	6,400
Construction	6,000



SOUTH DAKOTA BUSINESSES GROW WITH EXPORTS



Overview

South Dakota exported an estimated \$2.8 billion in goods and \$1.5 billion in services in 2018. Between 2009 and 2018, South Dakota goods exports have increased by 16 percent and services exports by 70 percent.

Small & Large Employers Partner to Export

In addition to exporting directly themselves, thousands of American small- and medium-sized enterprises (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 South Dakota Exports

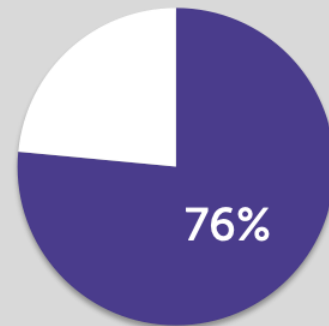
- South Dakota ranks among the top half of state exporters in nine industries, including 10th in oilseeds and grains (\$1.5 billion), 11th in leather and hide tanning (\$14 million), 15th in nonmetallic minerals (\$39 million), and 18th in beverages (\$104 million).
- South Dakota is America's 13th largest exporter of agricultural products. It is the 10th largest exporter of oilseeds and grains, the 19th largest exporter of swine, the 29th largest exporter of cattle, and the 31st largest exporter of poultry and eggs.
- One of South Dakota's fastest growing export categories is motor vehicle bodies and trailers, which increased by 25 percent since 2009. In 2018, exports of these products reached \$48 million.

By the Numbers

919

Number of South Dakota Businesses that Exported in 2018

Share of South Dakota Exporters that are Small- & Medium-Sized Businesses



Top South Dakota Exports, 2018

Goods

Oilseeds & Grains	\$1.5 billion
Meat Products	\$249 million
Ag. & Construction Machinery	\$135 million
Grain & Oilseed Milling Products	\$106 million
Beverages	\$104 million

Services

Credit-Related Services	\$398 million
Travel	\$362 million
Misc. Financial Services	\$344 million

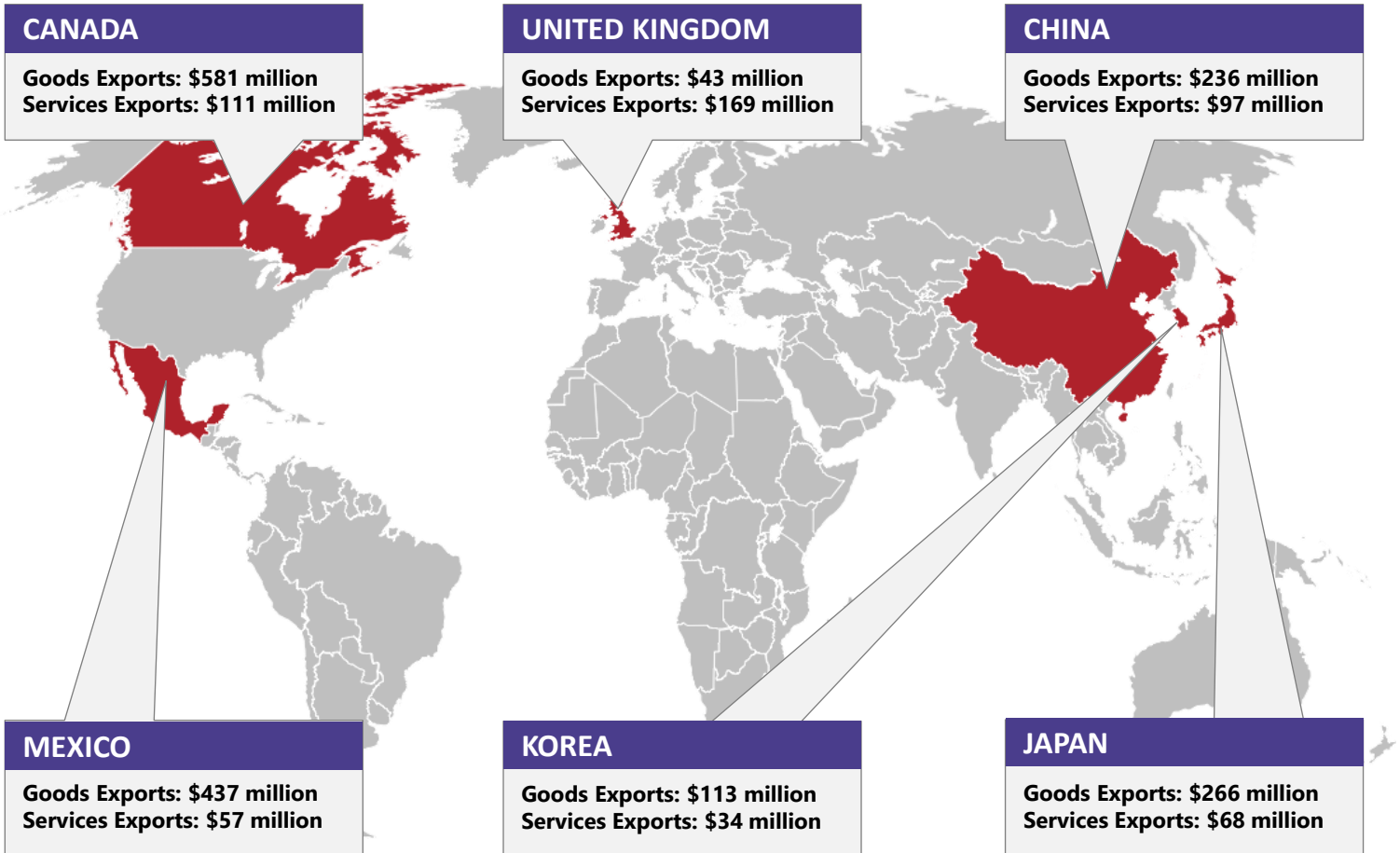


SOUTH DAKOTA COMPANIES EXPORT THROUGHOUT THE WORLD



In 2018, South Dakota companies sold their products in 148 countries and territories.

Top export markets include:



Fast Facts: How Exports Help the South Dakota Economy Grow

- Goods and services exports accounted for 8.3 percent of South Dakota's state GDP in 2018.
- South Dakota's exports have grown at an average annual rate of 3.3 percent since 2009.
- South Dakota's top export markets for goods are Canada, Mexico, and Japan. Its top market for services is the United Kingdom.
- South Dakota's goods exports to Argentina have grown by 88 percent per year since 2009, while South Dakota's services exports to China have grown by 17 percent per year.
- Restoring trade can help lead a jobs recovery when supported by policies that help South Dakota businesses, workers, and farmers reach the growing number of customers around the world.



SOUTH DAKOTA COMPANIES AND FAMILIES BENEFIT FROM IMPORTS



Overview

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

South Dakota Families Benefit from Imports

- In 2018, 32 percent of South Dakota's imports were consumer goods. Prices for imported consumer goods tend to drop year after year, leaving South Dakota 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 South Dakota 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, 913 South Dakota companies imported goods from 83 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.

South Dakota Exports and Imports are Linked Through Global Value Chains

- In 2018, 68 percent of South Dakota goods imports were raw materials, components and parts that are used by U.S. manufacturers to stay competitive.
- Many of South Dakota's top imports are critical components for South Dakota exports. Conversely, South Dakota exports of raw materials and parts may return to the United States in imported finished goods.



Imports:
Internal combustion
engines
(\$21M in 2018)



Exports:
Shovel-loaders and
similar equipment
(\$63M in 2018)



SOUTH DAKOTA 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. South Dakota 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 South Dakota and the United States.

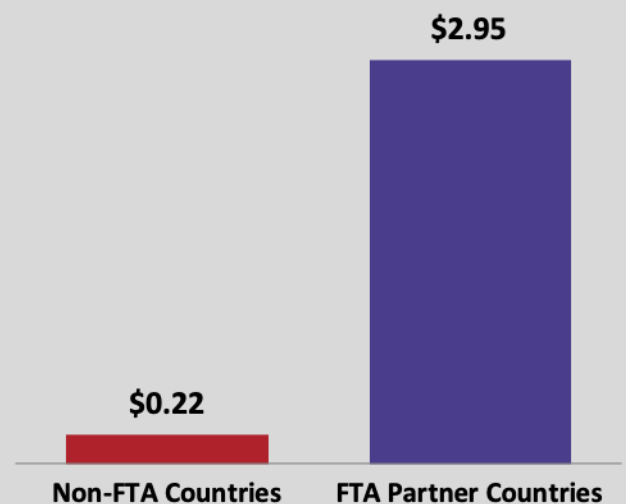
- In 2018, \$1.4 billion of South Dakota's goods exports, or 48 percent, went to FTA partners.
- Since 2009, South Dakota's goods exports to countries with FTAs in effect with the United States in 2018 have increased by 47 percent.
- South Dakota's exports to Canada and Mexico have increased by \$896 million (731 percent) since NAFTA went into effect in 1994.
- South Dakota's exports to Australia have increased seven-fold – from \$4.2 million to \$29 million – since the FTA with Australia took effect in 2005.
- South Dakota's exports to Colombia of oilseeds and grains have increased from \$23 million to \$61 million since the FTA with Colombia went into effect in 2012.
- Mexico bought nearly all – \$99 million out of \$104 million – of South Dakota's exports of beverages in 2018.
- In 2018, \$328 million of South Dakota's services exports, or 22 percent, went to FTA partners.
- South Dakota's exports to Australia of credit-related services have increased from \$2 million to \$12 million, or by 509 percent, since 2006 (earliest year available).

By the Numbers

47%

Increase in South Dakota Goods Exports to FTA Partners Between 2009 and 2018

Per Capita Purchases of South Dakota Goods, 2018



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

In 2018, FTA partners purchased 13.7 times more goods per capita from South Dakota than non-FTA partners.



FOREIGN INVESTMENT IN SOUTH DAKOTA CREATES JOBS



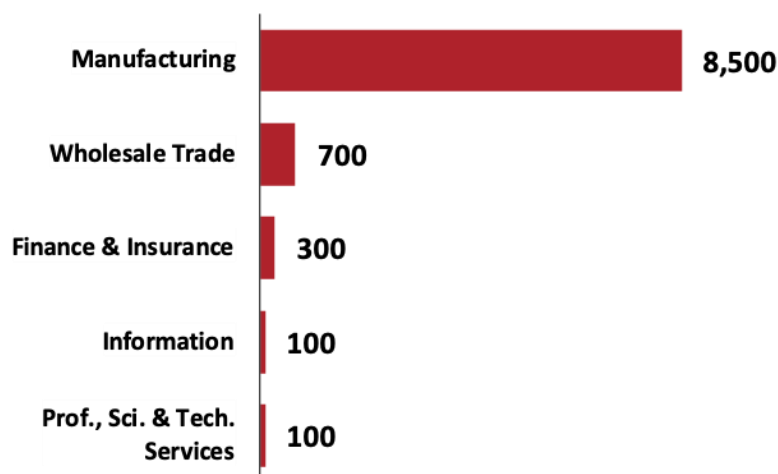
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Foreign-owned companies help grow the U.S. economy and jobs. In 2017, foreign-owned companies added over \$1 trillion to U.S. GDP, including goods exports of \$380 billion and R&D spending of over \$60 billion. They employed 7.4 million workers in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

South Dakota is no exception. Foreign-owned companies make significant investments in South Dakota to open or expand facilities every year and are important customers for local goods and services providers. Subsidiaries of foreign-owned companies alone employed over 12,000 workers in South Dakota in 2017, including:

- 2,400 workers employed by companies based in Canada;
- 1,500 workers employed by companies based in the United Kingdom;
- 1,400 workers employed by companies based in France;
- 700 workers employed by companies based in Germany;
- 400 workers employed by companies based in Japan.

Foreign-Owned Companies Employed 12,600 South Dakota Workers Across Many Industries, 2017



Selected Foreign-Owned Companies Employing Workers in South Dakota

Company	Industry	Country
BAE Systems Inc.	Defense/Security/Aerospace Services	United Kingdom
Dakota, Minn. & Eastern Railroad	Transportation Services	Canada
GCC Dacotah Inc.	Cement Manufacturing	Mexico
Holiday Inn	Hotel Services	United Kingdom
Novus Glass	Automotive Parts Manufacturing	Canada
Norsk Hydro	Aluminum Manufacturing	Norway
Saputo Cheese	Food Products Manufacturer	Canada
UBS Financial Services	Financial Services	Switzerland



DATA SOURCES



SOUTH DAKOTA 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>)

SOUTH DAKOTA 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/>)

SOUTH DAKOTA 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>)

SOUTH DAKOTA 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/>)

SOUTH DAKOTA NEEDS TRADE AGREEMENTS TO GROW

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

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

FOREIGN INVESTMENT IN SOUTH DAKOTA 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>)

