

# HOW TENNESSEE'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 Tennessee 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 Tennessee. 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 Tennessee recover.

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## Trade Creates & Supports Jobs in Tennessee

- **International trade, including exports and imports, supported 816,200 Tennessee 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 Tennessee's globally engaged firms. A rebound in trade will help restore trade-related jobs lost during the pandemic in Tennessee. *(See Tennessee Jobs Depend On Two-Way Trade)*
- **Tennessee exported \$32.9 billion in goods and \$9.9 billion in services in 2018,** including medical equipment and supplies, motor vehicles, motor vehicle parts and travel services. Of Tennessee's 7,368 exporters, 83 percent are small- and medium-sized companies with less than 500 workers. *(See Tennessee Businesses Grow With Exports)*
- **Customers in 202 countries and territories buy Tennessee-made goods and services,** including billions of dollars in annual exports to top markets like Canada, Mexico and China. Tennessee's goods exports have grown more than 30 percent faster than state GDP since 2009. Policies that help Tennessee businesses, workers, and farmers once again reach the growing number of customers around the world can help lead an economic and jobs recovery. *(See Tennessee Companies Export Throughout The World)*
- **Imports lower prices and increase choices for Tennessee companies and families.** Lower raw material and input costs help Tennessee 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 Tennessee Companies and Families Benefit from Imports)*
- **Free trade agreements (FTAs) have helped fuel rapid export growth from Tennessee to partner countries.** In 2018, \$16.8 billion of Tennessee's goods exports, or 51 percent, went to FTA partners. This represents an increase of 62 percent since 2009. *(See Tennessee Needs Trade Agreements To Grow)*
- **Foreign-owned companies invest and build facilities and employ 182,200 workers in Tennessee.** *(See Foreign Investment In Tennessee Creates Jobs)*



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

## Trade Creates & Supports Jobs in Tennessee

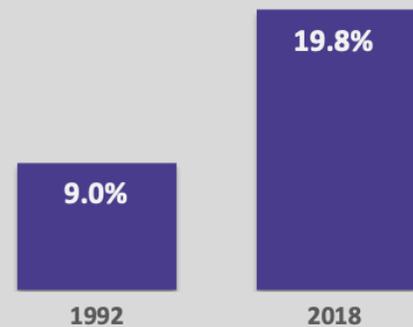
- Export growth increases jobs by generating new business for Tennessee's manufacturers, services providers and farmers. Imports support jobs and keep costs low, helping Tennessee businesses compete and saving Tennessee families real dollars at the cash register.
- One in five Tennessee jobs depends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

# 816,200

Number of Jobs in Tennessee Supported by Trade

**Share of Jobs Tied to Trade**  
**Increased 119 percent from 1992 to 2018**



**Jobs Tied to Trade**  
**Top Sectors, 2018**

Trade & Distribution	202,100
Prof., Scient. & Tech. Services	132,400
Personal & Rec. Services	55,400
Construction	38,500
Transportation & Warehousing	35,500



# TENNESSEE BUSINESSES GROW WITH EXPORTS



## Overview

Tennessee exported an estimated \$32.9 billion in goods and \$9.9 billion in services in 2018. Between 2009 and 2018, Tennessee goods exports have increased by 60 percent and services exports by 62 percent. Large companies now account for 86 percent of the value of Tennessee'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 Tennessee Exports

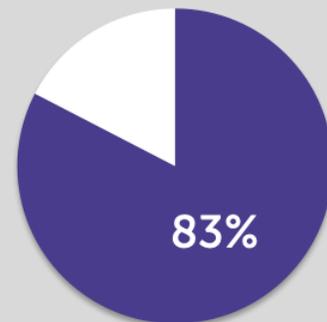
- Tennessee ranks among the top five state exporters in 11 industries, including second in swine (\$4.4 billion), third in medical equipment and supplies (\$3.3 billion), third in beverages (\$668 million), and third in products from purchased steel (\$69 million).
- Tennessee is America's 15th largest exporter of agricultural products. It is the second largest exporter of swine, the fourth largest exporter of miscellaneous crops, the 15th largest exporter of greenhouse and nursery products, and the 23rd largest exporter of poultry and eggs.
- One of Tennessee's fastest growing export categories is navigational and measuring instruments, which increased by 9 percent since 2009. In 2018, exports of these products reached \$2.1 billion.

## By the Numbers

7,368

Number of Tennessee Businesses that Exported in 2018

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



## Top Tennessee Exports, 2018

### Goods

Medical Equipment & Supplies	\$3.3 billion
Motor Vehicles	\$2.9 billion
Motor Vehicle Parts	\$2.4 billion
Navigational & Meas. Instruments	\$2.1 billion
Basic Chemicals	\$2.0 billion

### Services

Travel	\$4.2 billion
Mgmt. & Consulting Services	\$1.3 billion
Equip. Install., Maint., & Repair	\$827 million

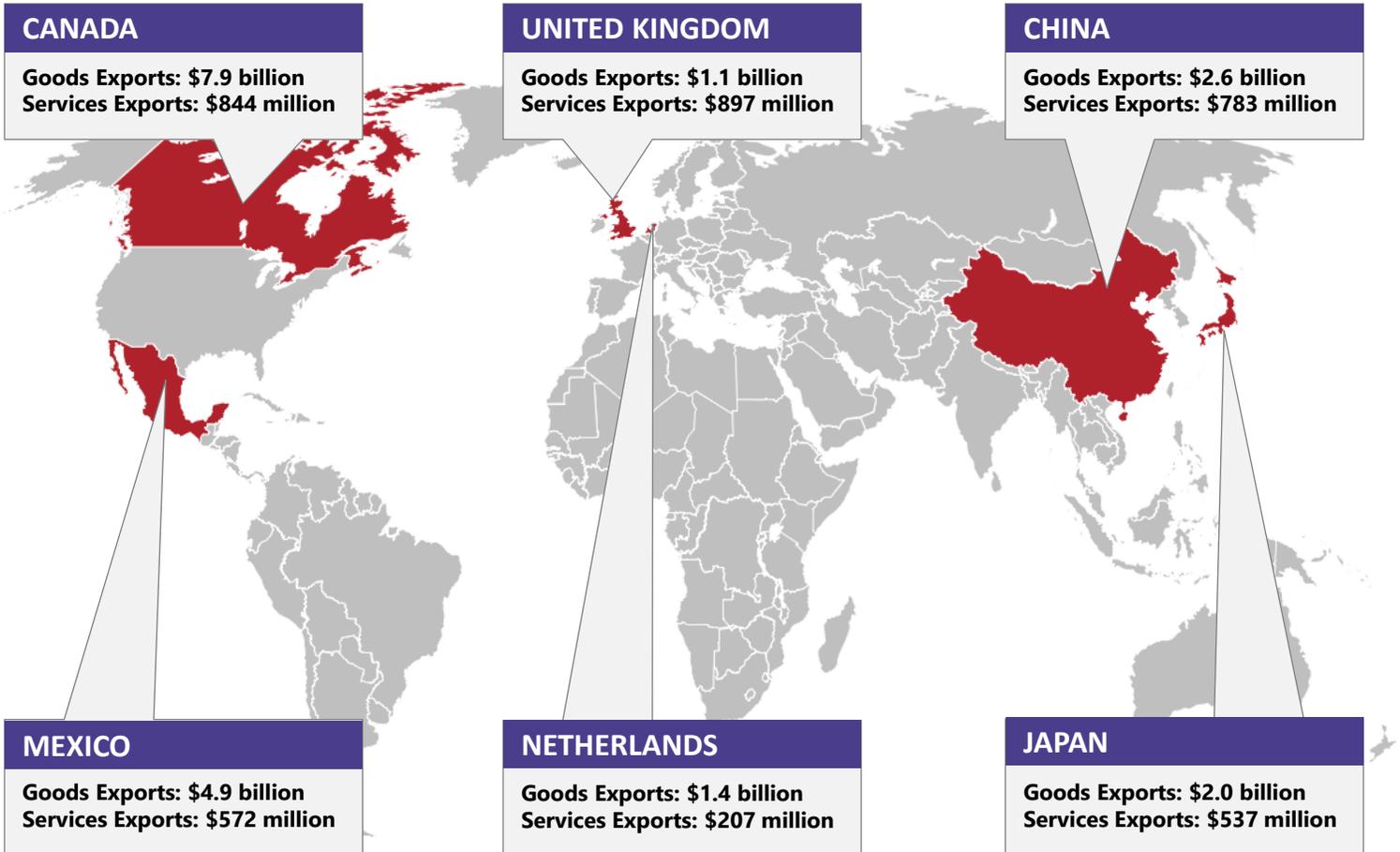


# TENNESSEE COMPANIES EXPORT THROUGHOUT THE WORLD



In 2018, Tennessee companies sold their products in 202 countries and territories.

Top export markets include:



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

- Goods and services exports accounted for 11.8 percent of Tennessee's state GDP in 2018.
- Tennessee's exports have grown more than 30 percent faster than state GDP since 2009. The average annual export growth during this period was 5.6 percent, while the average annual state GDP growth was 4.2 percent.
- Tennessee's top export markets for goods are Canada, Mexico, and China. Its top market for services is the United Kingdom.
- Tennessee's goods exports to the Netherlands have grown by 10 percent per year since 2009, while Tennessee's services exports to India have grown by 12 percent per year.
- Restoring trade can help lead a jobs recovery when supported by policies that help Tennessee businesses, workers, and farmers reach the growing number of customers around the world.



# TENNESSEE COMPANIES AND FAMILIES BENEFIT FROM IMPORTS



## Overview

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

## Tennessee Families Benefit from Imports

- In 2018, 38 percent of Tennessee's imports were consumer goods. Prices for imported consumer goods tend to drop year after year, leaving Tennessee 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 Tennessee 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, 7,230 Tennessee companies imported goods from 177 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.

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

- In 2018, 62 percent of Tennessee goods imports were raw materials, components and parts that are used by U.S. manufacturers to stay competitive.
- Many of Tennessee's top imports are critical components for Tennessee exports. Conversely, Tennessee exports of raw materials and parts may return to the United States in imported finished goods.



**Imports:**  
**Auto parts**  
**(\$3.6B in 2018)**



**Exports:**  
**Passenger vehicles**  
**(\$2.9B in 2018)**



# TENNESSEE 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. Tennessee 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 Tennessee and the United States.

- In 2018, \$16.8 billion of Tennessee's goods exports, or 51 percent, went to FTA partners.
- Since 2009, Tennessee's goods exports to countries with FTAs in effect with the United States in 2018 have increased by 62 percent.
- Tennessee's exports to Canada and Mexico have increased by \$10.3 billion (429 percent) since NAFTA went into effect in 1994.
- Tennessee's exports to Singapore have increased five-fold – from \$217 million to \$1.2 billion – since the FTA with Singapore took effect in 2004.
- Tennessee's exports to Korea of motor vehicles have increased from \$13 million to \$181 million since the FTA with Korea went into effect in 2012.
- Honduras bought more than half – \$66 million to \$115 million – of Tennessee's exports of fibers, yarns and threads in 2018.
- In 2018, \$2.7 billion of Tennessee's services exports, or 27 percent, went to FTA partners.
- Tennessee's exports to Australia of travel services have nearly tripled, from \$66 million to \$190 million, since 2006 (earliest year available).

## By the Numbers

62%

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

### Per Capita Purchases of Tennessee Goods, 2018



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

**In 2018, FTA partners purchased 15.2 times more goods per capita from Tennessee than non-FTA partners.**



# FOREIGN INVESTMENT IN TENNESSEE CREATES JOBS



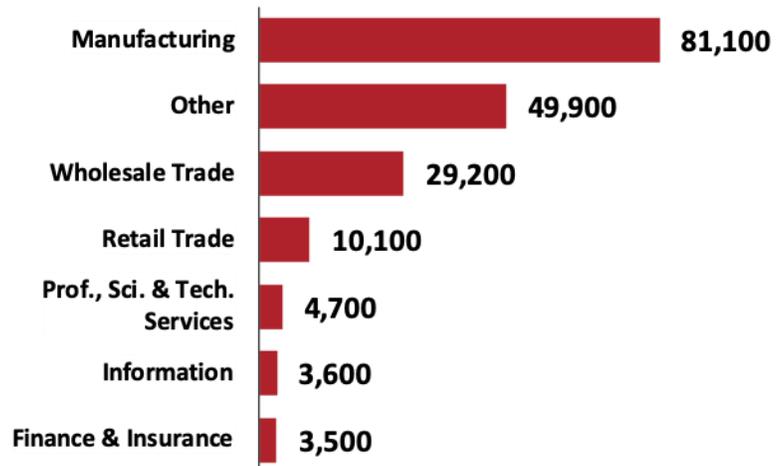
## Overview

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.

Tennessee is no exception. Foreign-owned companies make significant investments in Tennessee to open or expand facilities every year and are important customers for local goods and services providers. Subsidiaries of foreign-owned companies alone employed more than 180,000 workers in Tennessee in 2017, including:

- 46,700 workers employed by companies based in Japan;
- 21,500 workers employed by companies based in the United Kingdom;
- 20,200 workers employed by companies based in France;
- 19,200 workers employed by companies based in Germany;
- 12,900 workers employed by companies based in the Netherlands.

## Foreign-Owned Companies Employed 182,200 Tennessee Workers Across Many Industries, 2017



## Selected Foreign-Owned Companies Employing Workers in Tennessee

Company	Industry	Country
ABB Inc.	Electrical Equipment Manufacturing	Switzerland
Arkema Inc.	Chemicals Manufacturing	France
Cemex	Cement Manufacturing	Mexico
EMI Music Publishing Inc.	Entertainment Services	United Kingdom
BASF Corp.	Chemicals Manufacturing	Germany
KPMG LLP	Accounting Services	Netherlands
Nissan, N.A.	Motor Vehicle Manufacturing	Japan
Toyota Motor Manufacturing	Automotive Manufacturing	Japan



# DATA SOURCES



## TENNESSEE 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>)

## TENNESSEE 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/>)

## TENNESSEE 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>)

## TENNESSEE 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/>)

## TENNESSEE NEEDS TRADE AGREEMENTS TO GROW

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

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

## FOREIGN INVESTMENT IN TENNESSEE 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>)

