

HOW SOUTH DAKOTA'S ECONOMY BENEFITS FROM INTERNATIONAL TRADE AND INVESTMENT

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 South Dakota 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 and U.S. government data that help explain the benefits of international trade and investment and the importance of active trade and investment initiatives to U.S. economic growth and jobs, including in South Dakota.

Why Is International Trade and Investment so Important to South Dakota?

- International trade – both exports and imports – supports nearly **125,000 South Dakota jobs**. These trade-related jobs are at large and small companies, on farms, in factories, and at the headquarters of South Dakota's globally engaged firms. *See South Dakota Jobs Depend On Two-Way Trade.*
- **South Dakota exports billions of dollars** in goods and services annually, including farm products, agricultural and construction machinery, and travel- and credit-related services. The vast majority of South Dakota exporters are small and medium-sized companies with less than 500 workers. *See South Dakota Businesses Grow With Exports.*
- Customers in **169 countries** around the world buy South Dakota-grown and manufactured goods and services. Top markets like **China, Canada** and **Mexico** buy hundreds of millions of dollars of South Dakota products and services annually. *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 Workers Use Imports To Compete.*
- **Free trade agreements (FTAs)** have led to **rapid export growth** to partner countries. America's **FTA partners purchased 11.5 times more goods per capita from South Dakota** than non-FTA countries did in 2012. *See South Dakota Needs Trade Agreements To Grow.*
- **Foreign-owned companies** invest in South Dakota and **employ more than 7,000 South Dakotans**. *See Foreign Investment In South Dakota Creates Jobs.*

Contact: David Thomas, Business Roundtable, 202.496.3262, dthomas@brt.org

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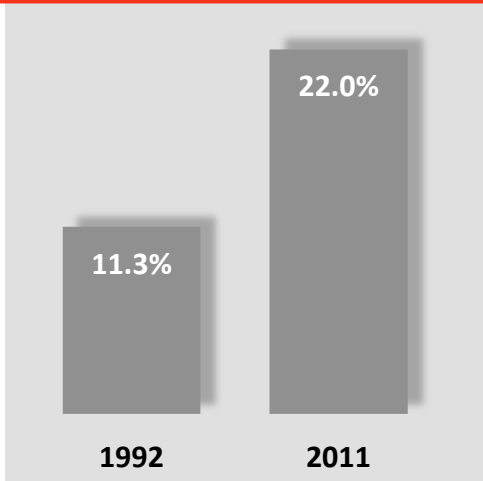
SOUTH DAKOTA JOBS DEPEND ON TWO-WAY TRADE

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 creates and supports jobs in South Dakota. **Export growth** increases jobs by generating new business for South Dakota’s manufacturers, service 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. **Foreign investment** in South Dakota creates good jobs across a range of sectors.

Today, 124,000 jobs in South Dakota depend on trade.

Share of South Dakota Jobs Tied to Trade Nearly Doubled from 1992 to 2011



More than one in five South Dakota jobs depend on international trade.

- South Dakota’s **trade-related employment grew nearly four times faster** than total employment from 2004 to 2011.
- **Jobs in U.S. exporting plants pay on average up to 18 percent more** than similar jobs in non-exporting plants.
- **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.

Small and Large Employers Partner to Export

In addition to exporting directly themselves, more than 6,000 American small- and medium-sized enterprises (SMEs) export indirectly when they sell goods and services to large U.S. companies that export. SMEs account for nearly a quarter of the value of purchases by large companies, which in turn often export finished goods and services to customers around the world.

Top Sectors for South Dakota Jobs Tied to Trade, 2011

Consumer Services	23,700
Wholesale & Retail Trade	19,000
Prof., Sci. & Tech. Services	13,100
Construction	9,000
Ag, Forestry & Fisheries	9,000
Finance & Insurance	7,500

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SOUTH DAKOTA BUSINESSES GROW WITH EXPORTS

South Dakota ranked 43rd in the United States in **goods exports** in 2012, with an estimated value of **\$3.8 billion**, and 49th in **services exports**, with an estimated value of **\$941 million** in 2011. Large companies account for 82 percent of the value of South Dakota’s merchandise exports, with the rest provided by small- and medium-sized enterprises (SMEs).

Top Goods Exports, 2012

- Oilseeds & Grains: \$2.2 billion
- Meat Products: \$385 million
- Ag & Construction Machinery: \$205 million
- Beverages: \$135 million
- Grain & Oilseed Products: \$95.0 million

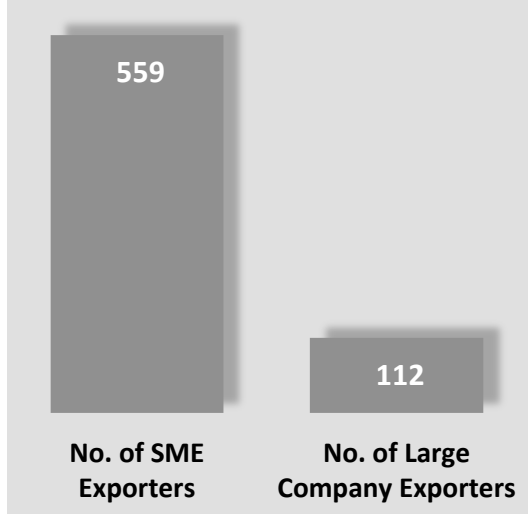
Top Services Exports, 2011

- Travel: \$269 million
- Other Financial Services: \$157 million
- Credit-Related Services: \$149 million

Leading Export Products

Agricultural products (including oilseeds, wheat, and corn) was South Dakota’s leading export category in 2012, accounting for 58.6 percent of total merchandise exports.

83 Percent of South Dakota Exporters Are Small- or Medium-Sized Companies



- South Dakota **ranks among the top 20 state exporters in six industries**, including 13th in beverages (\$135 million), and 15th in meat products (\$385 million).
- South Dakota is **America’s 13th largest exporter of agricultural products**. It is the **second largest exporter of oilseeds (excluding soybeans)** and ranks among the top 10 exporters of **wheat, soybeans, corn, hay, cattle, other grains**, and other agricultural products.
- One of South Dakota’s fastest growing exports is **agricultural and construction machinery**, which have increased by 24 percent per year since 2002. In 2012, exports of these products reached \$205 million.

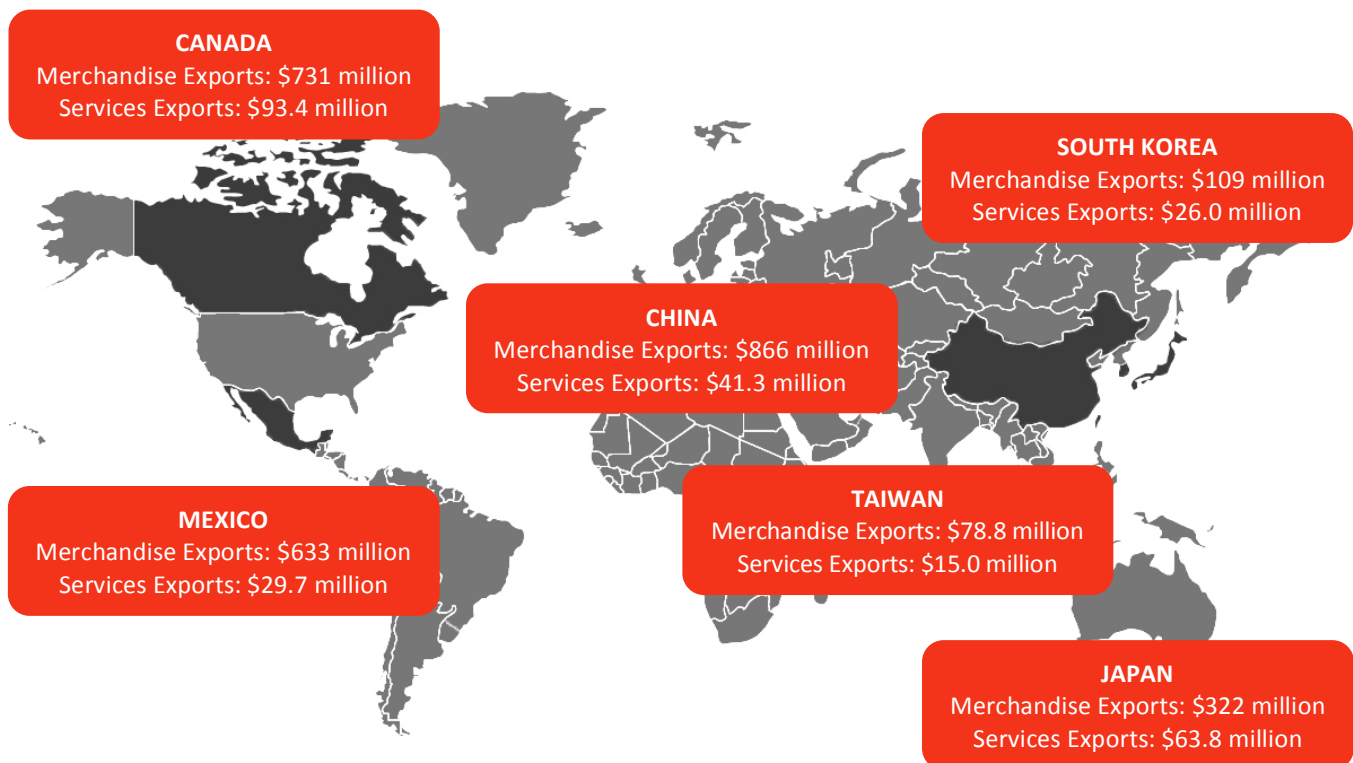
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SOUTH DAKOTA COMPANIES EXPORT THROUGHOUT THE WORLD

In 2012, South Dakota companies sold their products in **169 international markets**.

Top Export Markets*



- South Dakota's top export market for goods is **China** and its top market for services is the **United Kingdom**. Other leading markets include **Canada** and **Mexico**.
- Among South Dakota's top export markets for goods, **China** has grown the fastest at **39 percent per year** since 2002. Exports to **Brazil** grew by **33 percent per year**, while exports to **Indonesia** grew by **21 percent per year**.
- South Dakota's **goods exports have grown three and a half times faster than state GDP** since 2002. The average annual export growth during this period was 15.1 percent, while the average annual state GDP growth was 4.3 percent.
- Goods exports accounted for **9.2 percent of South Dakota's state GDP** in 2011.

*Goods data are for 2012; services data are for 2011

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SOUTH DAKOTA COMPANIES AND WORKERS USE IMPORTS TO COMPETE

In 2012, 61 percent 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.

\$1.3 trillion of U.S. imported goods in 2012 were inputs or materials used by U.S. producers.

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 South Dakota.

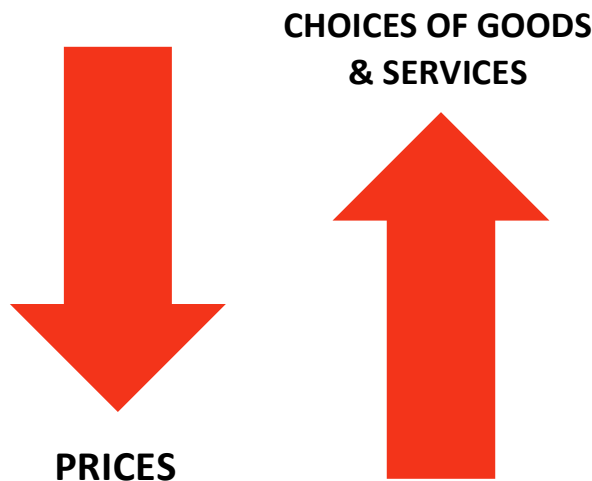
662 South Dakota companies imported products in 2010.

Services, especially transportation from South Dakota’s ports, finance and insurance, marketing and legal services are needed to bring imported goods to American manufacturers and households.

In 2010, nearly **64 percent** of identified importers were very **small businesses** with less than 20 employees.

Trade and investment liberalization policies **save the average South Dakota family** of four more than **\$10,000 per year**.

Imports help keep prices down for South Dakota families while increasing their choices for goods and services. Prices for imported consumer goods tend to drop year after year.



Imports Help Lower Prices (2002-2012)

	<u>Price Change</u>
Televisions	-86.5%
Personal Computers	-74.9%
Toys	-42.8%
Furniture & Bedding	-7.1%

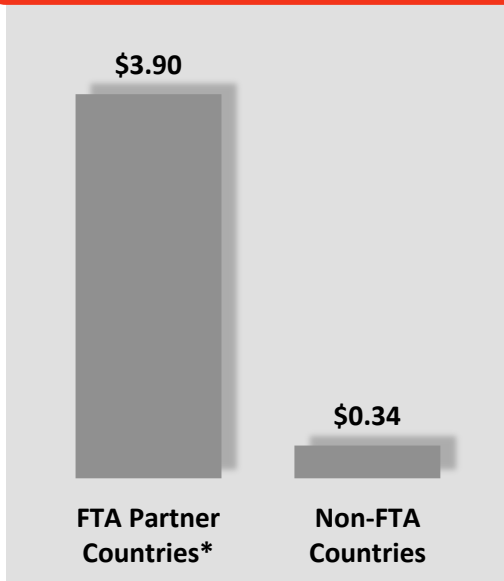


SOUTH DAKOTA NEEDS TRADE AGREEMENTS TO GROW

The United States has some of the lowest trade barriers in the world. Overall U.S. trade with free trade agreement (FTA) partner countries **supports 17.7 million 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 has increased its exports to FTA partner countries following implementation of the U.S. FTAs with those countries.

Since 2002, **South Dakota’s goods exports to FTA partners** in effect in 2012 have **increased by 190 percent**. In 2012, **\$1.7 billion of South Dakota’s merchandise exports**, or 44 percent, went to FTA partners.

Per Capita Purchases of South Dakota Goods, 2012



**U.S. FTAs in effect with countries in 2012.*

FTA partners purchased 11.5 times more goods per capita from South Dakota than non-FTA partners in 2012.

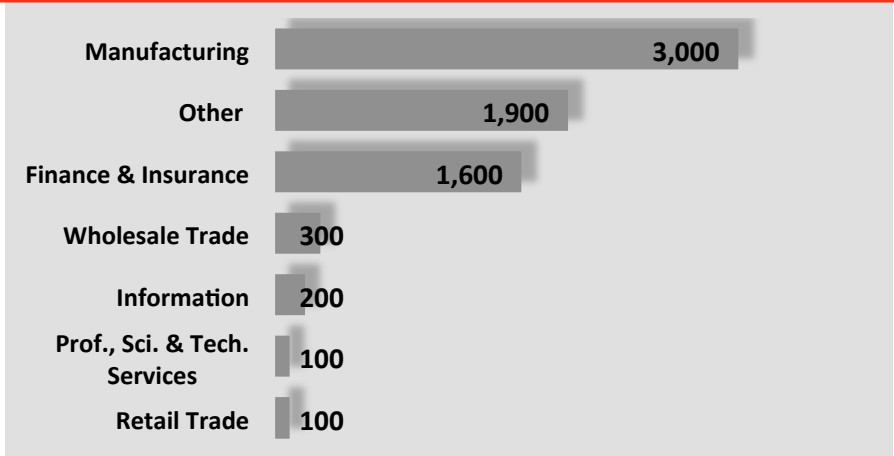
- South Dakota’s **exports to Canada and Mexico have increased by \$1.2 billion** (1,013 percent) since NAFTA went into effect in 1994. Exports to Canada have increased \$613 million, while exports to Mexico have increased \$628 million.
- South Dakota’s **exports to Australia** have experienced very strong growth, **increasing by 583 percent** since the U.S.-Australia FTA took effect in 2005. Exports of agricultural and construction machinery, one of its top exports, have **increased ninefold to \$8.2 million** since then.
- FTA partner countries, led by **Canada and Chile**, bought **98 percent** of South Dakota’s motor vehicle bodies exports in 2012.
- FTA partner countries bought more than 99 percent of South Dakota exports of **beverages, basic chemicals, nonferrous metals, and structural metal products**.
- The **Trans-Pacific Partnership (TPP) countries** that are not current FTA partners — Brunei, Malaysia, New Zealand and Vietnam — were South Dakota’s 14th largest export market in 2011 with a **combined value of \$43.1 million**.

FOREIGN INVESTMENT IN SOUTH DAKOTA CREATES JOBS

Foreign-owned companies invest significant amounts of capital to open or expand facilities in South Dakota every year. **Foreign-owned companies from around the world employ more than 7,000 workers** in South Dakota, including:

- **2,000 by companies based in Canada**
- **1,600 by companies based in the United Kingdom**
- **800 by companies based in France**
- **200 by companies based in Germany**
- **200 by companies based in Japan**

Foreign-Owned Companies Employ a Total of 7,200 South Dakota Workers Across Many Industries



Selected Foreign-Owned Companies Employing Workers in South Dakota

<u>Company</u>	<u>Industry</u>	<u>Country</u>
AKG Midwest, Inc.	Automotive Parts Manufacturing	Germany
BAE Systems Inc.	Defense/Security/Aerospace Services	United Kingdom
Dakota, Minn. & Eastern Railroad	Transportation Services	Canada
GCC Dacotah Inc.	Cement Manufacturing	Mexico
Great Western Bank	Financial Services	Australia
Holiday Inn	Hotel Services	United Kingdom
Hubbard Feeds Inc.	Animal Feed and Supplies	Canada
Landmark Aviation	Transportation Services	United Arab Emirates
Rosenbauer America	Fire Engine Manufacturing	Austria
Sapa Yankton	Aluminum Manufacturing	Sweden
SGS North America	Inspection and Testing Services	Switzerland
UBS Financial Services	Financial Services	Switzerland

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Jobs-Tied-to-FTAs: U.S. Chamber of Commerce, “Opening Markets, Creating Jobs: Estimated U.S. Employment Effects of Trade with FTA Partners” (2010) (http://tradepartnership.com/pdf_files/US%20Chamber%20-%20Opening%20Markets,%20Creating%20Jobs%20study.pdf)

FOREIGN INVESTMENT IN SOUTH DAKOTA CREATES JOBS

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Foreign Investors: Uniworld BP database of “Foreign Firms Operating in the United States” (<http://www.uniworldbp.com>)

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