U.S. DEPARTMENT OF COMMERCE
International Trade Administration
August 2001

Indiana

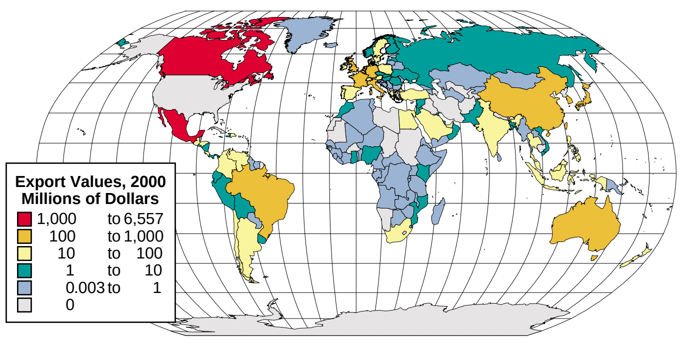
Benefits From Exports

Indiana's export sales of merchandise in 2000 totaled $14.8 billion, up 13 percent from 1997 and 75 percent above the 1993 total of $8.4 billion. In 2000, Indiana ranked 14th among the 50 states in the total value of exports.

Indiana exports globally to 177 foreign destinations. Buoyed by the North American Free Trade Agreement (NAFTA), the state's leading markets, by far, are Canada (44 percent of 2000 exports) and Mexico (17 percent). Other top markets are Brazil, Japan, the United Kingdom, France, Germany, the Netherlands, South Korea, Italy, and China.

INDIANA EXPORTED GOODS WORTH $14.8 BILLION TO 177 FOREIGN MARKETS IN 2000

Dollar Value of Indiana's Merchandise Exports to Foreign Markets, 2000



Source: U.S. Department of Commerce, Exporter Location Series.

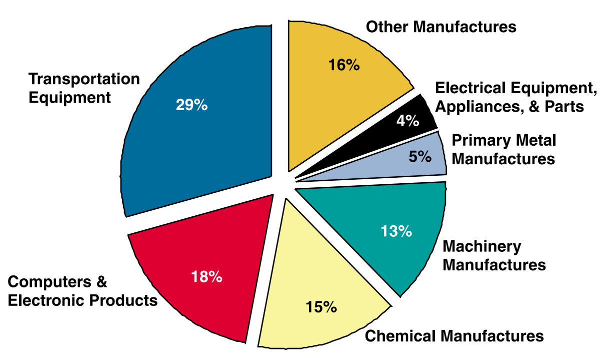
Indiana's biggest growth market, in dollar terms, is Canada. From 1997 to 2000, export sales to Canada grew from $5.1 billion to $6.6 billion—an increase of nearly 30 percent. Exports to Brazil more than doubled, rising from $353 million to $759 million. Among the state's other important growth markets are France, Israel, Germany, Italy, Belgium, Japan, the Philippines, Switzerland, Honduras, and China.

More than 74 percent of Indiana's merchandise exports fall into four broad manufactured product groups. The leading export category is transportation equipment, which alone accounted for 29 percent—more than one-fourth—of the state's total exports in 2000. Other top exports are computers and electronic products, chemicals, and industrial machinery.

Within Indiana, the Indianapolis metropolitan area led all cities with 1999 export sales of $5.2 billion—the 25th largest total among the 253 U.S. metro areas for which statistics are available. Indianapolis was followed by Kokomo, Fort Wayne, South Bend, Terre Haute, and Elkhart-Goshen.

Three metro areas—Terre Haute, Lafayette, and South Bend—more than doubled their exports over the 1993–99 period. Other metro areas that recorded rapid export growth were Indianapolis, Fort Wayne, and Muncie.

INDIANA EXPORTS A WIDE RANGE OF MANUFACTURES: $14.5 BILLION IN 2000



Note: Manufactures are a subcategory of total merchandise exports, which also include mining commodities and unprocessed agricultural products.

Source: U.S. Department of Commerce, Exporter Location Series.

Exports Support Good Jobs

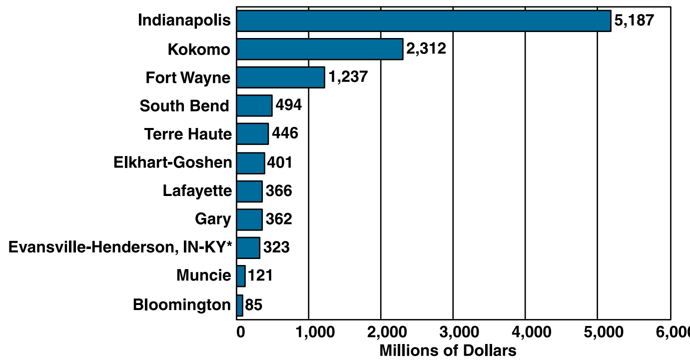
Export-related jobs tend to be good, high-paying jobs. Wages of workers in jobs supported by goods exports range 13–18 percent higher than the national average. Export-related jobs are also more secure: Exporting plants are 9 percent less likely to shut down than comparable nonexporting plants.

In 1997 (latest available data), Indiana depended on manufactured exports for 240,600 jobs—the 10th highest total among the states. Export-supported jobs accounted for an estimated 9.5 percent of Indiana's total private sector employment. Only six other states relied on exports for a higher percentage of jobs.

Manufactured exports supported 124,200 jobs—roughly one in every five workers—in Indiana's manufacturing industries. Manufacturing sectors with the most export-related jobs were transportation equipment, primary metals, fabricated metal products, machinery, and plastics and rubber products.

Exports of manufactured goods also indirectly supported 116,400 jobs in the state's nonmanufacturing industries. These industries supply manufacturers with a wide range of inputs needed to produce goods for export.

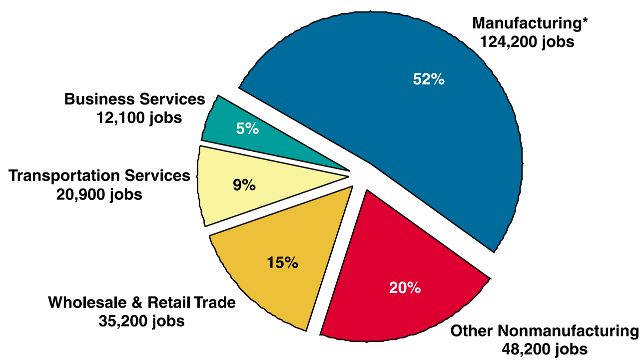
THREE INDIANA METRO AREAS POSTED EXPORTS OF $1 BILLION OR MORE IN 1999



*This metro area partially overlaps into an adjacent state.

Source: U.S. Department of Commerce, Exporter Location Series.

240,600 INDIANA JOBS DEPENDED ON MANUFACTURED EXPORTS IN 1997



*Includes 2,000 jobs tied to exports of processed foods.

Source: U.S. Department of Commerce, Bureau of the Census, Manufacturing & Construction Division.

Exports Help Small Business

Exports have broadly benefited Indiana's businesses—both large and small. A total of 5,129 companies exported goods from Indiana locations in 1998. Just over 80 percent of these companies, accounting for about 14 percent of the state's total merchandise exports, were small and medium-sized firms that had fewer than 500 employees. In fact, 64 percent of Indiana's exporters were small firms with fewer than 100 workers.

Foreign Competitors Are Not Standing Still

While previous rounds of trade negotiations were highly successful in reducing trade barriers, much work remains to be done to level the playing field for U.S. businesses. In fact, the United States has fallen behind our trading partners in combating market barriers through free trade agreements. The United States is a party to just two of the estimated 130 free trade agreements in force worldwide. In comparison, the European Union has FTAs with 27 countries. Since U.S. tariffs are already low compared to those of our trading partners, the United States has a great deal to gain from future negotiations aimed at prying open foreign markets.

TRADE PROMOTION AUTHORITY— KEY TO OPENING WORLD MARKETS

U.S. Trade Promotion Authority (also known as TPA or "fast track") is essentially an agreement between the President and Congress on how market-opening trade negotiations will be conducted and agreements approved.

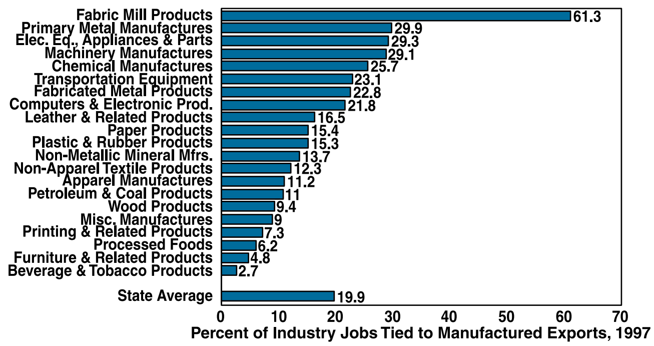
Under TPA, the President involves Congress in trade negotiations from the start; Congress, in exchange, agrees to vote yes or no on any resulting agreement in its entirety, without amendments. The two branches set negotiating objectives and consult during trade talks while inviting public comment. This open process allows problems to be identified and resolved during negotiations, when agreement is most easily achieved.

TPA preserves the ability of the United States to protect public health, safety, and the environment.

Indiana Industries Can Gain From Trade Negotiations

Indiana exporters still face many tariff and nontariff barriers abroad, especially in developing countries. While developing nations are among the most promising markets, they also tend to have high levels of import protection. Trade negotiations aimed at reduc

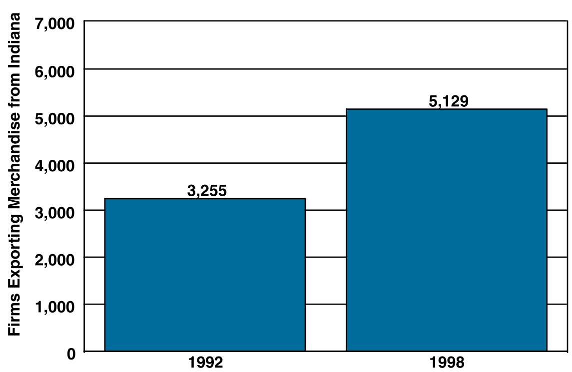
ABOUT ONE-FIFTH OF MANUFACTURING JOBS IN INDIANA WERE TIED TO EXPORTS IN 1997



Note: In 1997, 19.9 percent of the 625,700 manufacturing jobs in Indiana were tied to manufactured exports—some 124,200 jobs. For any given manufacturing sector, export-related employment includes all workers producing goods for export or of inputs to the export manufacturing process.

Source: U.S. Department of Commerce, Bureau of the Census, Manufacturing & Construction Division.

THE NUMBER OF COMPANIES EXPORTING FROM INDIANA ROSE 58 PERCENT FROM 1992 TO 1998



Source: U.S. Department of Commerce, Exporter Data Base.

ing these barriers will significantly benefit Indiana businesses across many industrial sectors.

Auto parts. The U.S. exported $53.7 billion in auto parts during 2000. The ability of the auto parts industry to increase exports will play an important role in its future growth. It will be critical to resolve the many market access barriers that confront this sector. In addition to high tariff barriers, several key nontariff barriers are unique to the auto parts sector. For example, Indiana parts suppliers have been denied full access to the Japanese market by restrictive regulations concerning the repair and replacement of auto parts. U.S. parts rebuilders are also unable to sell their products throughout much of South America due to import prohibitions.

Information technology. Indiana's high-tech companies are beneficiaries of the Information Technology Agreement. The agreement eliminates duties on the entire IT sector in major markets throughout the world, with the exception of the larger markets of Latin America. Tariffs on IT products in key Latin American markets remain as high as 30 percent. Beyond tariffs, IT products also face such nontariff restrictions as redundant testing and certification requirements. U.S. suppliers, including those in Indiana, would likely see sales rise if remaining barriers on IT products were eliminated.

Pharmaceutical products. As a result of the Uruguay Round and two subsequent updates, nearly 7,000 pharmaceutical products are duty-free in the key countries that participate in the agreement. NAFTA, which represented a major breakthrough for the research-based pharmaceutical industry, provided leverage and incentive for Mexico to enact strong patent legislation—a first in Latin America and, to date, the most effective in the region.

Despite substantial progress in reducing barriers, significant challenges remain. Many key markets in Latin America—such as Brazil, Argentina, and Venezuela—have yet to participate in the duty elimination agreement and maintain tariffs ranging from 5 percent to 25 percent. Such nontariff barriers as inadequate intellectual property rights, restrictive government procurement practices, and administrative pricing rules also deter business in some markets.

Agricultural machinery. Indiana exporters of agricultural machinery have reaped benefits and increased foreign sales as a result of tariff reductions

INDIANA: WHY TRADE PROMOTION AUTHORITY?

Trade Promotion Authority is critical for removing remaining barriers to exports of Indiana goods and services.

Indiana exporters still face major trade barriers in such sectors as auto parts, information technology, pharmaceuticals, and agricultural equipment.

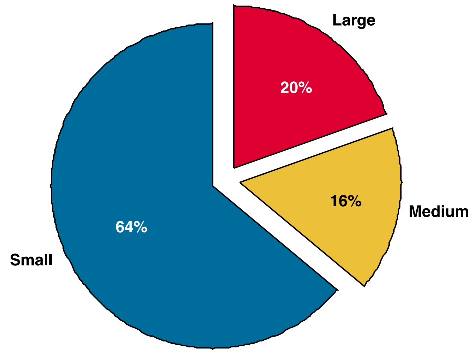
With the United States on the sidelines, foreign competitors are forging ahead and pursuing their own market-opening agreements.

Indiana's economy is export-dependent, with export sales of $2,436 for every state resident.

Nearly 241,000 Indiana jobs depend on exports of manufactured goods.

5,129 companies—including 4,125 small and medium-sized businesses—export from Indiana.

80 PERCENT OF INDIANA'S 5,129 EXPORTING FIRMS IN 1998 WERE SMALL AND MEDIUM-SIZED ENTERPRISES



Small = less than 100 employees; medium = 100–499 employees; large = 500 or more employees.
Source: U.S. Department of Commerce, Exporter Data Base.

agreed in past trade negotiations. Expanded markets in Asia and Latin America have contributed significantly to U.S. exports. However, high tariffs still constitute significant barriers in many countries that did not participate in the Uruguay Round "zero-for-zero" tariff agreement on agriculture machinery. For example, tariffs on agricultural machinery are as high as 21 percent in Argentina and 30 percent in India. Restrictive government procurement practices and discriminatory licensing and inspection requirements also hinder agricultural machinery exports.

Agriculture. Indiana is a major producer and exporter of agricultural products. According to the U.S. Department of Agriculture, Indiana's farm cash receipts totaled $4.4 billion in 1999, and it was the ninth largest agricultural exporter, with exports of $1.4 billion (including processed foods). Since 1991, the state's reliance on agricultural exports has ranged from 27 percent to 35 percent as measured by export's share of farm cash receipts. Indiana's top agricultural exports are soybeans and products, feed grains and products, wheat and products, live animals and red meats, and poultry and products. Indiana already benefits from past trade agreements. Under the Uruguay Round, South Korea is reducing its tariffs on soybean oil by 14.5 percent between 1995 and 2004, and the Philippines is reducing its tariffs on soybean meal from 10 to 3 percent. Under NAFTA, Mexico converted its import licensing system for corn to a transitional tariff-rate quota. The Philippines converted its import ban on corn to tariffs as part of its Uruguay Round commitments. Under NAFTA, Mexico's in-quota tariff on live slaughter swine, chilled/frozen pork, and hams falls to zero by 2003. However, U.S. agricultural exports still face high tariffs and nontariff barriers worldwide.

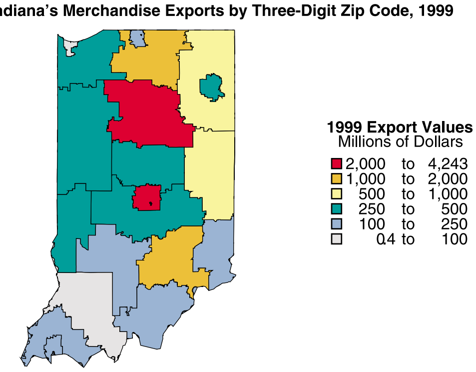
Services. Services are the biggest component of the U.S. economy and now account for more than one-fourth (28 percent) of U.S. exports to the world. Service exports in 2000 totaled $296 billion; the United States ran a surplus of nearly $80 billion in services trade with the world. Exportable services include transportation services (e.g., air freight), financial services (e.g., banking, insurance) and business services (e.g., engineering, architecture). Service industries confront a wide range of barriers abroad. Trade Promotion Authority will provide added impetus to the new round of global services trade negotiations now under way to dismantle these barriers.

Imports Also Important to Indiana

While exports generate clear benefits for the Indiana economy (jobs, wages, expanded tax base, etc.), the role of imports is less clear—especially since no import statistics are available for states on an end-user basis. Although many often equate imports with "lost" jobs, the reality is usually much more complex. For example, there is no doubt that imports supply critical inputs for many of the goods and services produced in Indiana, including products destined for export. Imports often play a key role in ensuring supplies of vital materials that are either scarce or simply not available domestically. More generally, imports provide consumers and businesses in Indiana with wider choice in the marketplace, thereby enhancing living standards and contributing to competitiveness.

EXPORTS ARE SOLD FROM ALL OVER INDIANA

Indiana's Merchandise Exports by Three-Digit Zip Code, 1999



Note: Indiana's total merchandise exports in 1999 were $14.6 billion.
Source: U.S. Department of Commerce, Exporter Location Series.