



Montana

Benefits From Exports

Montana's export sales of merchandise in 2000 totaled \$551 million, up 36 percent from 1999. From 1993 to 2000, the state's exports grew by 126 percent—nearly double the 68 percent increase in total U.S. exports of goods. Montana's export growth, in percentage terms, ranked fifth among all states during the 1993–2000 period.

Montana's export sales have exhibited a strongly increasing market diversity in recent years. The state exported globally to 97 foreign destinations in 2000, up sharply from 81 markets in 1997. Canada remains Montana's most important market, accounting for 45 percent of 2000 export sales.

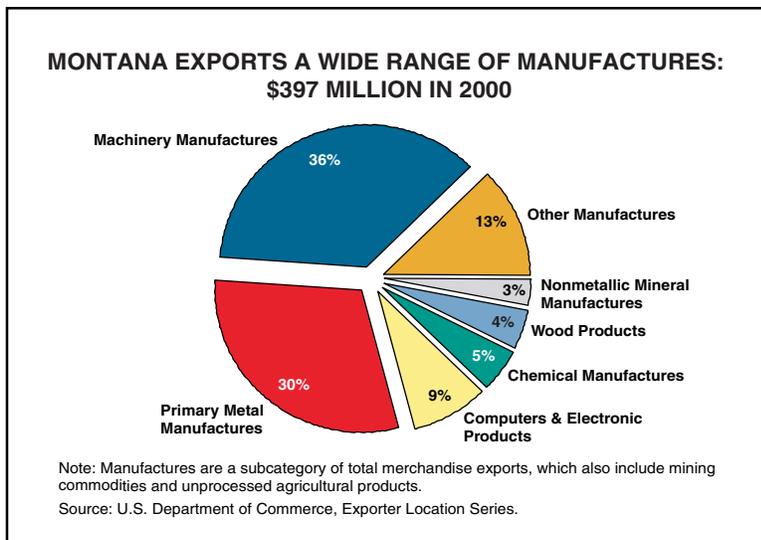
The state's biggest growth market, in dollar terms, is Mexico. Buoyed by the North American Free Trade Agreement (NAFTA), exports to Mexico rose from \$21 million in 1997 to nearly \$78 million in 2000—an increase of 276 percent. As a result, Mexico is now the state's second largest market, accounting for 14 percent of exports.

Other major Montana markets in 2000—each with more than \$10 million in export sales—included Germany, Japan, Taiwan, South Korea, Singapore, France, the United Kingdom, the Netherlands, and China. During

1997–2000, Montana more than tripled exports to six of its top ten markets.

The state's leading export category in 2000 was industrial machinery, whose \$144 million in export sales accounted for more than one-fourth of Montana's total merchandise exports. Other major exports included primary metal manufactures, animals and animal products, and computers and electronic products.

In another key measure of export participation, Montana's export sales per capita have grown rapidly in recent years. Exports per capita rose from a modest \$289 in 1993 to \$610 in 2000—a 111 percent increase in seven years and the sixth largest percentage gain among the states.



Exports Support Good Jobs

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

In 1997 (latest available data), Montana depended on manufactured exports for 5,900 jobs. Export-supported jobs in the state accounted for an estimated 1.8 percent of Montana’s total private sector employment. Manufactured exports supported about 2,000 jobs—more than one in every ten workers—in Montana’s manufacturing sector.

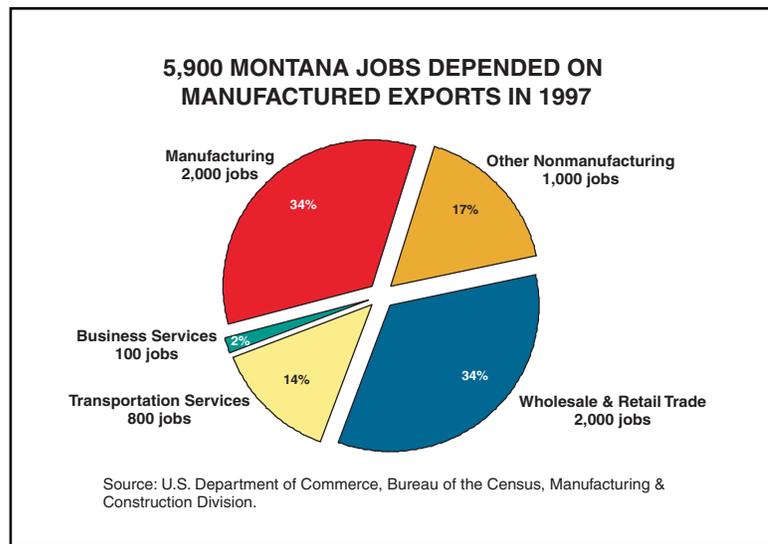
Manufacturing industries with the largest numbers of export-related jobs included machinery, primary metals, paper products, wood products, and miscellaneous manufactures. Together, these five industries accounted for roughly 80 percent of all export-supported jobs in Montana’s manufacturing sector.

Exports of manufactured goods also indirectly supported 3,900 jobs in the state’s nonmanufacturing industries. These industries supply manufacturers with a wide variety of inputs needed to produce goods for export, including transportation services, banking and insurance, and other business services.

Exports Help Small Business

Exports have broadly benefited Montana businesses—both large and small. A total of 730 companies exported from Montana locations in 1998, the latest year for which data are available.

Nearly 81 percent of all exporters, accounting for 31 percent of the state’s total exports, were small and medium-sized firms that had fewer than 500 employees. In fact, nearly 71 percent of all Montana 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.

Montana Industries Can Gain From Trade Negotiations

Montana 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 reducing these barriers will significantly benefit Montana businesses across several industrial sectors.

Industrial machinery. Further reductions in tariff and nontariff barriers through new negotiations would greatly expand opportunities for Montana’s machinery exports. While the state’s industrial machinery exporters have benefited from tariff reductions in previous trade agreements, the industry continues to face barriers in many markets throughout the world. For example, tariffs on industrial machinery are as high as 30 percent in Brazil and India. This sector also suffers from the many import restrictions maintained in

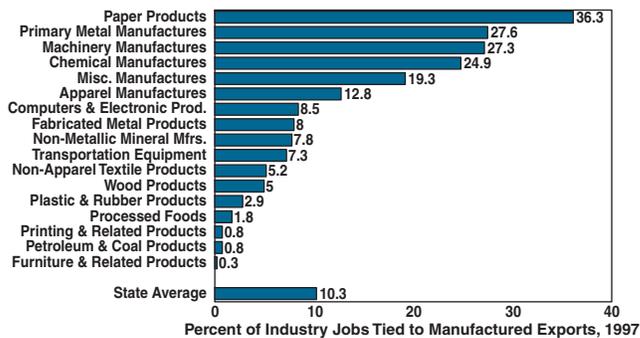
TRADE PROMOTION AUTHORITY—KEY TO OPENING WORLD MARKETS

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.

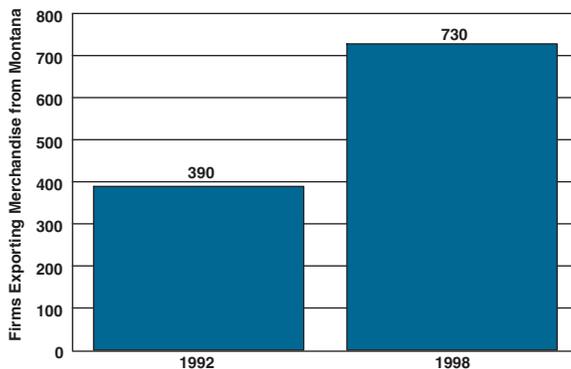
TPA preserves the ability of the United States to protect public health, safety, and the environment.

MORE THAN ONE-TENTH OF MANUFACTURING JOBS IN MONTANA WERE TIED TO EXPORTS IN 1997



Note: In 1997, 10.3 percent of the 19,600 manufacturing jobs in Montana were tied to manufactured exports—some 2,000 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 MONTANA ROSE 87 PERCENT FROM 1992 TO 1998



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

potentially lucrative markets, including nontransparent and preferential government procurement practices, deficiencies in intellectual property protection, investment barriers, and the increasing use of standards as nontariff barriers to trade. In addition, restrictions on the ability to provide after-sales service greatly inhibit market access for U.S. manufacturers of complex machinery.

Information technology. Montana's high-tech businesses 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 Montana, would likely see sales rise if remaining barriers on IT products were

eliminated. Heavy investment in research and development, which drives IT growth and employment, can only be sustained with expanding markets that spread R&D investments over a growing sales volume. Foreign markets are thus increasingly important to any R&D-based products, given the limits of domestic demand.

Metals. Canada and Mexico are the largest markets for U.S. metal exports, which already benefit from duty-free access under NAFTA. However, tariff and nontariff barriers remain in other markets, such as the European Union, where the average tariff on nonferrous metals is twice as high as the average U.S. rate. Montana metal exporters also face numerous nontariff barriers, such as distribution restrictions.

Chemicals. Montana exports a variety of chemical products. TPA would allow the United States to build on duty reductions established under the Uruguay Round Chemical Tariff Harmonization Agreement (CTHA), which reduced tariffs to harmonized low levels on a range of products from fertilizers to plastics. Since the end of the Uruguay Round, more advanced developing countries, most of which do not participate in the CTHA, have become increasingly important chemical producers. Tariffs in Asian countries outside the CTHA range up to 60 percent. New negotiations would offer the opportunity to address tariff disparities and the many nontariff barriers facing the chemical industry, including discriminatory product

MONTANA: WHY TRADE PROMOTION AUTHORITY?

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

Montana exporters still face major trade barriers in such sectors as industrial machinery, information technology, metals, and chemicals.

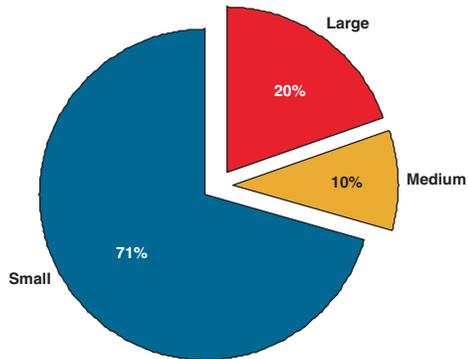
With the United States on the sidelines, foreign competitors are forging ahead and pursuing their own market-opening agreements.

Montana posted per-capita exports of \$610 in 2000, up 111 percent from 1993.

Nearly 6,000 Montana jobs depend on exports of manufactured goods.

730 companies—including 587 small and medium-sized businesses—export from Montana.

81 PERCENT OF MONTANA'S 730 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.

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 Montana

While exports generate clear benefits for the Montana 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

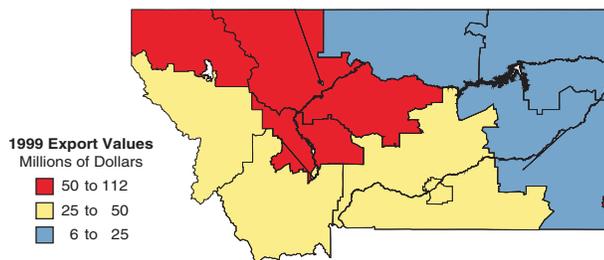
registration, testing/certification, and import licensing requirements.

Agriculture. Montana produces and exports agricultural products. According to the U.S. Department of Agriculture, Montana’s agricultural exports totaled \$228 million in 1999 (including processed foods). Since 1991, the state’s reliance on agricultural exports has ranged from 13 percent to 44 percent as measured by export’s share of farm cash receipts. Montana’s top agricultural exports are wheat and products, feeds and fodders, feed grains and products, live animals and red meats, and planting seeds. Montana already benefits from past trade agreements. Under the Uruguay Round, limits were set on subsidized wheat exports. Mexico eliminated import licensing for wheat and is phasing out tariffs under NAFTA. Also under NAFTA, Mexico eliminated its 15 percent tariff on live slaughter cattle and its 20–25 percent tariffs on chilled/frozen beef. However, U.S. agricultural exports still face high tariffs and nontariff barriers worldwide. Negotiations in the FTAA would provide the opportunity to address these barriers in our hemisphere, complementing broader efforts in the WTO agriculture negotiations to open global markets and further liberalize agricultural trade.

complex. For example, there is no doubt that imports supply critical inputs for many of the goods and services produced in Montana, 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 Montana with wider choice in the marketplace, thereby enhancing living standards and contributing to competitiveness.

EXPORTS ARE SOLD FROM ALL OVER MONTANA

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



Note: Montana's total merchandise exports in 1999 were \$404.0. Unshaded areas represent national forests and parks, federal and military reservations, localities without exports, and areas where export data are suppressed due to federal disclosure regulations.

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

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),