



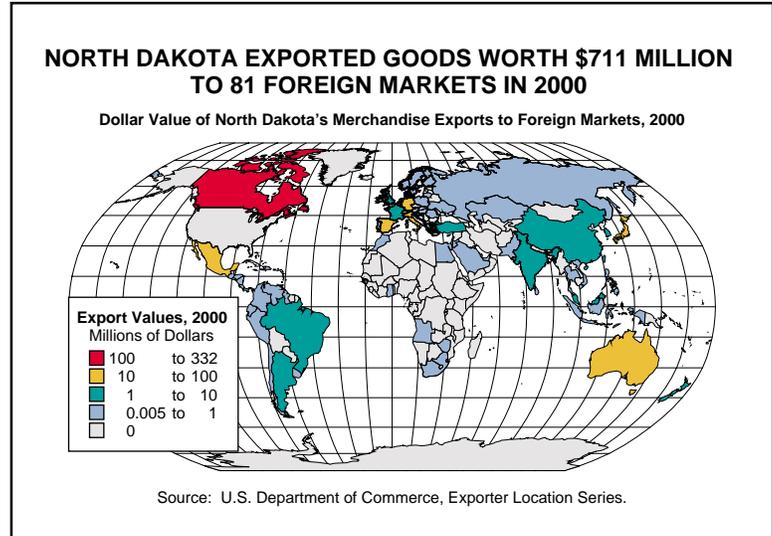
North Dakota

Benefits From Exports

Despite the small size of its manufacturing sector, North Dakota's export sales of merchandise expanded from \$344 million in 1993 to \$711 million in 2000, a 107 percent increase that was well above the 68 percent rise in the nation's merchandise exports. North Dakota was one of only 11 states that more than doubled sales abroad during 1993–2000.

North Dakota exported globally to 81 foreign markets in 2000, up from 78 markets in 1997. Canada—our partner in the North American Free Trade Agreement (NAFTA)—was by far the state's largest market in 2000, accounting for \$332 million, or nearly 47 percent, of total export sales. Canada's share of North Dakota's exports has been declining as the state has boosted exports to other destinations. The second-ranked market in 2000 was Belgium (\$190 million), followed by Germany, Italy, Mexico, Japan, Australia, and Spain.

North Dakota's biggest growth market, in dollar terms, is Belgium. From 1997 to 2000 exports to Belgium rose by \$134 million, more than tripling from \$56 million to \$190 million. The state also posted sizable dollar gains in sales to Italy, Germany, and Japan.

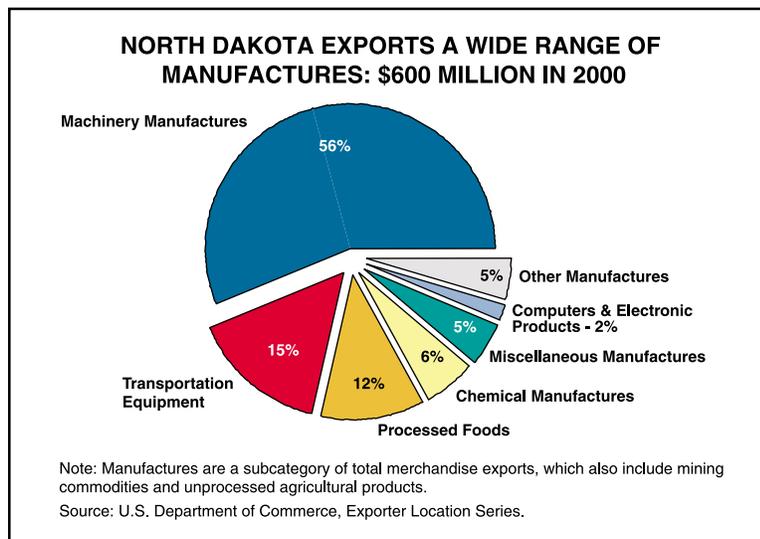


The state's leading manufactured export category, by far, is machinery manufactures. These products alone accounted for \$338 million, or 48 percent, of North Dakota's total merchandise exports in 2000. Other major manufactured exports include transportation equipment (\$91 million), processed foods (\$70 million), and chemical products (\$34 million).

Apart from exports of manufactures, North Dakota is also an important exporter of farm products—a fact not apparent from official U.S. export statistics because North Dakota's agricultural exports are often sold indirectly, through wholesalers and other vendors

located outside the state. The U.S. Department of Agriculture estimates that exports contributed, both directly and indirectly, about \$918 million to the state's farm cash receipts in 1999.

Within North Dakota, the Fargo-Moorhead metropolitan area (partly located in Minnesota) posted merchandise export sales of \$137 million in 1999. This was up 29 percent from \$112 million in exports recorded in 1993.



Exports Support Good Jobs

Export-related jobs tend to be 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.

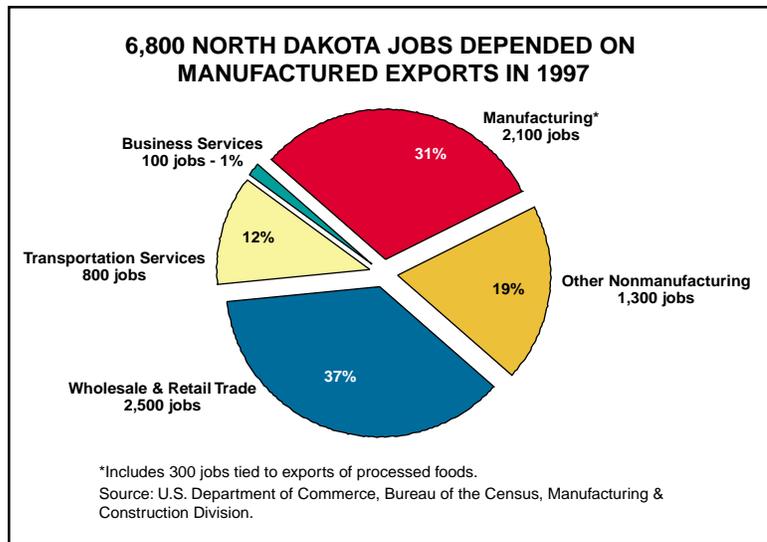
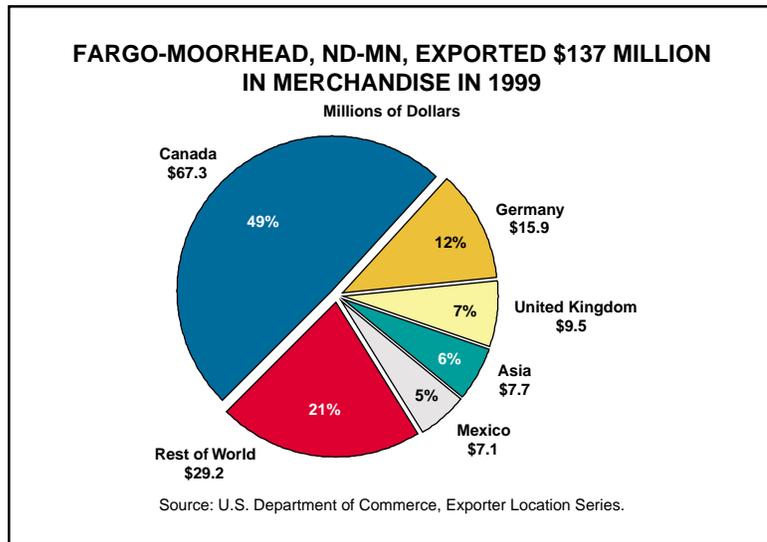
In 1997 (latest available data), North Dakota depended on manufactured exports for some 6,800 jobs. Export-supported jobs accounted for an estimated 2.4 percent of North Dakota’s total private sector employment.

Manufactured exports supported about 2,100 jobs in North Dakota’s manufacturing industries. This was 9.8 percent of the state’s manufacturing work force—roughly one in every ten manufacturing jobs. An estimated 1,100 export-related jobs—more than half the state total—were in the machinery sector. Another 300 export-sustained jobs were located in the processed foods sector.

Exports of manufactured goods also indirectly supported 4,700 jobs in the state’s nonmanufacturing industries. These industries supply manufacturers with a wide variety of inputs needed to produce goods for export.

Exports Help Small Business

Exports have broadly benefited North Dakota businesses, both large and small. A total of 941 companies exported from North Dakota locations in 1998. More than 76 percent of these companies were small and medium-sized firms that had fewer than 500 employees.



In fact, about 65 percent of all North Dakota exporters were small firms with fewer than 100 workers.

Small and medium-sized companies were responsible for some 35 percent of North Dakota’s exports in 1998. This was significantly above the U.S. average of 29 percent.

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

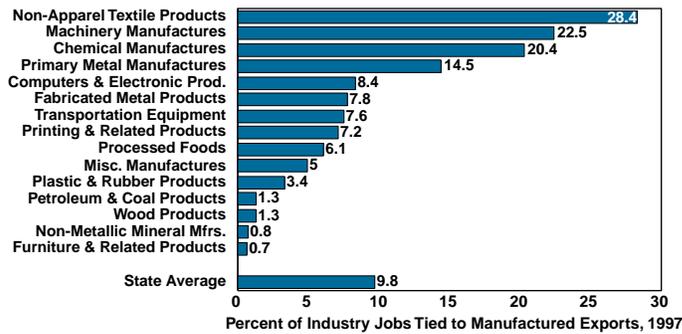
**TRADE PROMOTION AUTHORITY—
KEY TO OPENING WORLD MARKETS**

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.

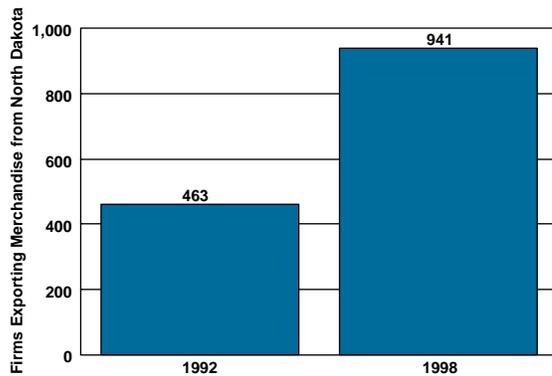
TPA preserves the ability of the United States to protect public health, safety, and the environment.

ABOUT ONE-TENTH OF MANUFACTURING JOBS IN NORTH DAKOTA WERE TIED TO EXPORTS IN 1997



Note: In 1997, 9.8 percent of the 22,000 manufacturing jobs in North Dakota were tied to manufactured exports—some 2,100 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 NORTH DAKOTA ROSE 103 PERCENT FROM 1992 TO 1998



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

trading partners, the United States has a great deal to gain from future negotiations aimed at prying open foreign markets.

North Dakota Industries Can Gain From Trade Negotiations

North Dakota's 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 North Dakota's businesses across many industrial sectors.

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

Construction machinery. North Dakota's exporters of construction machinery have benefited from past trade negotiations, such as the Uruguay Round, in which key developed countries agreed to eliminate tariffs on construction equipment. While progress has been made, Brazil and India (for example) still maintain high tariffs of 19 percent and 50 percent, respectively, on the industry's products. Other barriers to the industry include discriminatory licensing and inspection requirements as well as lack of transparency for both import licensing and import and export fees.

Chemicals. North Dakota 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 coun

NORTH DAKOTA: WHY TRADE PROMOTION AUTHORITY?

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

North Dakota exporters still face major trade barriers in such sectors as agricultural machinery, construction machinery, and chemicals.

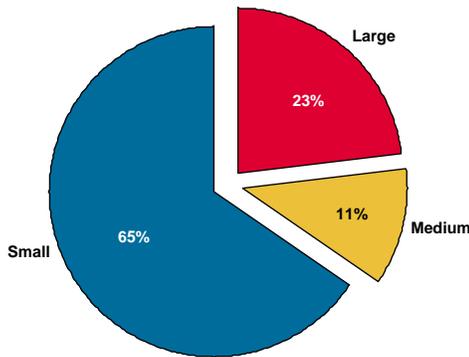
With the United States on the sidelines, foreign competitors are forging ahead and pursuing their own market-opening agreements.

North Dakota's economy is export-dependent, with export sales of \$1,108 for every state resident.

Nearly 7,000 North Dakota jobs depend on exports of manufactured goods.

941 companies—including 724 small and medium-sized businesses—export from North Dakota.

76 PERCENT OF NORTH DAKOTA'S 941 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.

tries 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 registration, testing/certification, and import licensing requirements.

Agriculture. North Dakota is an important producer and exporter of agricultural products. According to the U.S. Department of Agriculture, North Dakota's agricultural exports totaled \$918 million in 1999 (including processed foods). Since 1991, the state's reliance on agricultural exports has ranged from 32 percent to 51 percent, as measured by export's share of farm cash receipts. North Dakota's top agricultural exports are wheat and products, sunflower seed and oil, vegetables and products, soybeans and products, and feed grains and products. North Dakota already benefits from past trade agreements. Under the Uruguay Round, limits were set on subsidized wheat exports, and Mexico eliminated import licensing for wheat and is phasing out tariffs under NAFTA. Also under the Uruguay Round, Japan reduced its tariffs on sunflower oil by 50 percent, and South Korea is phasing in a 40 percent reduction on its sunflower oil tariffs by 2004. 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

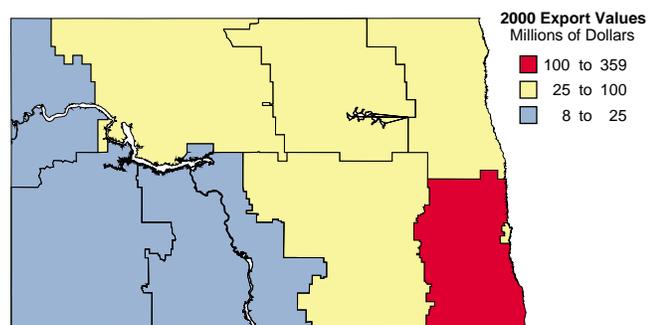
include transportation services (e.g., air freight), financial services (e.g., banking, insurance) and business services (e.g., engineering, architecture). Service industries confront a wide range of barriers abroad. Trade Promotion Authority will provide added impetus to the new round of global services trade negotiations now under way to dismantle these barriers.

Imports Also Important to North Dakota

While exports generate clear benefits for the North Dakota 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 North Dakota, 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 North Dakota with wider choice in the marketplace, thereby enhancing living standards and contributing to competitiveness.

EXPORTS ARE SOLD FROM ALL OVER NORTH DAKOTA

North Dakota's Merchandise Exports by Three-Digit Zip Code, 2000



Note: North Dakota's total merchandise exports in 2000 were \$711 million.
Source: U.S. Department of Commerce, Exporter Location Series.