



# Tennessee

## Benefits From Exports

Tennessee's export sales of merchandise in 2000 totaled \$11.4 billion, up 22 percent from 1999 and nearly double the 12.6 percent rise in total U.S. exports over the same period. In 2000, Tennessee posted the 18th largest export total of any state.

On a per capita basis, Tennessee in 2000 registered export sales of \$2,006 for every person residing in the state, a 66 percent increase from the per capita figure of \$1,208 recorded in 1993.

Tennessee exports goods globally to 186 foreign destinations. Buoyed by the North American Free Trade Agreement, two of the state's top three markets are NAFTA countries. Canada is Tennessee's biggest market (29 percent of 2000 exports), followed by Mexico (15 percent), and the United Kingdom (7 percent). Other top markets include Japan, the Netherlands, Germany, and France.

The NAFTA nations of Canada and Mexico are also Tennessee's biggest growth markets, viewed in terms of recent dollar gains in exports. From 1997 to 2000, export sales to Canada grew from \$2.4 billion to \$3.3 billion—an increase of 39 percent. Exports to Mexico jumped from \$1.2 billion to \$1.7 billion, or 41 percent. The state also posted sizable dollar increases in exports

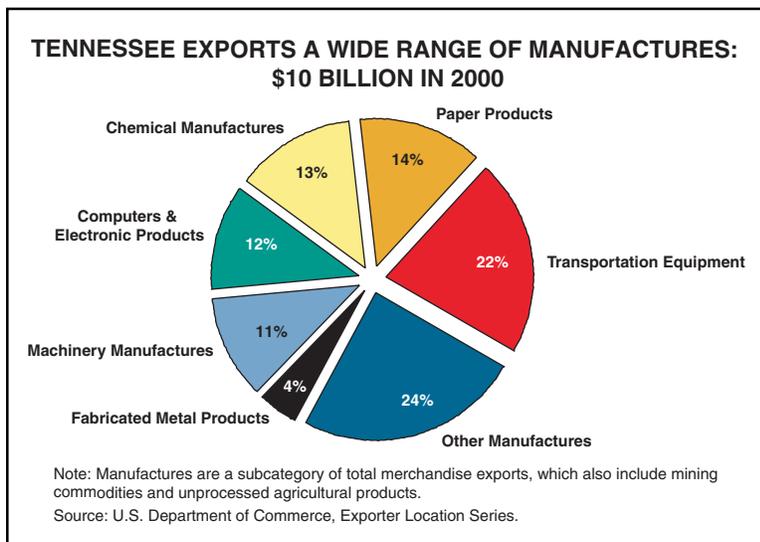


to the United Kingdom, Italy, Belgium, France, and Spain.

The state's exports are highly diversified. Within the manufacturing sector, top export categories in 2000 were transportation equipment, paper products, chemicals, computers and electronic products, and machinery manufactures.

Within Tennessee, three metropolitan areas are responsible for much of the state's merchandise exports. In 1999, Memphis (a small part of which lies in Arkansas and Mississippi) led all the state's metro areas with export sales of \$3.1 billion. The other two top exporting metro areas were Nashville and the Johnson City–Kingsport–Bristol area (a small part of which lies in Virginia).

Metro areas that posted the fastest export growth during the 1993–99 period were Jackson, Chattanooga (a part of which lies in Georgia), Nashville, Memphis, and Knoxville.



## 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-related jobs are also more

secure: Exporting plants are nine percent less likely to shut down than comparable nonexporting plants.

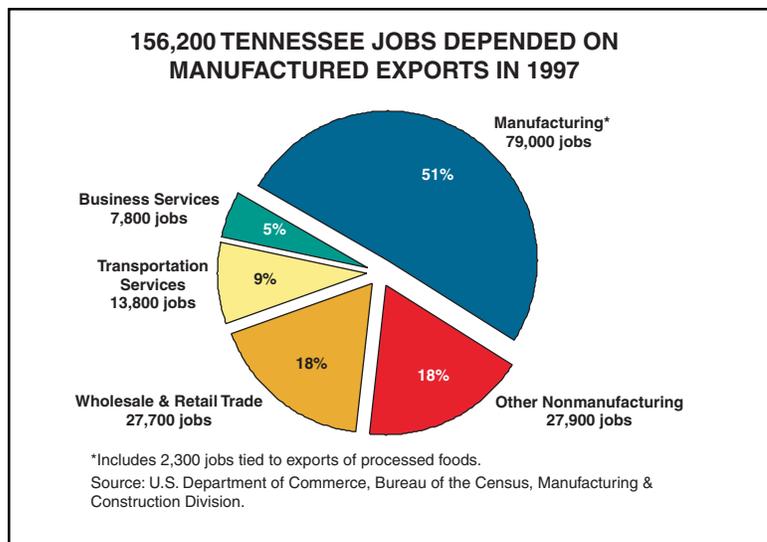
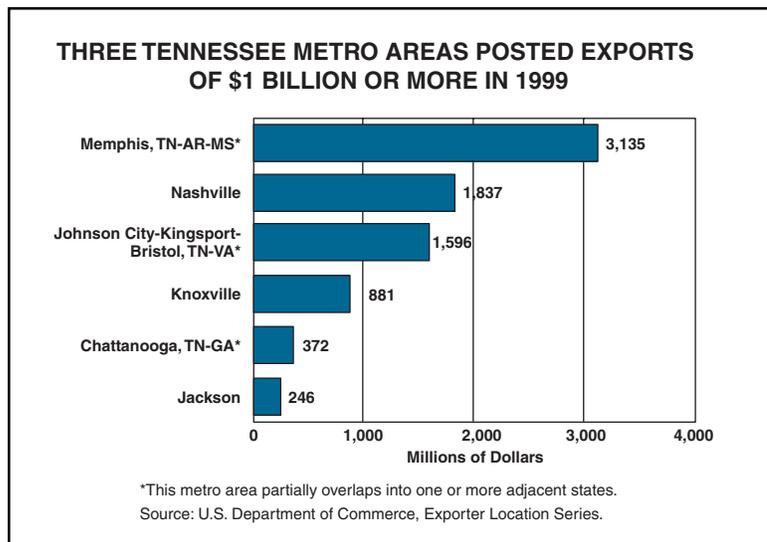
In 1997 (latest available data), Tennessee depended on manufactured exports for 156,200 jobs—the 16th largest total among the states. Export-supported jobs accounted for an estimated 6.8 percent of Tennessee’s total private sector employment.

Manufactured exports supported 79,000 jobs—roughly one of every six workers—in Tennessee’s manufacturing industries. Manufacturing sectors with the most export-related jobs were chemicals (13,100 export-dependent jobs), transportation equipment (11,300 jobs), fabricated metal products (7,900 jobs), machinery manufactures (6,900 jobs), and plastics and rubber products (5,300 jobs).

Exports of manufactured goods also indirectly supported 77,200 jobs in the state’s nonmanufacturing industries. These industries supply manufacturers with a wide range of inputs needed to produce goods for export.

## Exports Help Small Business

Exports have broadly benefited Tennessee businesses, both large and small. A total of 4,153 companies exported from Tennessee locations in 1998. Just under 77 percent of these companies, accounting for 20 percent of the state’s total exports, were small and medium-sized firms that had fewer than 500 employees. In fact,



63 percent of all Tennessee 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.

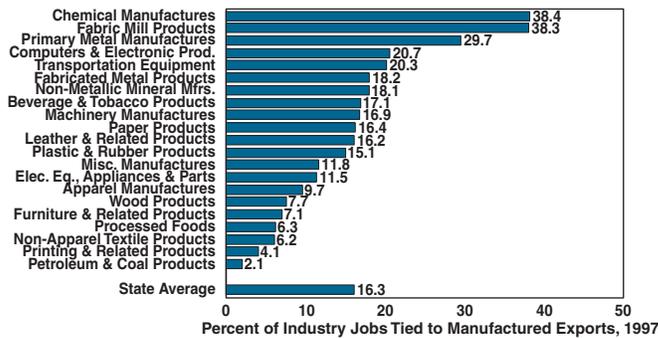
### TRADE PROMOTION AUTHORITY—KEY TO OPENING WORLD MARKETS

*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.*

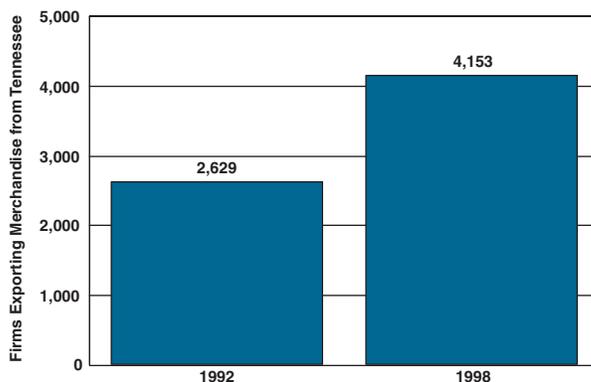
*TPA preserves the ability of the United States to protect public health, safety, and the environment.*

### ABOUT ONE-SIXTH OF MANUFACTURING JOBS IN TENNESSEE WERE TIED TO EXPORTS IN 1997



Note: In 1997, 16.3 percent of the 483,800 manufacturing jobs in Tennessee were tied to manufactured exports—some 79,000 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 TENNESSEE ROSE 58 PERCENT FROM 1992 TO 1998



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

## Tennessee Industries Can Gain From Trade Negotiations

Tennessee'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 Tennessee's businesses across many industrial sectors.

**Auto parts.** The United States 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, Tennessee 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.

**Paper and paper products.** Export sales are critical to the future growth of the U.S. paper and paper products industry, which has operations in nearly every state, including Tennessee. As a result of the Uruguay Round, U.S. exporters of paper products have benefited from lower tariffs in a number of foreign markets. However, the industry continues to face high tariffs on paper in countries that do not participate in the Uruguay Round duty elimination agreements. Tariffs are still high in such key competitor and consuming countries as Brazil, Colombia, Indonesia, Malaysia, Thailand, and Venezuela. For example, tariffs in Venezuela and Thailand are as high as 20 percent and 25 percent, respectively. In addition, the U.S. paper industry faces a number of nontariff barriers in key foreign markets, including import surcharges, import quotas, import permits and licenses, and subsidies.

**Chemicals.** Tennessee 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

### TENNESSEE: WHY TRADE PROMOTION AUTHORITY?

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

*Tennessee exporters still face major trade barriers in such sectors as auto parts, paper, chemicals, and civil aircraft and parts.*

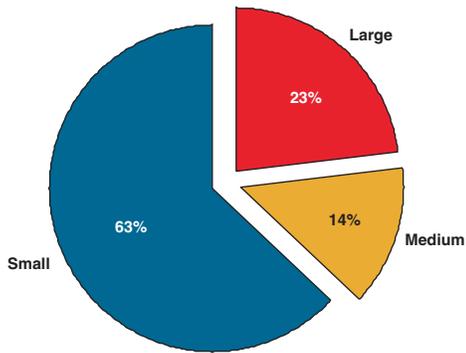
*With the United States on the sidelines, foreign competitors are forging ahead and pursuing their own market-opening agreements.*

*Tennessee's economy is export-dependent, with export sales of \$2,006 for every state resident.*

*Nearly 157,000 Tennessee jobs depend on exports of manufactured goods.*

*4,153 companies—including 3,194 small and medium-sized businesses—export from Tennessee.*

**77 PERCENT OF TENNESSEE'S 4,153 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.

**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.

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 registration, testing/certification, and import licensing requirements.

**Civil aircraft and parts.** The U.S. civil aircraft industry is the largest in the world. In 2000, total exports of U.S. civil aircraft, engines, and parts were \$45 billion. Over the last five years, three of every five large civil aircraft produced in the United States have been exported. The World Trade Organization Agreement on Trade in Civil Aircraft provides for duty-free import of civil aircraft and their components by the 26 signatories to this agreement. However, import tariffs in nonsignatory countries remain as high as 30 percent. Also, a number of nontariff barriers impede Tennessee's exports of civil aircraft and parts. For example, some countries do not promptly or fully recognize the safety and international noise certification compliance of all U.S. civil aircraft.

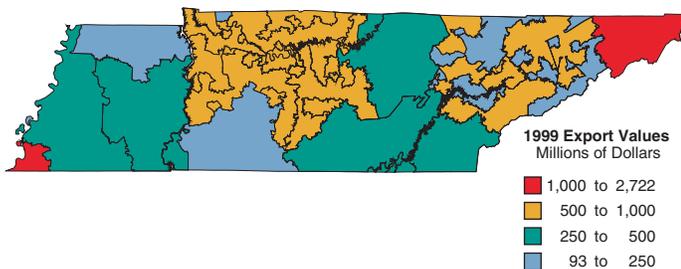
**Agriculture.** Tennessee produces and exports agricultural products. According to the U.S. Department of Agriculture, Tennessee's agricultural exports totaled \$382 million in 1999. Since 1991, the state's reliance on agricultural exports has ranged from 18 percent to 24 percent as measured by export's share of farm cash receipts. Tennessee's top agricultural exports are leaf tobacco, soybeans and products, cotton, wheat and products, and poultry and products. Tennessee already benefits from past trade agreements; however, U.S. agricultural exports still face high tariffs and nontariff barriers worldwide.

**Imports Also Important to Tennessee**

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

**EXPORTS ARE SOLD FROM ALL OVER TENNESSEE**

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



Note: Tennessee's total merchandise exports in 1999 were \$9.3 billion.  
Source: U.S. Department of Commerce, Exporter Location Series.