

Indiana as a Global Trading Partner with the EU and Other World Regions

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On Behalf of the Entire V600 Class

Overview

1. Introduction to Indiana's Economy
2. Export Analysis
3. FDI Analysis
4. Comparative Analysis
5. Conclusions

Key Themes

- Supply Chain Integration
- Logistics and Location
- Life Sciences Cluster
- FDI Attraction

Indiana's Economy: Clusters

Cluster	Commodity
Life Sciences	<ul style="list-style-type: none">• Pharmaceutical Products• Organic Chemicals• Optic, Medical, and Surgical Instruments
Advanced Manufacturing	<ul style="list-style-type: none">• Vehicles and Parts• Industrial Machinery• Electrical Machinery• Aircraft, Spacecraft, and Parts
Raw Materials	<ul style="list-style-type: none">• Nickel and Articles Thereof• Plastics and Articles Thereof• Iron and Steel• Miscellaneous Chemicals

The Lilly logo is written in a red, cursive script font.The Cummins logo features the word "Cummins" in white, sans-serif font, slanted upwards, set against a blue, stylized background that resembles a large letter 'C'.The Cook Medical logo consists of the word "COOK" in a large, red, serif font, with "MEDICAL" in a smaller, red, sans-serif font below it.The Berry Plastics Corporation logo features the word "BERRY" in a large, blue, stylized font with horizontal lines, and "PLASTICS CORPORATION" in a smaller, blue, sans-serif font below it.

Indiana's Economy: the Numbers

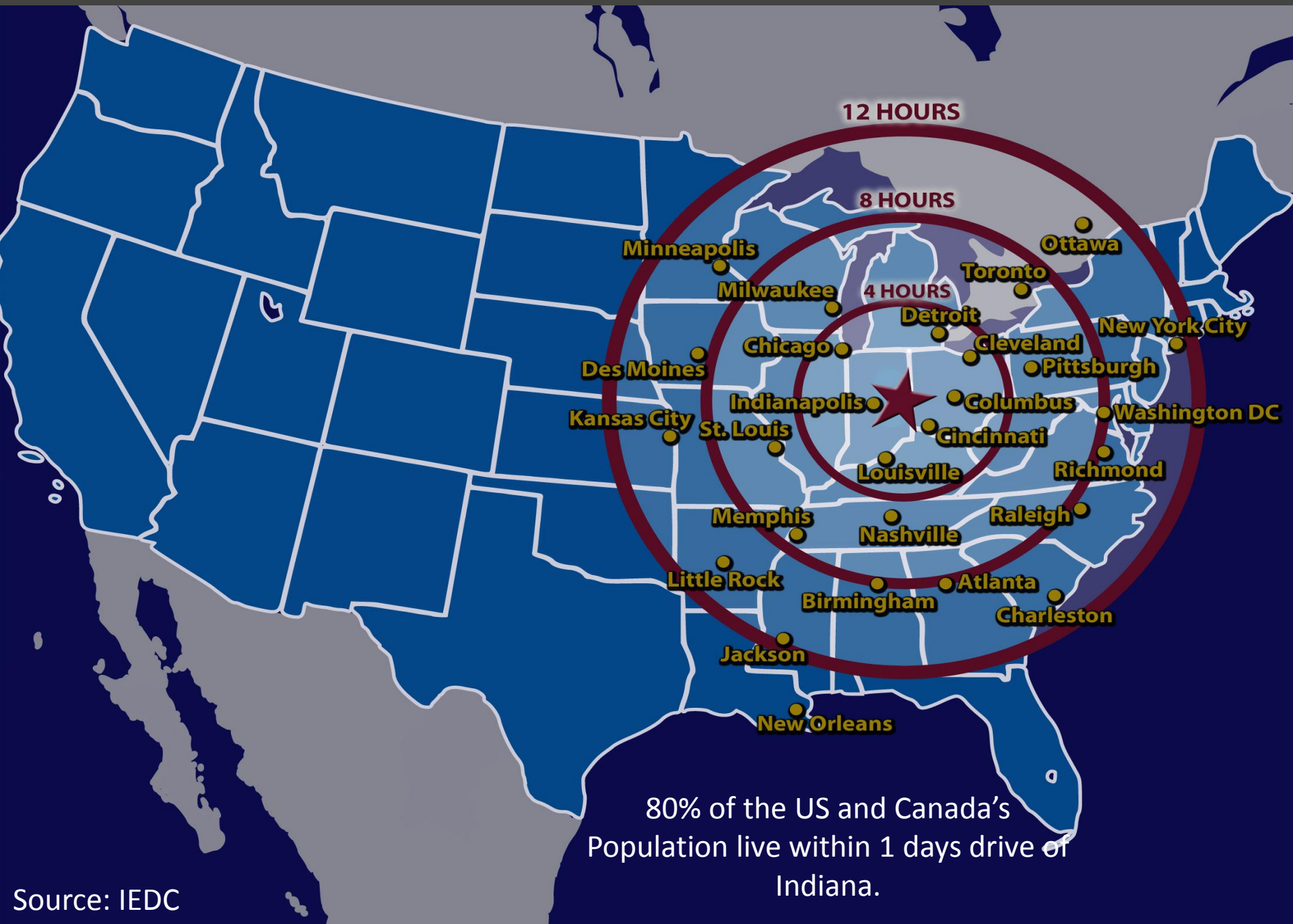
- \$32.2 Billion in exports in 2011
- 27.7% of Indiana workers depend on exports

Industry	Value (2011)
Transportation Equipment	\$9.5 Billion
Chemicals	\$7.9 Billion
Machinery	\$4.1 Billion
Primary Metals	\$1.9 Billion
Misc. Manufactured Products	\$1.8 Billion

Indiana's Exports: Commodity

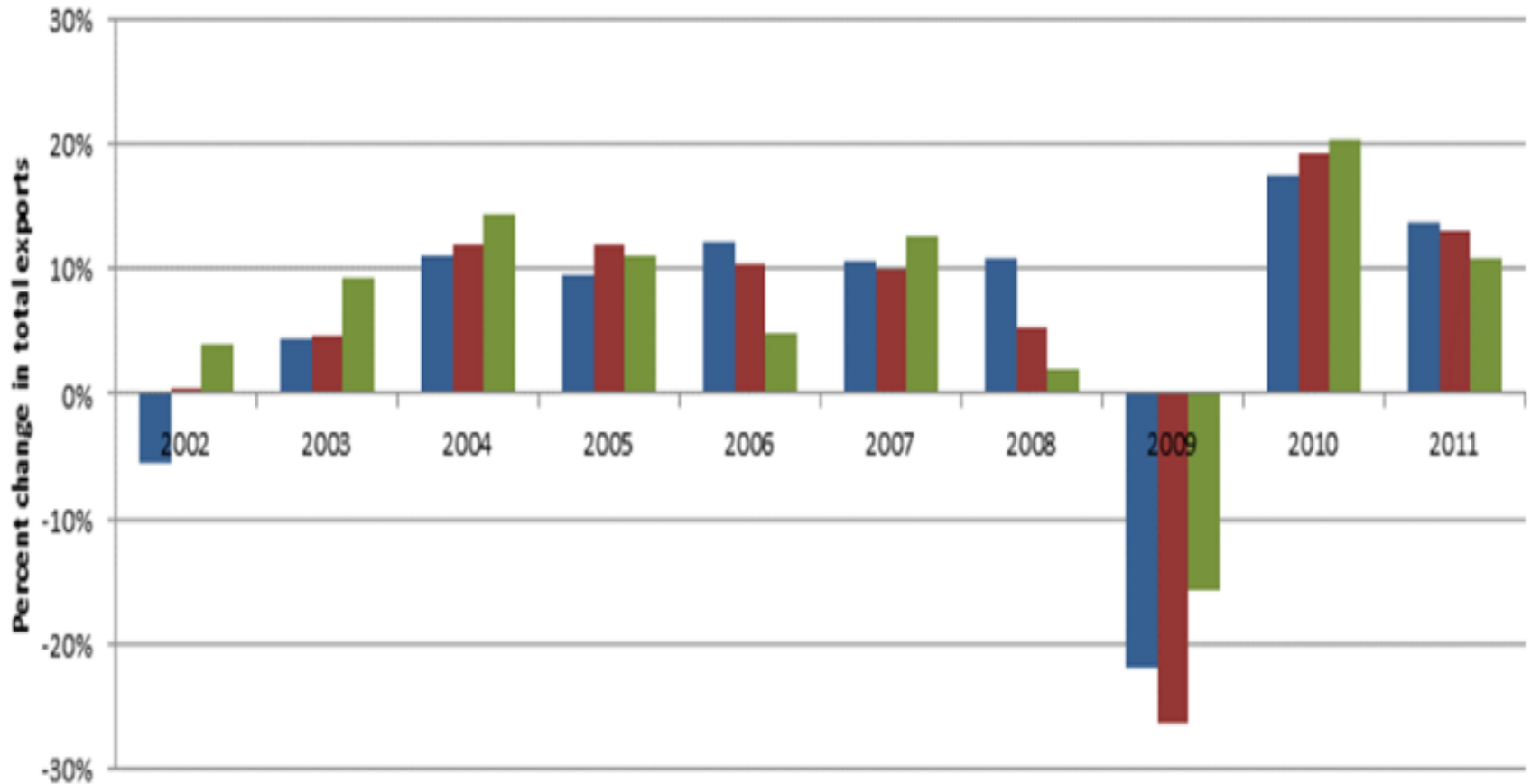
Ranking	Industry	Ranking	Industry
1.	Vehicles and Parts	6.	Organic Chemicals
2.	Industrial Machinery	7.	Plastics and Articles Thereof
3.	Pharmaceutical Products	8.	Iron and Steel
4.	Optic, Medical, or Surgical Instruments	9.	Aircraft, Spacecraft, and Parts
5.	Electric Machinery	10.	Miscellaneous Chemicals

Overall to World, Year 2011



Annual Change in US, Midwest and Indiana Exports, 2002 - 2011

■ US Exports ■ Midwest Exports ■ Indiana Exports



Source: WisierTrade and USA Trade

Export Year

Indiana's Exports: Destination

Ranking	Country	Share	Ranking	Country	Share
1.	Canada	36%	6.	China	4%
2.	Mexico	10%	7.	United Kingdom	3%
3.	Germany	6%	8.	Spain	2%
4.	Japan	4%	9.	Brazil	2%
5.	France	4%	10.	Afghanistan	2%

Source: WISERTrade and USATrade

Export Analysis

The EU

1. Pharmaceutical Products	37%	\$3 billion
2. Organic Chemicals	13%	\$1 billion
3. Industrial Machinery	13%	\$1 billion
4. Optic, Medical, and Surgical Instruments	11%	\$ 900 million
5. Aircraft, Spacecraft, and Parts	4.5%	\$ 350 million

The Top 5 Non- EU Trading Partners

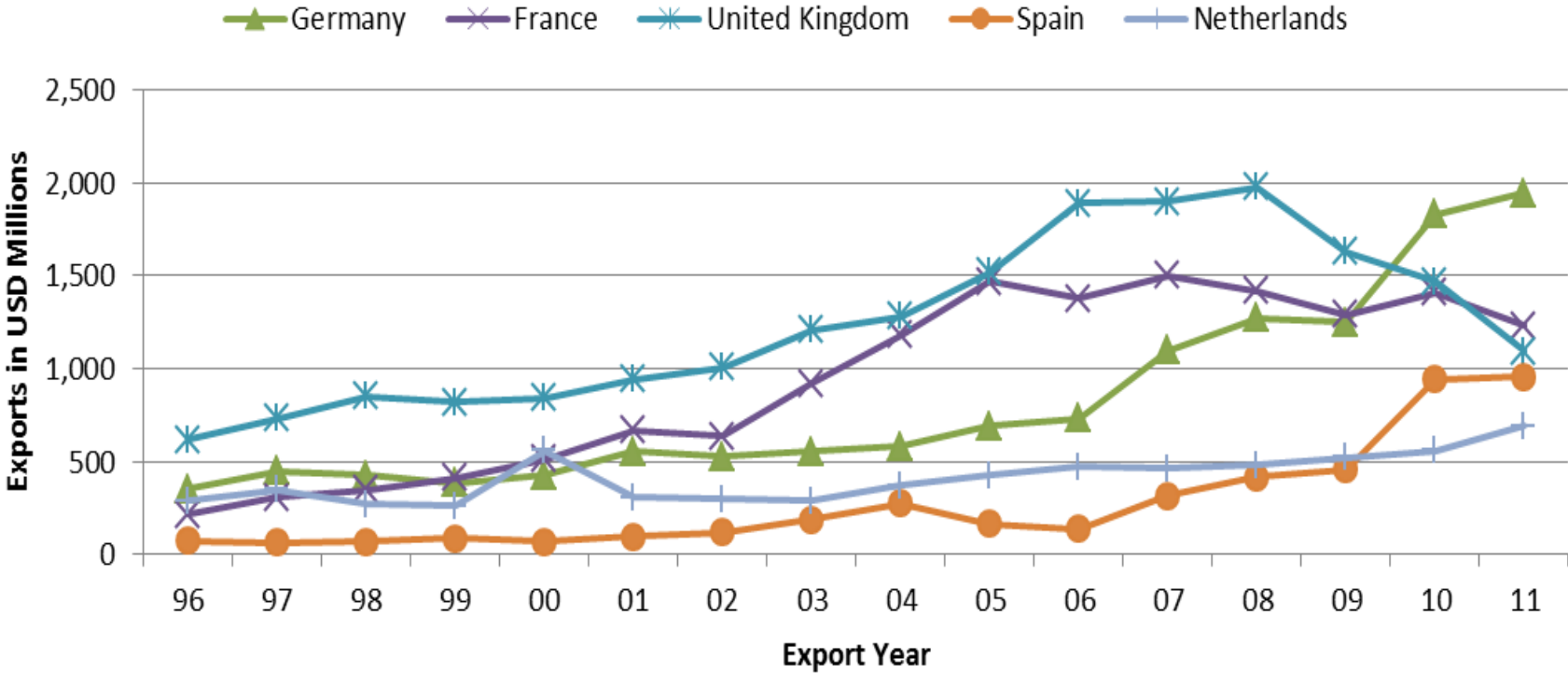
1. Vehicles and Parts	24%	\$6.5 billion
2. Industrial Machinery	16%	\$4 billion
3. Pharmaceutical Products	15%	\$4 billion
4. Optic, Medical, and Surgical Instruments	7%	\$ 1.8 billion
5. Electric Machinery	6%	\$ 1.2 billion

Barriers to Trade: European Union

	Positives (Facilitators)	Negatives (Barriers)
European Union Overall	<ul style="list-style-type: none">• English language• Bilateral trade forums	<ul style="list-style-type: none">• CE Mark• Specific regulations:<ul style="list-style-type: none">– Accreditation rules– CLP– REACH– RoHS• Automotive industry standards
Country Specific	<ul style="list-style-type: none">• Same as EU overall	<ul style="list-style-type: none">• Health Technology Assessments (HTAs)• Government procurement policies

Export Analysis: Top 5 EU Value

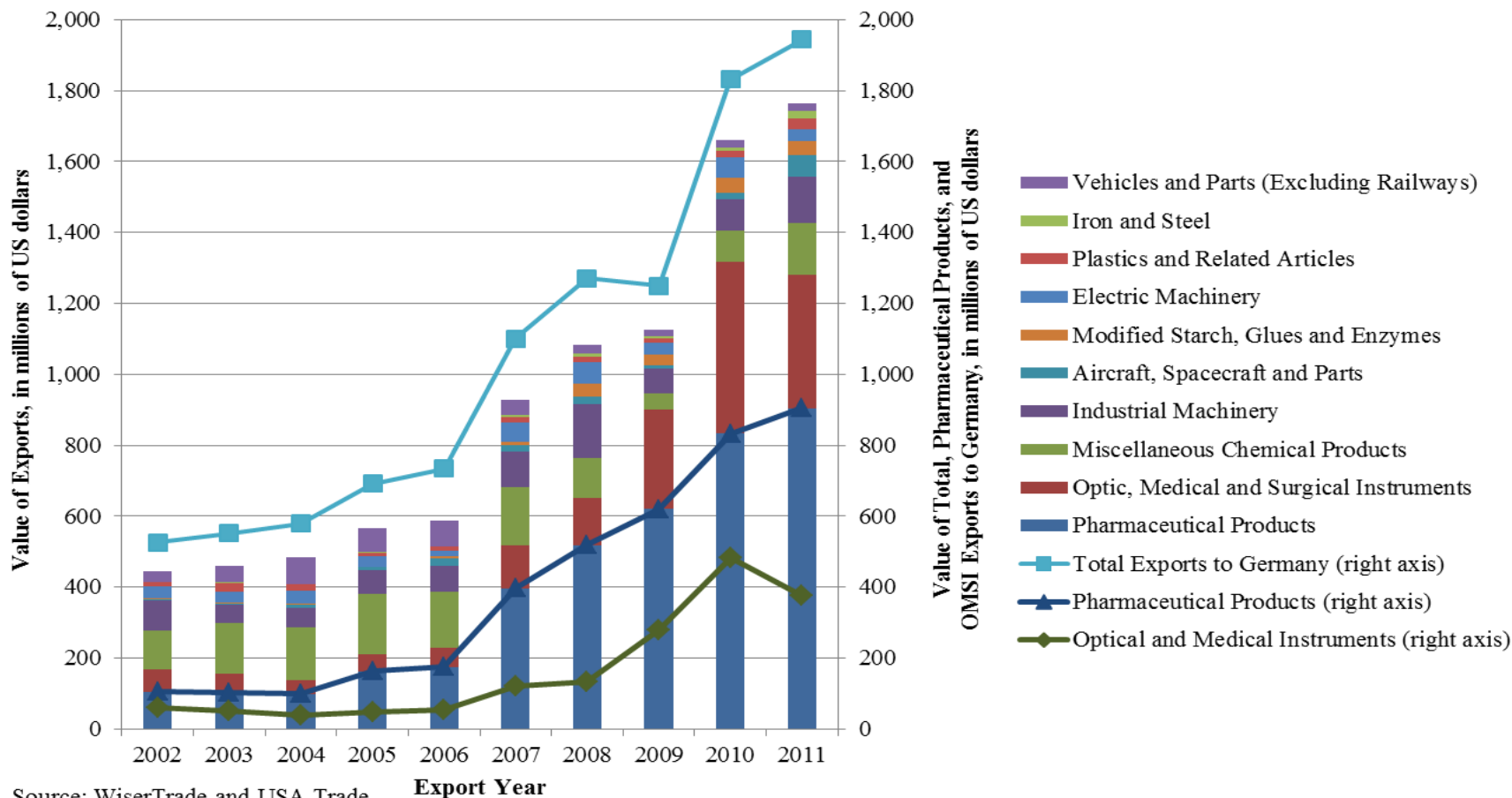
Indiana Exports to Top 5 European Union Countries 1996-2011 (Current Dollars)



Source: WISERTrade and USATrade

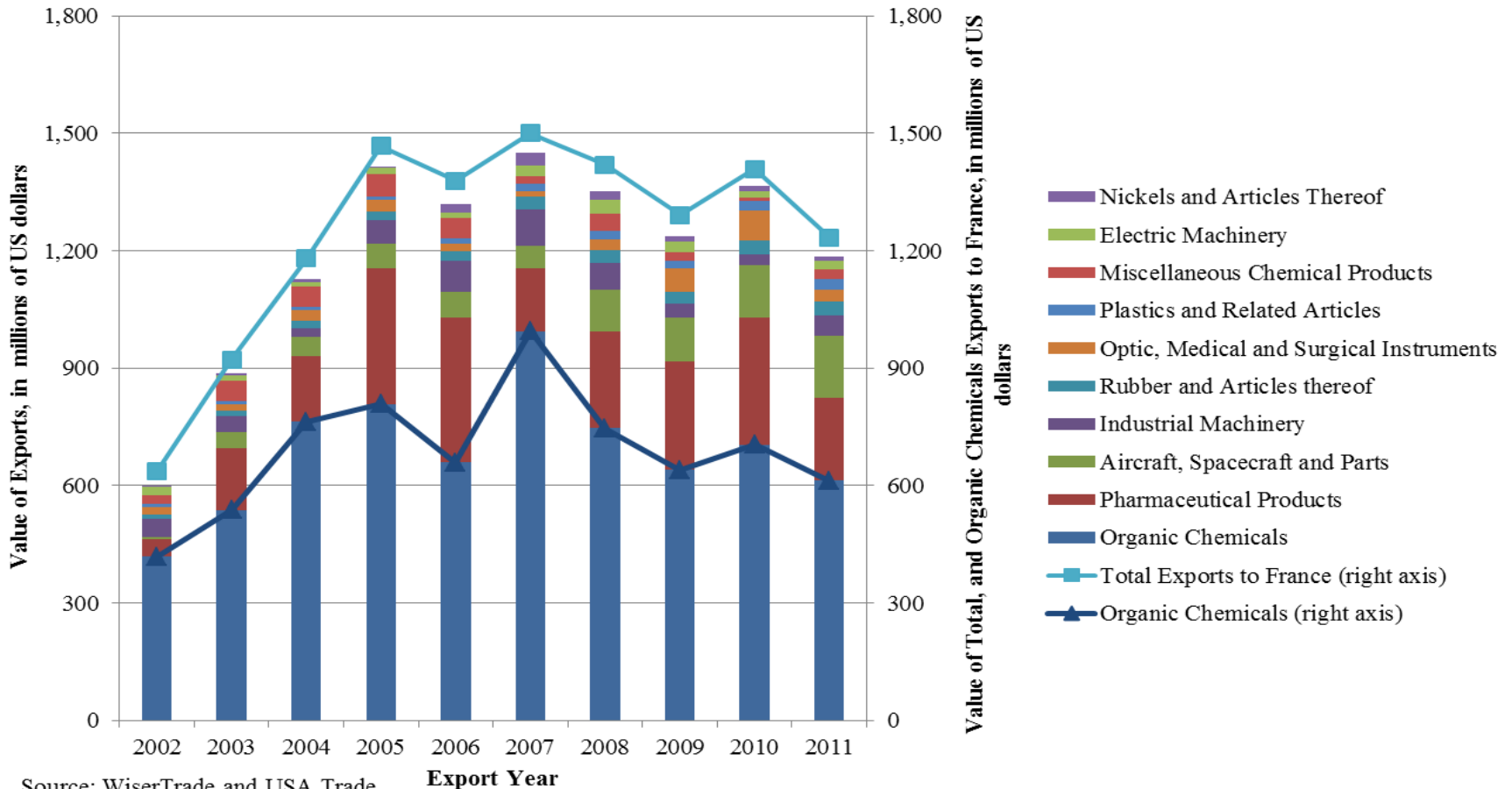
Export Analysis: Germany

Indiana's Top Export Commodities to Germany, 2002-2011 (in current dollars)



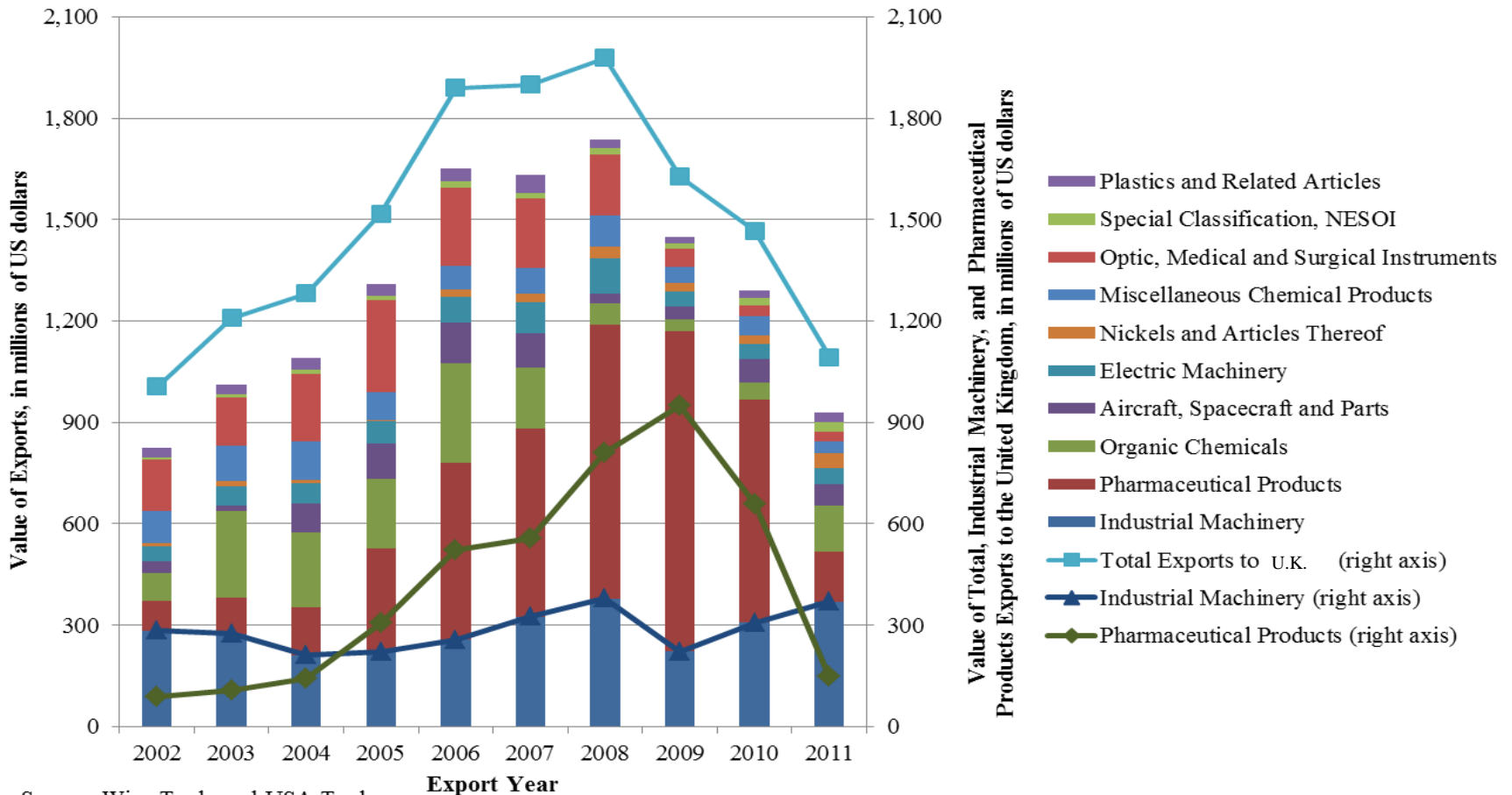
Export Analysis: France

Indiana's Top Export Commodities to France, 2002-2011 (in current dollars)



Export Analysis: United Kingdom

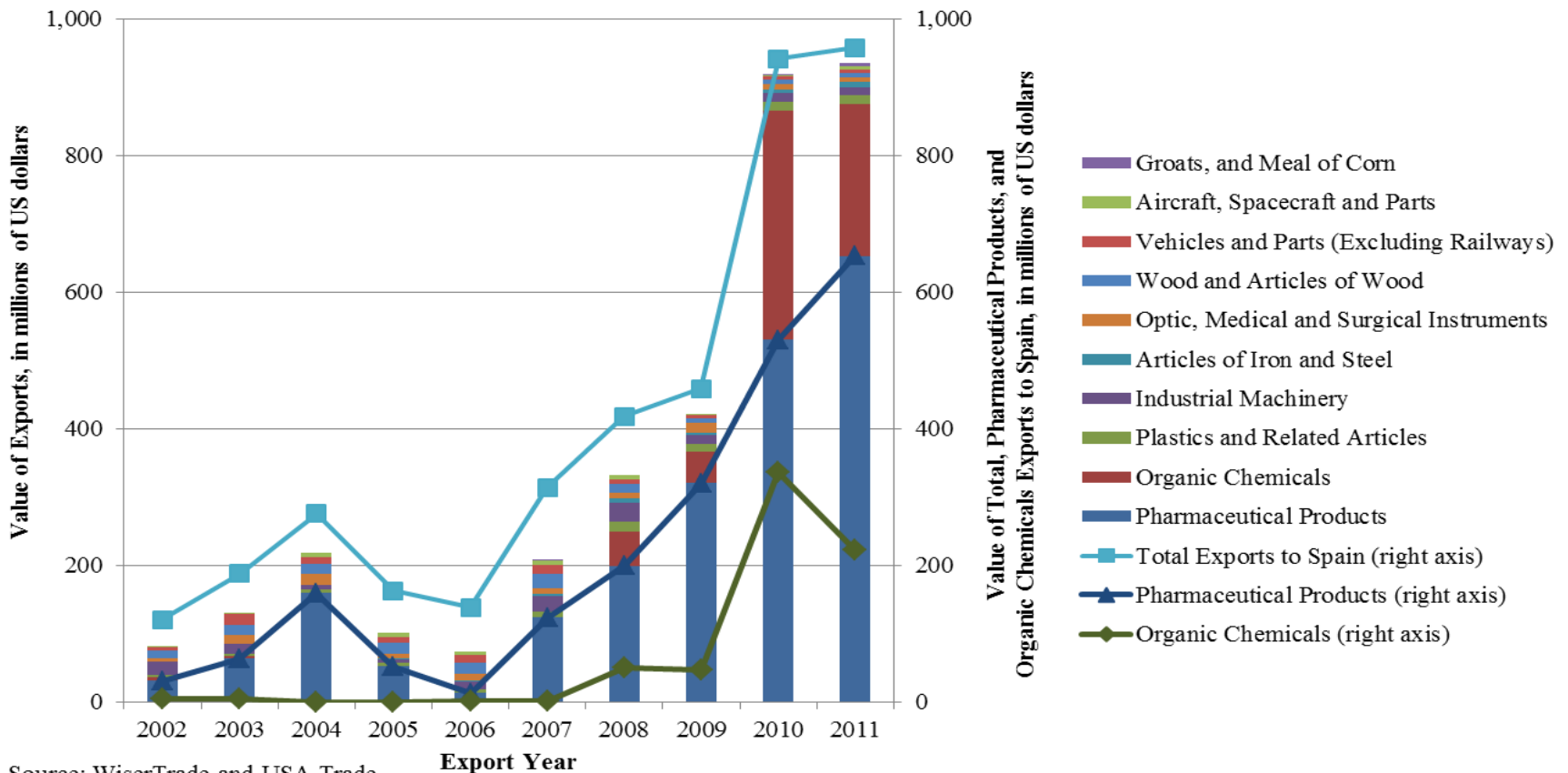
Indiana's Top Export Commodities to the United Kingdom, 2002-2011 (in current dollars)



Source: WiserTrade and USA Trade

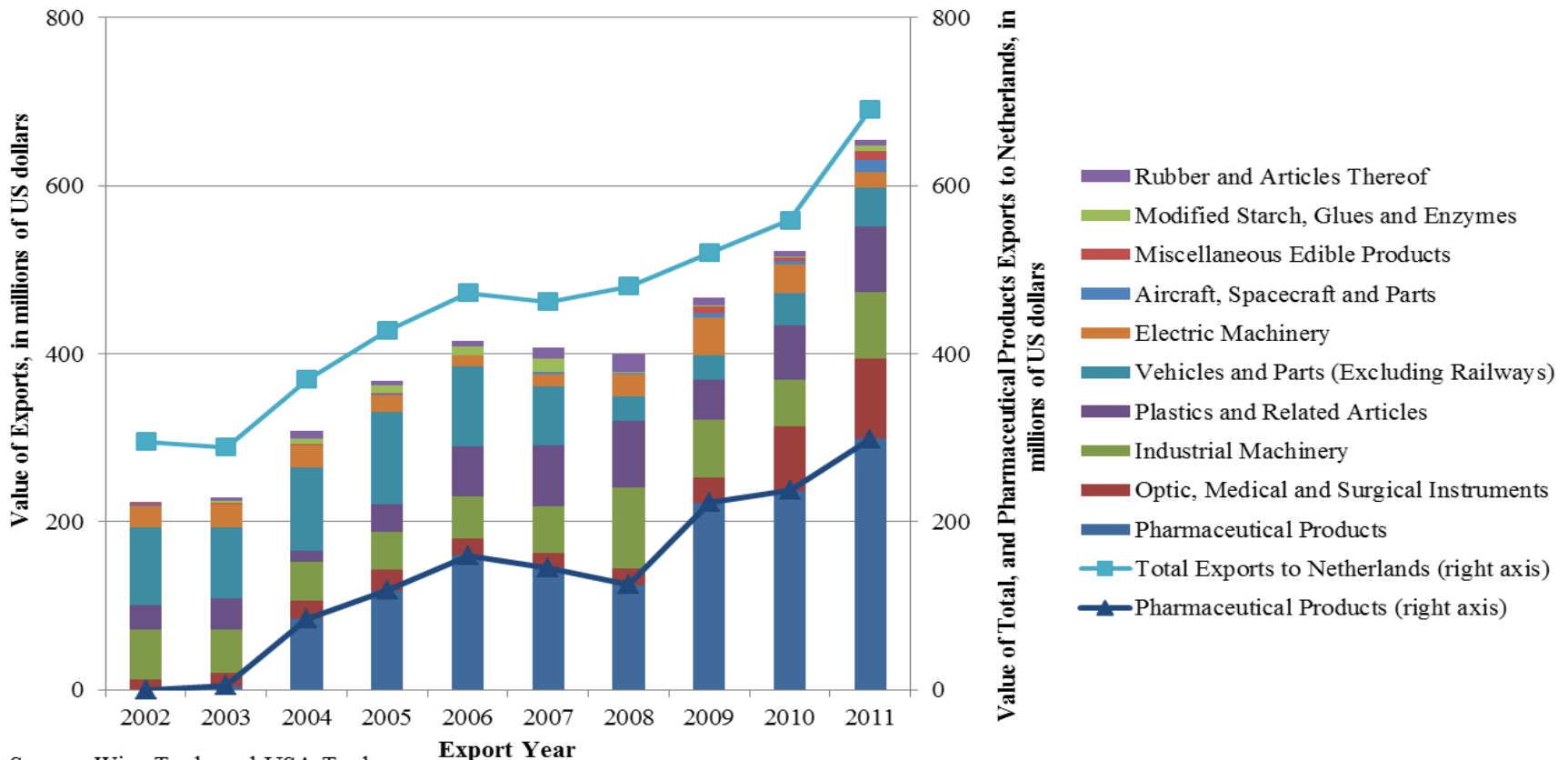
Export Analysis: Spain

**Indiana's Top Export Commodities to Spain, 2002-2011
(in current dollars)**



Export Analysis: the Netherlands

Indiana's Top Export Commodities to Netherlands, 2002-2011 (in current dollars)



Source: WisserTrade and USA Trade

Barriers to Trade:

Top 5 Non-EU Trading Partners

Ease of Trade Ranking	Positives (Facilitators)	Negatives (Barriers)
1. Canada	<ul style="list-style-type: none"> • NAFTA • Location 	
2. Mexico	<ul style="list-style-type: none"> • NAFTA • Location • Long-term growth 	<ul style="list-style-type: none"> • Violence • Testing Requirements • Inconsistencies
3. Japan	<ul style="list-style-type: none"> • Relationship • Automotive Sector 	<ul style="list-style-type: none"> • Stagnation
4. China	<ul style="list-style-type: none"> • Growth • Demand • Standardization 	<ul style="list-style-type: none"> • CCC Mark • Intellectual Property Rights
5. Brazil	<ul style="list-style-type: none"> • Growth 	<ul style="list-style-type: none"> • Tariffs • Volatility

Export Analysis: NAFTA

Canada

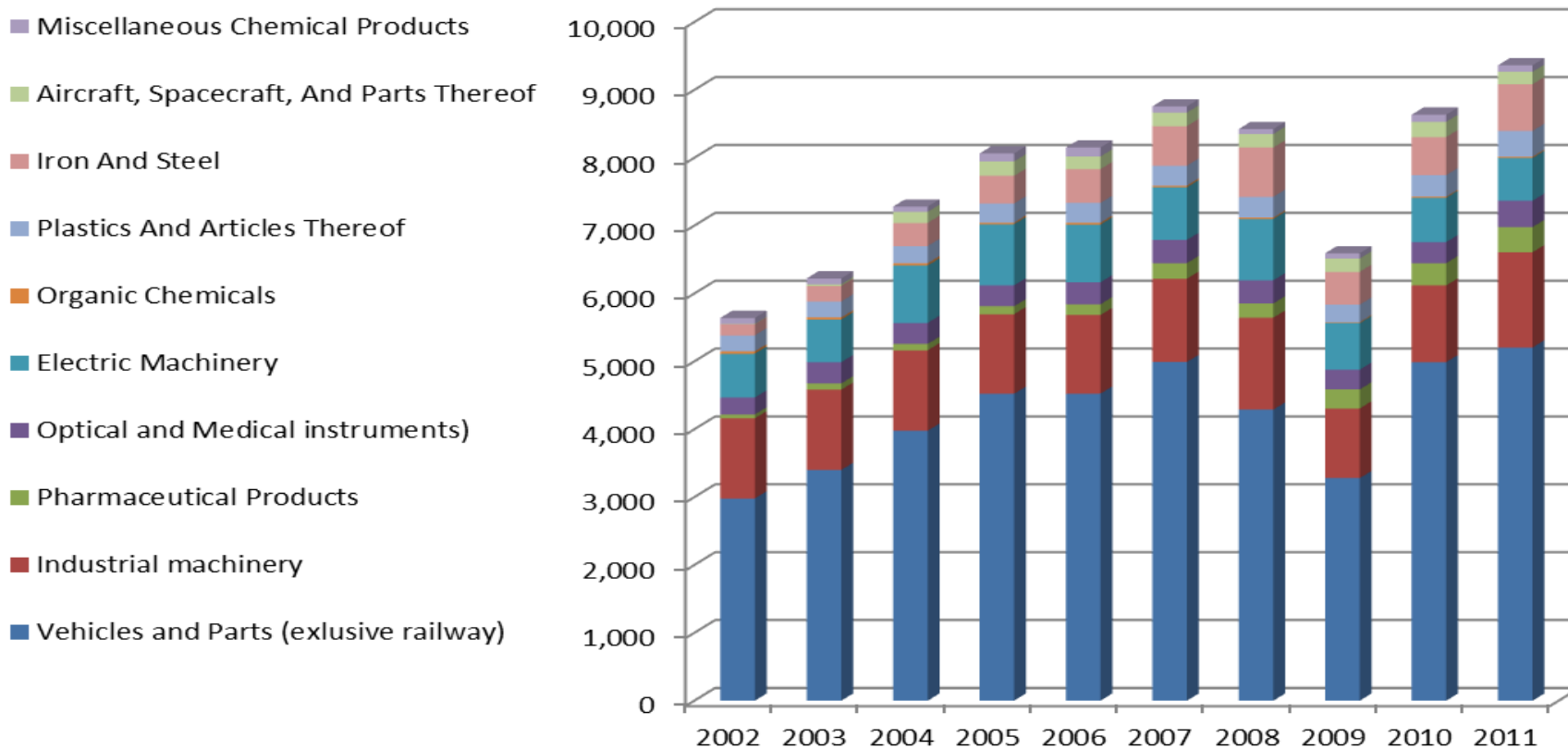
- High Ease of Trade
- Top consumer of Indiana's Vehicles and Parts and Industrial Machinery Exports
 - Over \$5billion and \$1.4billion respectively

Mexico

- Ease of trade diminished by violence and testing requirements
 - Organic Chemicals and Pharmaceutical Products
- Only consumer to show growth in Electric Machinery exports

Export Analysis: Canada

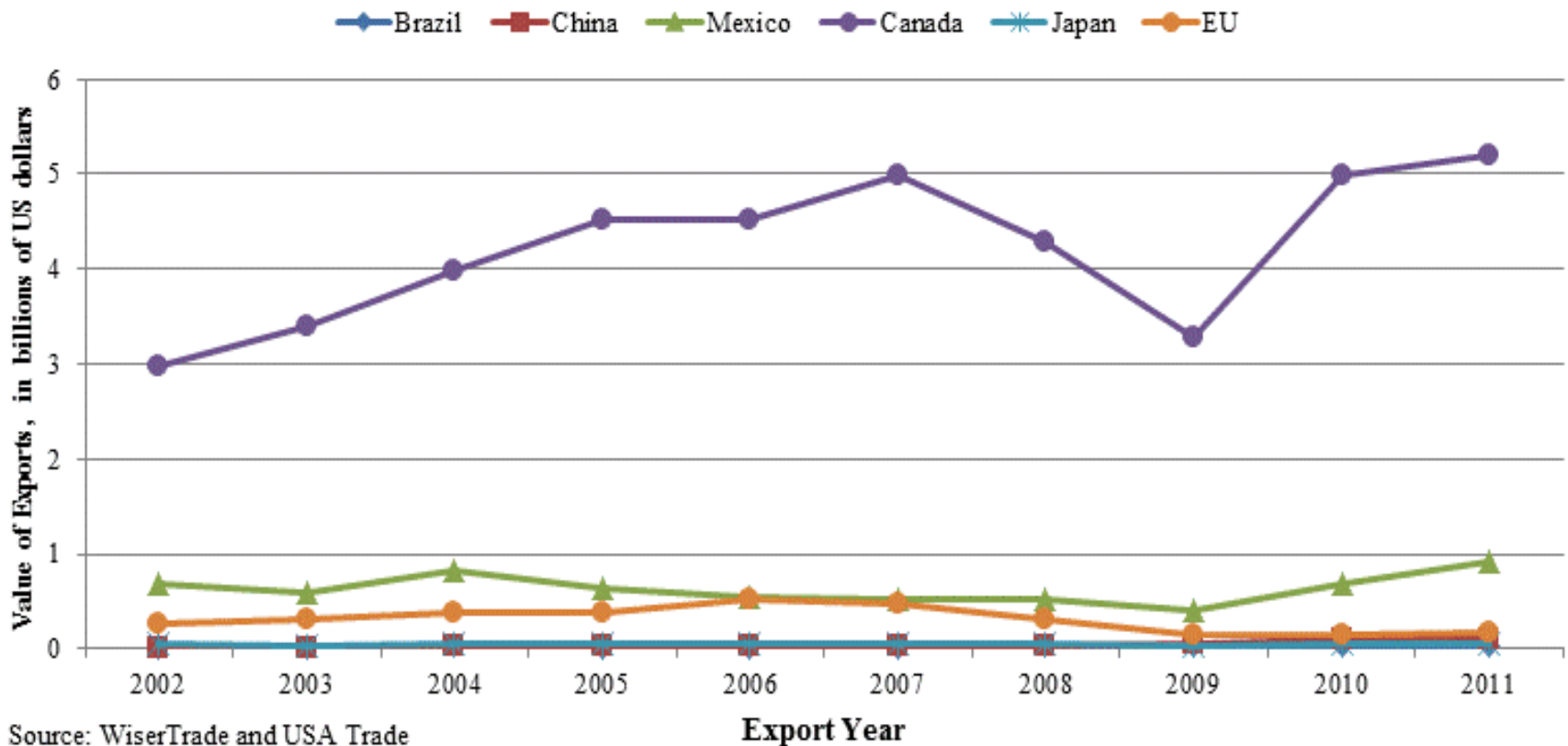
Top Ten Indiana Export Industries to Canada, 2002-2011, in Millions of Current Dollars



Source: WISERTrade and USATrade

Export Analysis: Canada

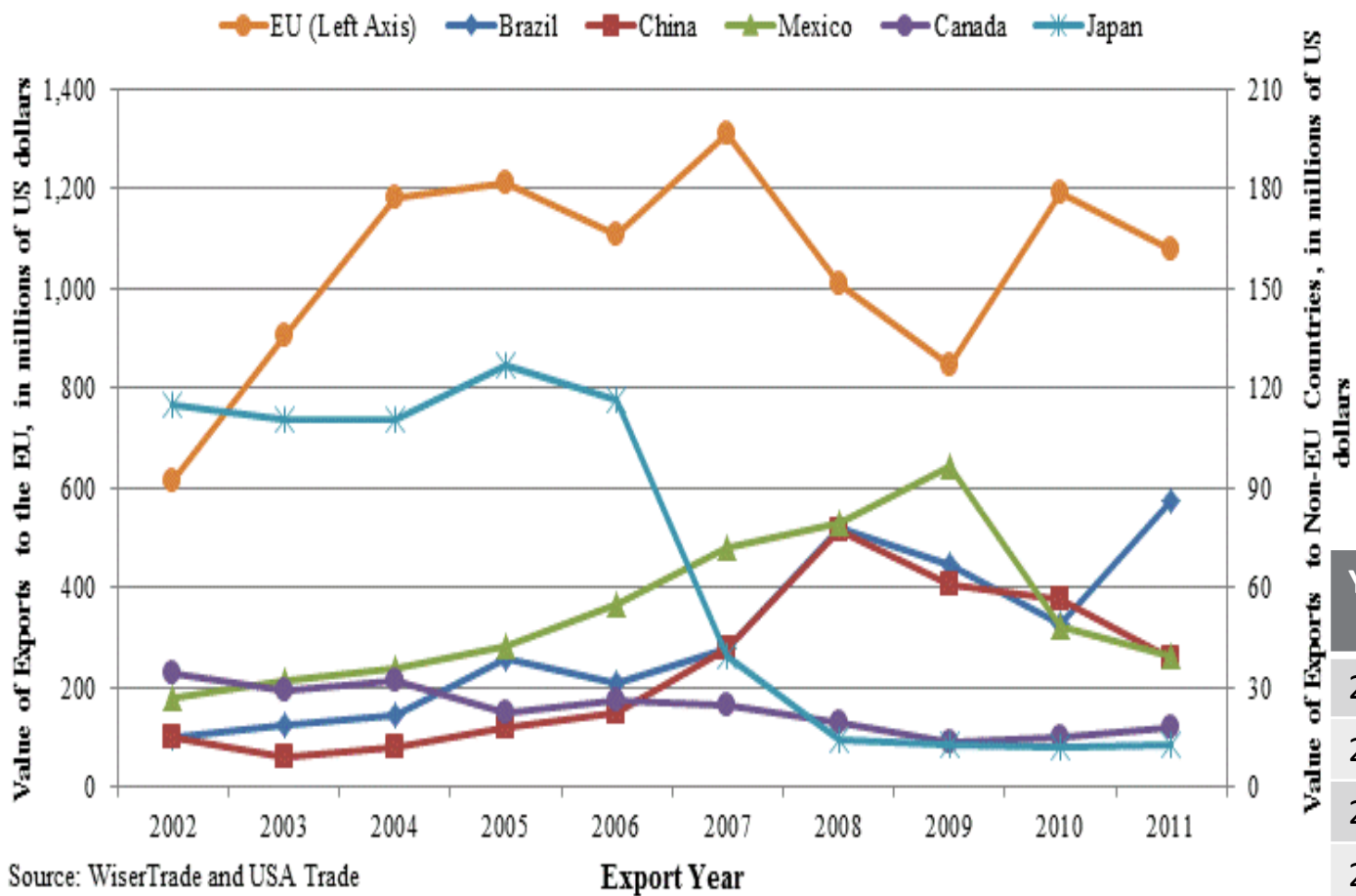
Vehicles and Parts Exports from Indiana to the EU and Top 5 Non-EU Trading Partners, 2002-2011 (in current dollars)



Source: WiserTrade and USA Trade

Export Analysis: Mexico

Organic Chemicals Exports from Indiana to the EU and Top 5 Non-EU Trading Partners, 2002-2011 (in current dollars)



Source: WiserTrade and USA Trade

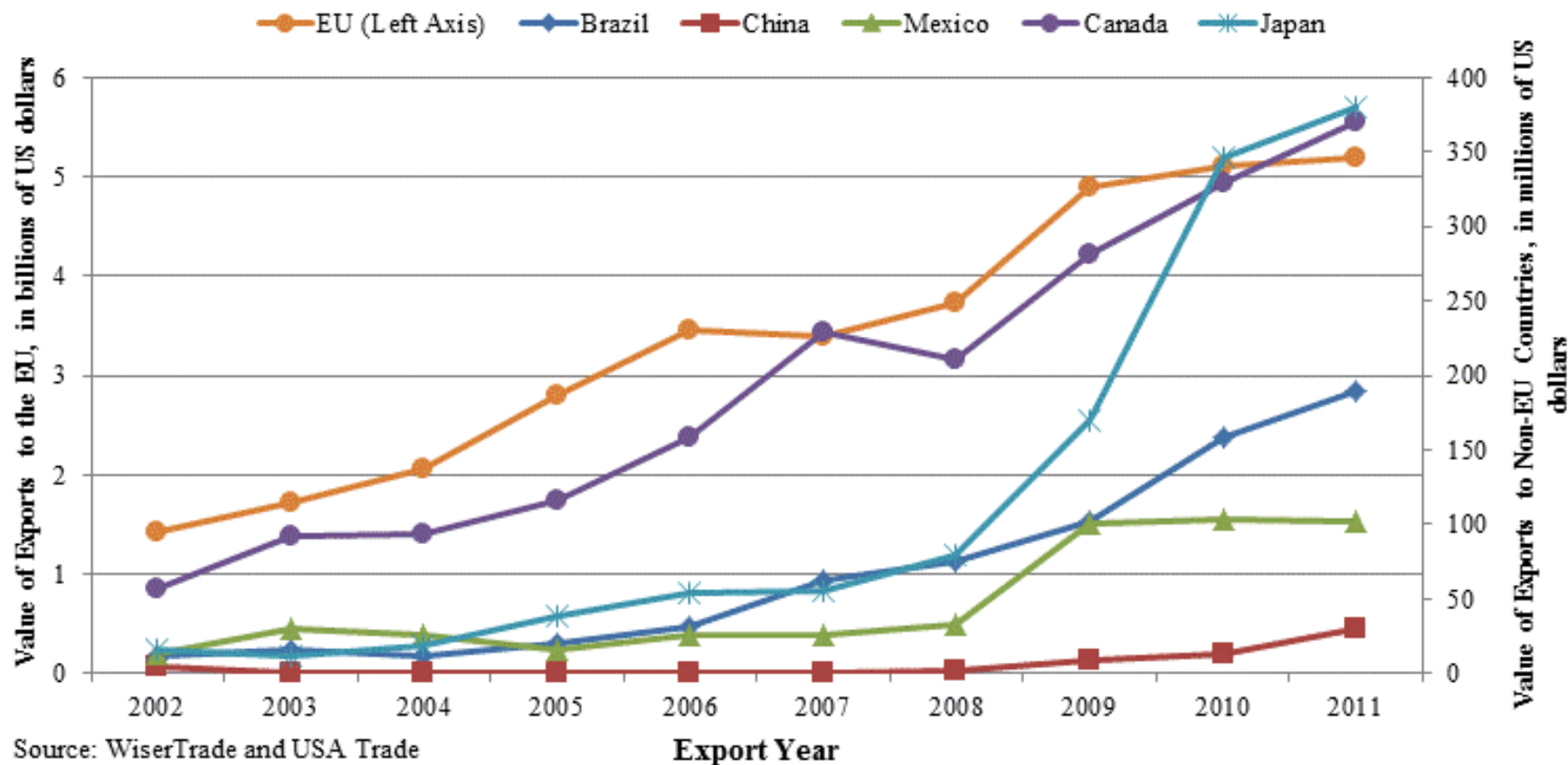
Year	Value (millions)	Growth Rate
2007	\$72	31%
2008	\$79	10%
2009	\$96	22%
2010	\$49	-49%
2011	\$40	-18%

Export Analysis: Japan

- Historical Automotive Industry
- Impressive growth in the Life Sciences Cluster
 - Over 50% per year since 2007 in pharmaceuticals
- Aging Population

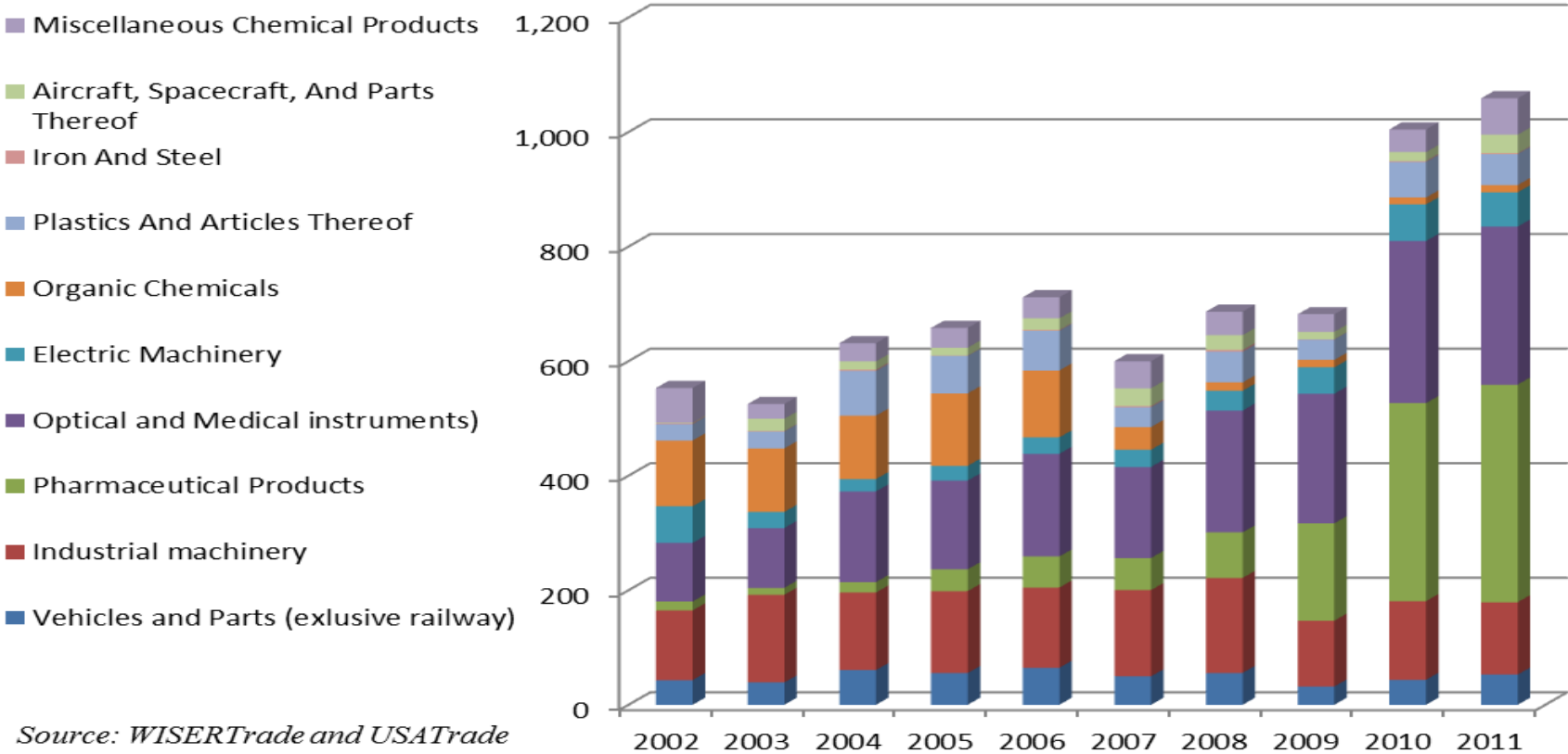
Export Analysis: Japan

Pharmaceutical Products Exports from Indiana to the EU and Top 5 Non-EU Trading Partners, 2002-2011 (in current dollars)



Export Analysis: Japan

Top Ten Indiana Export Industries to Japan, 2002-2011, in Millions of Current Dollars



Export Analysis: Emerging Economies

China

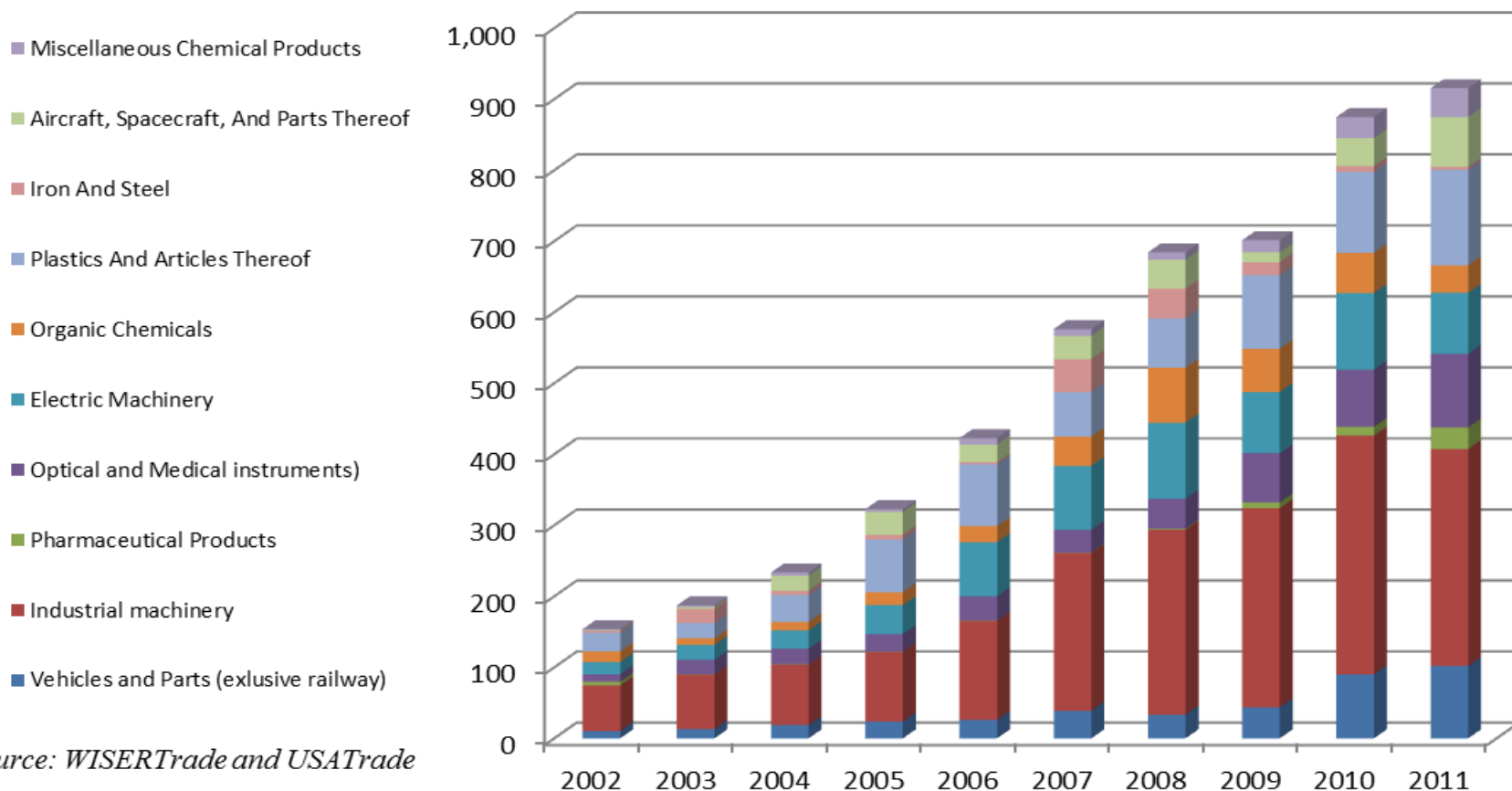
- High growth potential
 - Averaged 99% growth per year in Pharmaceuticals
 - Steady growth in Optic, Medical, and Surgical Instruments
 - Showed very few signs of slow down during the recession
- Diverse export distribution

Brazil

- Protectionist-causing a different export distribution
- India's advantage industries, Vehicles and Parts and Industrial Machinery hold an 18-35% tariff
- Top export destination for Aircraft, Spacecraft, and Parts
 - 13% of overall exports with over \$100million in 2011

Export Analysis: China

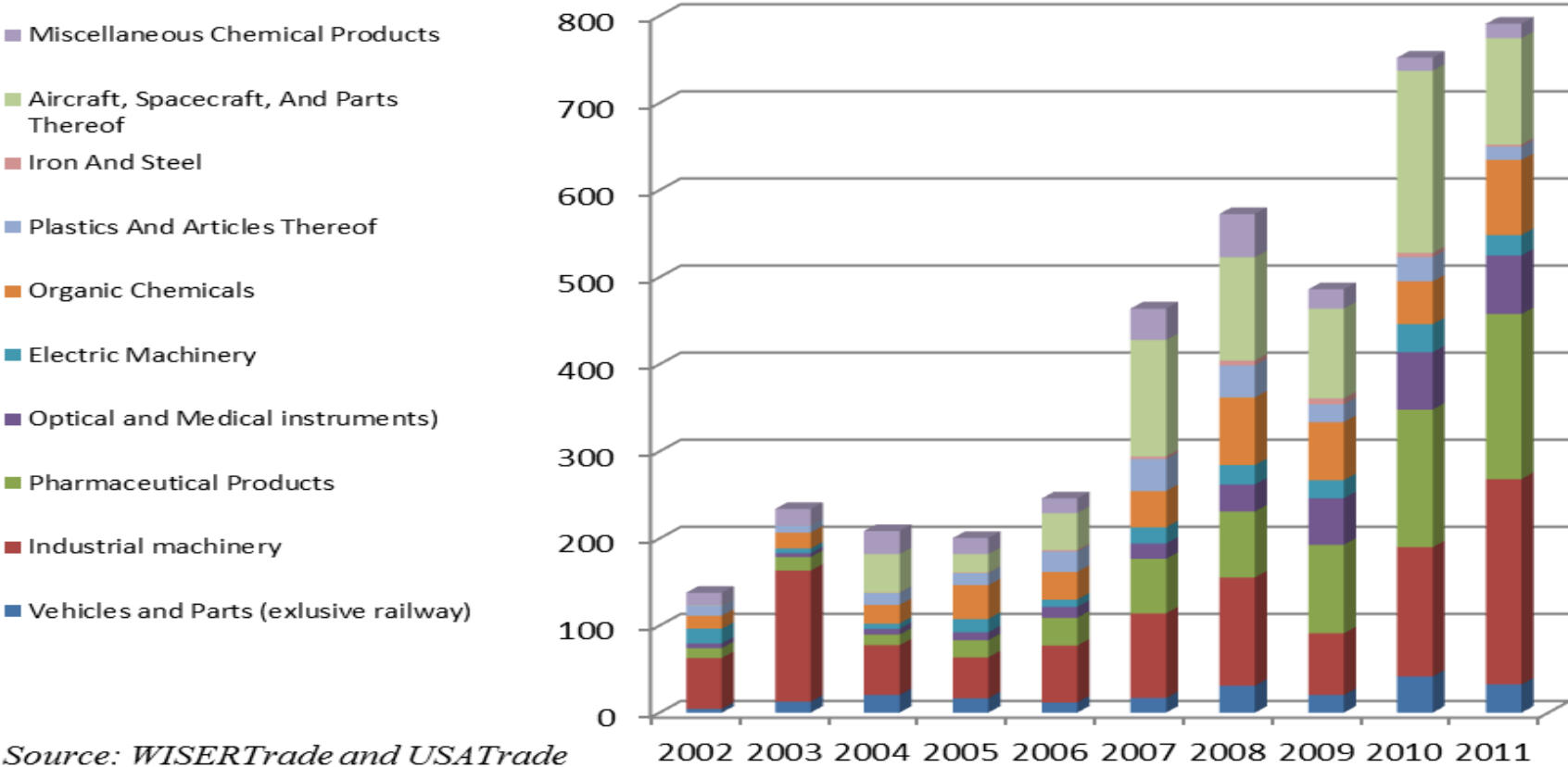
Top Ten Indiana Export Industries to China, 2002-2011, in Millions Current Dollars



Source: WISERTrade and USATrade

Export Analysis: Brazil

**Top Ten Indiana Export Industries to Brazil, 2002-2011,
in Millions of Current Dollars**



Source: WISERTrade and USATrade

Tariff Schedule: Brazil

Item	CET rate
Textiles	Usually 35%
Automobiles and parts	Usually 35%
Motorcycles and parts	Usually 20%
Motors	Usually 14-18%
Construction equipment and vehicles	Usually 0%
Aircraft and parts	Usually 0%
Cereals in grain	Often 10%
Swine products	From 2 – 10%
Pharmaceuticals	From 0 – 14%
Arms and defense equipment	Usually 20%
Metals	Usually between 10-16%
Agricultural Machines	Usually 14-18%
General Machines	Usually 14%
Tools	Usually 16-18%
Chemicals	From 2-10%
Plastics	Usually 14%, sometimes 2%

Foreign Direct Investment: Overview

- Crossroads of America
- Central Infrastructure
- Fiscally Responsible
 - Balanced budget
 - AAA credit rating
- Incentives for business and investment
- Community College Network

Foreign Direct Investment: Tax Incentives

Job Creation & Improving the Standards of Living for Indiana Residents	Capital Investment	Research & Development
<ul style="list-style-type: none">• Economic Development for a Growing Economy• Hoosier Business Investment	<ul style="list-style-type: none">• Industrial Recovery• Headquarters Relocation• Venture Capital Investment	<ul style="list-style-type: none">• Research and Development• Patent Income Exemption

Foreign Direct Investment: Values

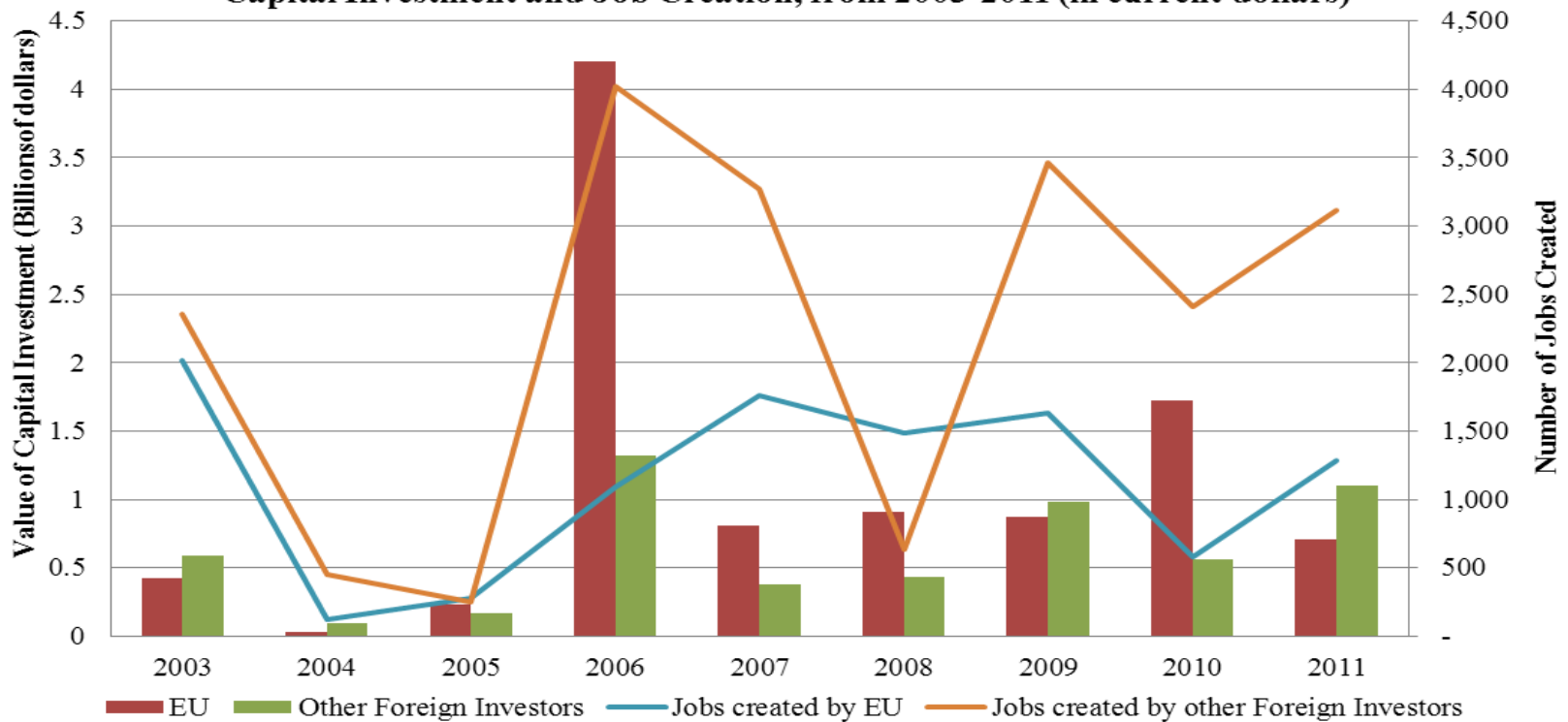
Top 10 Sources for FDI to Indiana, from 2003-2011		
Country	Total Investment (in millions)	Total Jobs
UK	\$6,336.67	2745
Japan	\$3,413.96	11708
Germany	\$1,329.85	4363
Switzerland	\$1,019.00	2429
Canada	\$867.88	3137
Portugal	\$616.00	39
France	\$567.00	475
Luxembourg	\$348.00	269
Spain	\$157.90	217
Italy	\$149.48	873
<i>Source: fDiMarkets</i>		

Foreign Direct Investment: European Union

- Largest Foreign Investor
 - 64%
- High Capital
 - Energy
- High Jobs
 - Manufacturing
- Few Firms, large single investments
- Germany and the UK Prominent Investors

Foreign Direct Investment: EU Capital and Job Creation

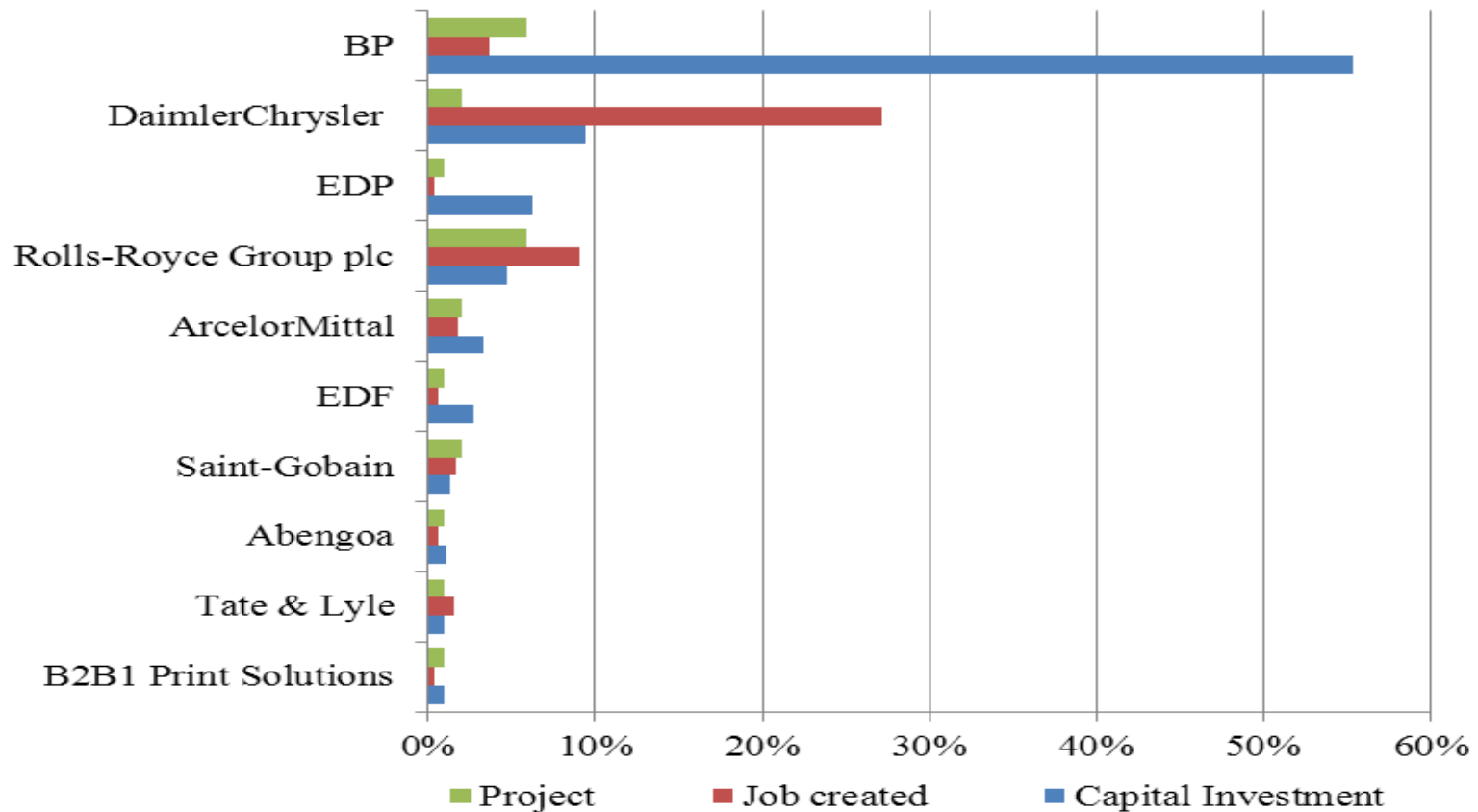
Comparison of FDI from the EU and Other Investors to Indiana including Capital Investment and Job Creation, from 2003-2011 (in current dollars)



Source: fDiMarkets

Foreign Direct Investment: EU's Top Companies

**Top Ten EU Companies' Investments in Indiana,
from 2003-2011**



Source: fDiMarkets

Foreign Direct Investment: Top 5 Non-EU Trading Partners

Canada

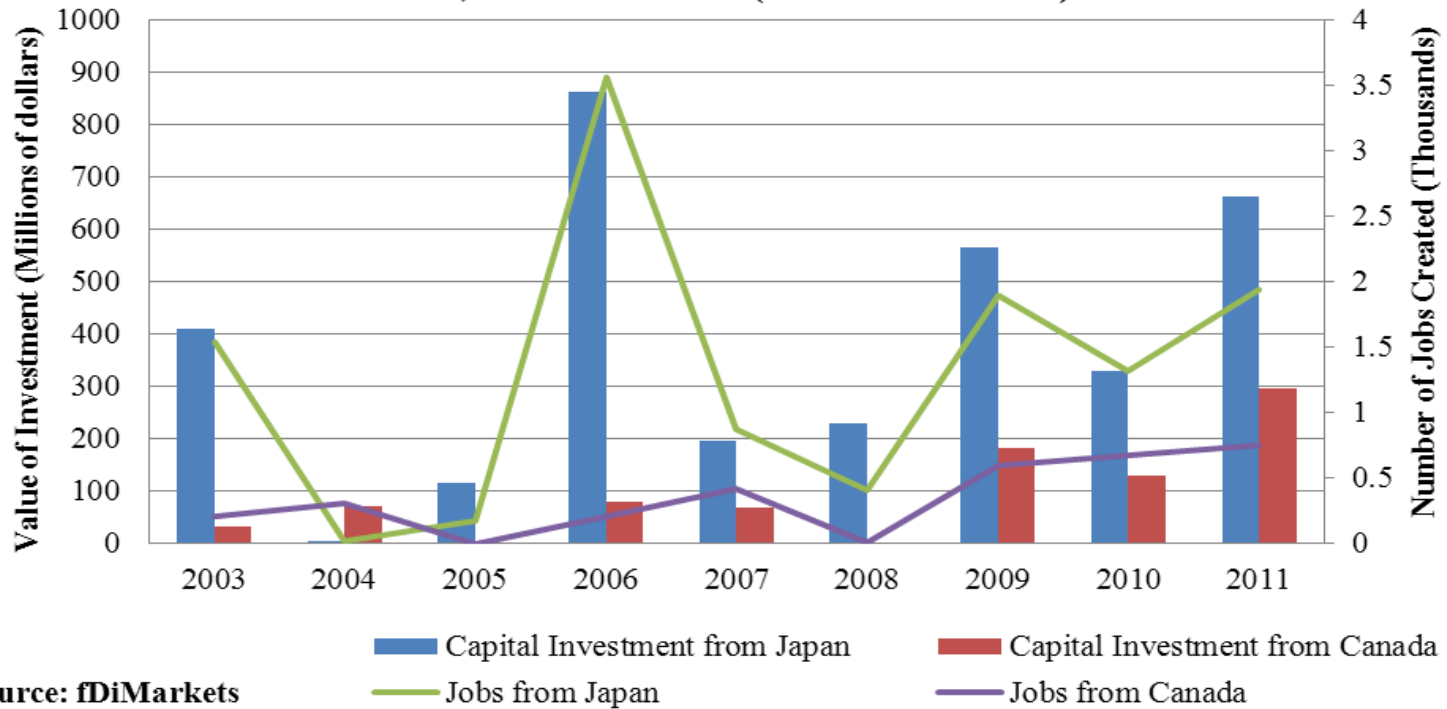
- Diversified Investments
- Under-investment in Indiana
 - #1 US investor overall
 - #5 Indiana investor overall
- Leading industries
 - Transportation Equipment
 - Consumer Goods
 - Food, Beverages and Tobacco

Japan

- Historical Relationship
 - 1980s Gov. Robert Orr
- Leading industries
 - Transportation Equipment
 - 82% of Japan's FDI to IN 2003-2011
- Consistent investment
 - Honda and Toyota

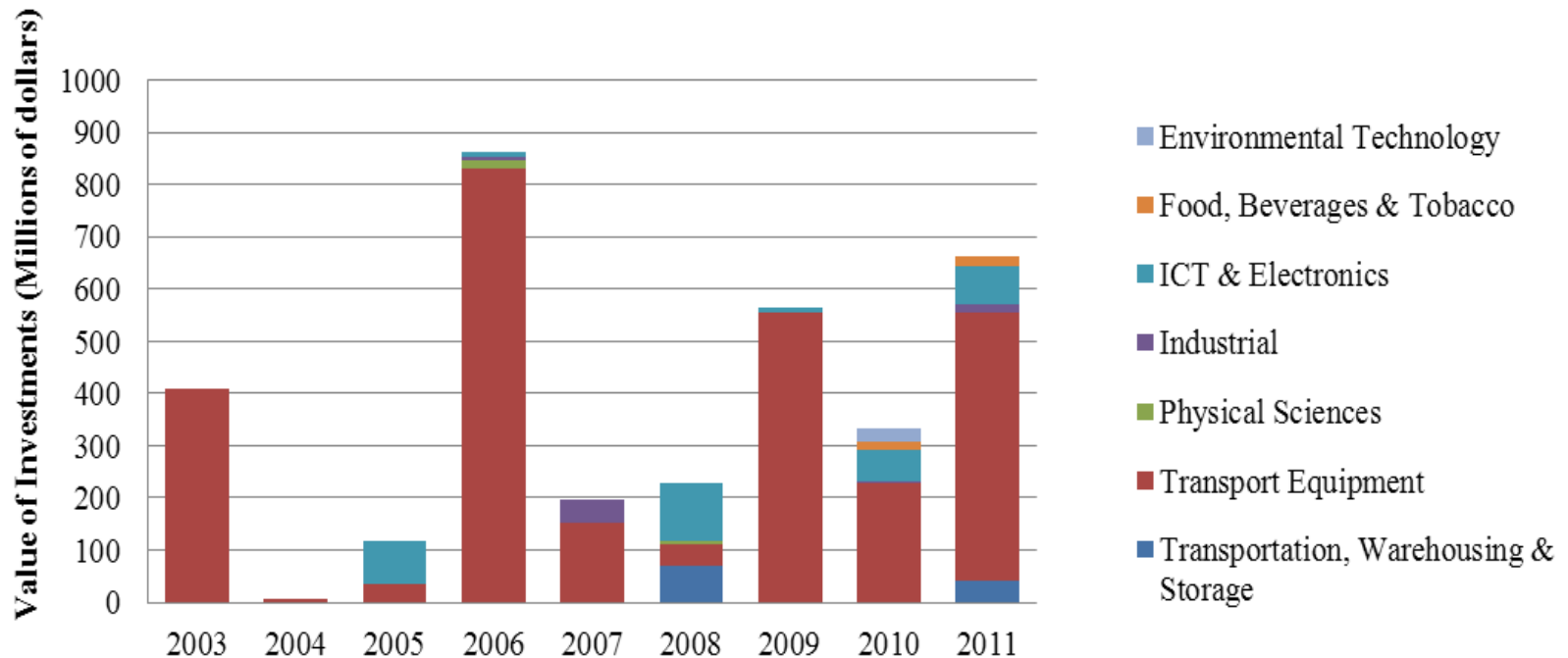
Foreign Direct Investment: Canada and Japan

FDI from Canada and Japan to Indiana with both Capital Investment and Jobs, from 2003-2011 (in current dollars)



Foreign Direct Investment: Japan

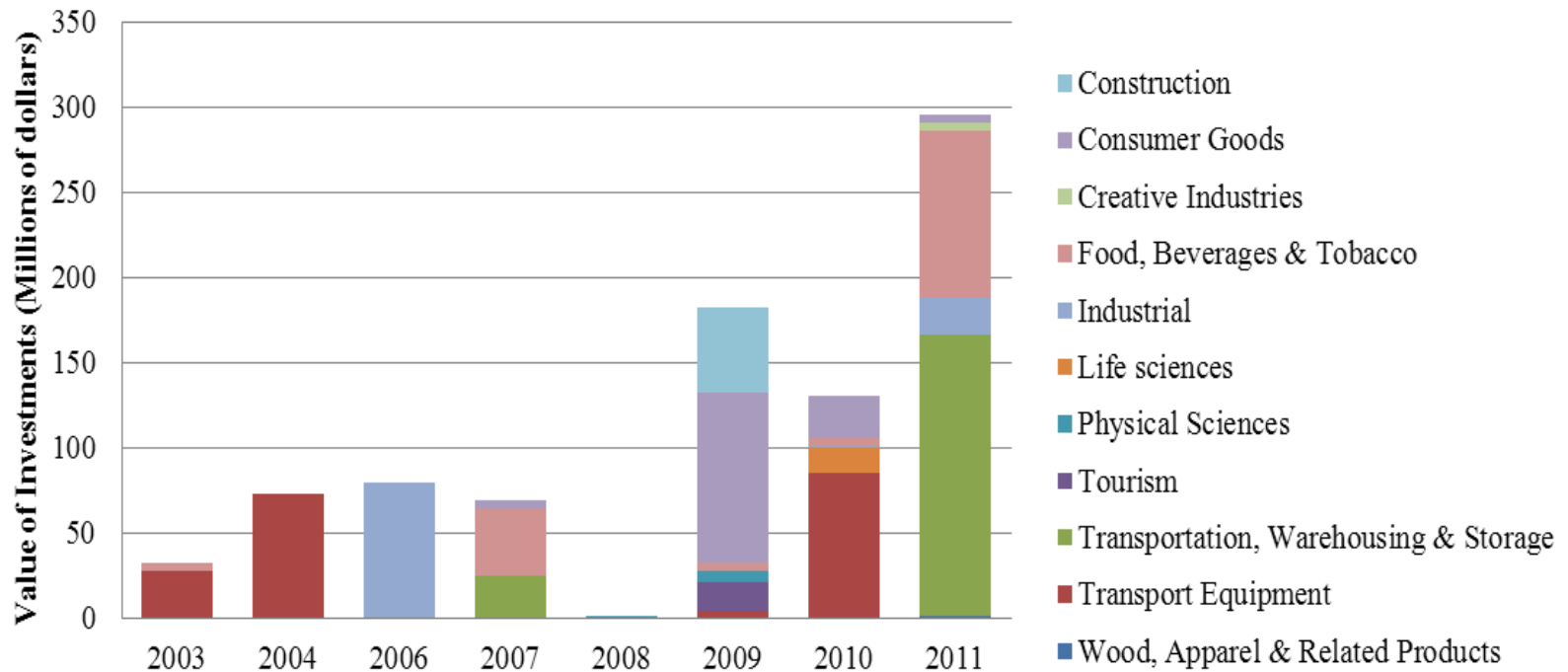
FDI from Japan to Indiana by Industry, from 2003-2011 (in current dollars)



Source: fDiMarkets

Foreign Direct Investment: Canada

FDI from Canada to Indiana by Industry, from 2003-2011 (in current dollars)



Source: fDiMarkets

Comparative Analysis: Life Sciences

- Pharmaceutical Products:
 - Growth to Japan and EU
 - High growth rates explained by consumer demand, but also due to supply chains
 - Moderate growth to other Top 5 Non-EU Trading Partners
 - Differentiated product demand
 - Sector vulnerable to regulatory barriers
 - Health Technology Assessments (HTAs)
 - Unification of HTAs across EU has potential to encourage or suppress trade

Comparative Analysis: Advanced Manufacturing

- Vehicles and Parts
 - Dominated by Canada
 - Low exports to EU
 - Trend likely to continue
 - Component parts to Top 5 Non-EU Trading Partners
- Brazil's protectionism
 - Low exports of Vehicles and Parts
 - High exports of Aircraft, Spacecraft, and Parts

Comparative Analysis: Foreign Direct Investment

- Good time for investment into IN:
 - Dollar weaker than Euro (1EUR =1.33 USD)
 - Credit rating (AAA)
 - Corporate tax rate (8.5%→6.5%)
- Relationship building
 - Example of Gov. Robert Orr and Japan

Summary Points

- Indiana has successfully integrated into the North America manufacturing supply chains
- Developed a thriving Life Sciences Cluster that has allowed Indiana to become globally competitive
- Indiana should continue to build relationships to attract further FDI
- Indiana and the EU have a strong trade relationship that shows trends for growth particularly in the Life Sciences Cluster

**ON BEHALF OF THE
V600 CLASS
THANK YOU FOR LISTENING**

For More Information, please contact:

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