

Growth Trends in U.S. Vehicle Exports

NEI Summary

During the 2010 State of the Union address, President Obama announced that agencies across the federal government would work together under the National Export Initiative (NEI) to create jobs by expanding exports. The objective of the NEI is to double exports by the end of 2014 – an increase that will support two million additional jobs in the United States. Given that the automotive industry is the largest manufactured goods export sector, the success of U.S. automotive manufacturers in increasing their exports is critical to the success of the NEI.

Several factors, such as a favorable trade environment and a favorable exchange rate, currently make the United States a logical export base for vehicle manufacturers which can help contribute toward achieving the goals of the NEI. In addition, in June 2011, the Administration established the SelectUSA Initiative to supplement the NEI by supporting private sector job creation. The goal is to enhance economic growth by encouraging investment in the United States. Business investment by both domestic and foreign firms leads to economic growth by impacting U.S. jobs and exports. Creating a favorable investment climate will encourage U.S. production by foreign automakers, who, in addition to the Detroit 3, contribute to U.S. employment and to U.S. exports, both directly and indirectly.

The automotive (vehicles and parts) industry has traditionally been one of the largest employers in the United States, and, therefore, the industry's recovery has been a great contributor to increases in employment and the overall U.S. economic recovery. The U.S. motor vehicle and parts manufacturing industry directly employed 738,400 workers at the end 2011¹. That is almost a 5 percent increase from the beginning of the year when employment was 702,400. In January 2010, when the NEI was announced, employment in the sector was down to 690,000. As the data and examples below demonstrate, it appears the industry foresees continued growth in employment and U.S. vehicle exports.

Trade Trends

In 2011, the top five export markets for vehicles assembled in the United States were: Canada, Mexico, Germany, China, and Saudi Arabia (see chart on last page for a list of the top 25)². Exports to each of these markets increased in 2011 in comparison to 2010. While exports to Canada increased a modest 2.4 percent to 736,501 units, the remaining destinations all had double digit increases. Exports to Mexico increased 13.6 percent, exports to Germany increased 50.7 percent, exports to China increased 36.6 percent, and exports to Saudi Arabia increased 14 percent. Exports to non-NAFTA countries have already more than doubled since 2009, rising from 375,679 units to 804,660 units in 2011.

¹ Cited employment numbers are from the Bureau of Labor Statistics:
http://www.bls.gov/iag/tgs/iagauto.htm#emp_national

² All trade statistics are gathered from the U.S. International Trade Commission. U.S. export statistics are aggregate and do not break out by make or model.

Both China and Saudi Arabia illustrate the dramatic growth in U.S. exports over the last decade. These two countries are dramatically different in terms of market size and unique preferences, yet they both have a strong and growing demand for U.S. vehicles. This helps demonstrate the worldwide demand across diverse markets and provides a likely indicator of success in the future in other wide-ranging markets for U.S. vehicles. Given the growth in Chinese demand for vehicles, U.S. exports to this particular market should continue to increase. In 2011, U.S. exports to China were nearly five times higher (136,222) than they were in 2009 when the United States exported 28,757 vehicles to China. This has been a rapid ascent for manufacturers in the United States given that exports to China were less than 1,000 units as recently as 2003. While many international automakers established plants in China to help meet the demands of this large and growing market (the largest in the world), it is clear from these trends that there remains an interest in U.S.-made vehicles in China.

While less dramatic in overall size, the Saudi Arabia market, which has no indigenous auto production, has proven to be a strong market for vehicles built in the United States. The United States exported over 130,000 vehicles to Saudi Arabia in 2011. Saudi Arabia is the second largest market for American sport utility vehicles (SUV's), behind only the domestic market³.

Given the favorable factors that make the United States an attractive base to manufacture and export vehicles, a number of automakers have either made recent investments in the United States or have announced plans to invest in the coming years. These investments range from the Detroit 3 expanding their U.S. operations, to others expanding or building new plants in the United States for new products to be exported to the world, to manufacturers, such as Ford, in-sourcing manufacturing jobs from Mexico back to the United States.

Detroit 3

According to the American Automotive Policy Council, Chrysler, Ford and GM, together, exported more than 800,000 vehicles produced in the United States in 2011.

Chrysler

Chrysler is currently investing \$500 million in its Toledo, Ohio plant to expand Jeep production for the U.S. and overseas markets. As part of this investment, the factory will add about 1,100 jobs. Part of this effort is devoted to a new Jeep Liberty SUV that would be exported to overseas markets. According to Chrysler CEO Sergio Marchionne, Jeep is engaged in an active marketing campaign in Europe and sales are doubling every twelve months. Chrysler is also planning to build and export a new Maserati Kubang SUV at Chrysler's Jefferson North plant in Detroit. Production is expected to begin in 2013 and Chrysler is aiming for 20,000 global annual sales of the Kubang.

Ford

Ford hopes to take advantage of the ratification of the Korea-U.S. Free Trade Agreement (KORUS FTA) by increasing annual sales in Korea from 4,184 units in 2011 to around 6,000 in

³ <http://www.thetruthaboutcars.com/2011/07/best-selling-cars-around-the-globe-saudi-arabia-and-america-like-the-same-cars/>

2012. Under the provisions of the KORUS FTA, manufacturers such as Ford are allowed to sell up to 25,000 units in Korea that meet U.S. standards rather than Korean standards. Therefore, there is an opportunity for Ford and other U.S.-based automakers to increase their exports in future years. Ford is looking to increase its 4 percent share of the Korean market and is also expanding the number of products available in Korea. Ford will launch its hybrid offering in Korea, the Fusion Hybrid, and its first diesel offering in Korea, the Focus Diesel. In addition, Ford will be offering EcoBoost versions of the Explorer, Taurus, Escape, Fusion, and the new Escape.

For years, the Port of Portland has been the largest importer of Asia-made vehicles on the West Coast. In a deal announced in early 2012, the port will now begin exporting cars built in the United States to overseas markets. Ford began exporting the Fusion Hybrid to Korea and is looking to eventually export as many as 10,000 units per year to Korea. While the initial shipment arrived in Portland carrying Hyundai vehicles, it returned in January carrying Ford vehicles.

General Motors

GM, which manufactures in 30 countries, sold a total of 9,025,942 vehicles globally in 2011 and improved its market share to 11.9 percent. Sales were up in North America, South America, the Middle East and Europe. Its sales in China, GM's largest market, were up 8.3 percent in 2011 from 2010, with over 2.5 million vehicles sold. In 2011, GM exported 276,000 vehicles from the United States, with Canada being its largest export market.

Press reports state that approximately 50,000 Cadillac's were exported from the United States to 37 countries in 2011. China is the brand's largest overseas market, accounting for more than half of Cadillac's overseas sales. Currently, GM exports Cadillac's CTS, Escalade and SRX models, and there are plans to export the new ATS and XTS sedans in 2012.

In early 2012, the automaker commenced exporting its extended range electric vehicle Chevrolet Volt/Opel Ampera to Europe. The vehicle is produced in Hamtramck, Michigan. GM is hoping the high gasoline prices in Europe will lead to strong demand. The automaker also began exporting the Volt to China in 2012, where it is sold through 13 dealerships in eight major cities. GM is also exporting the Volt to Canada, with future plans to export to Australia.

Foreign-Based Automakers

The United States is re-emerging as a competitive market to manufacture vehicles for both domestic sales and for export throughout the world. Partially due to the competitiveness of the dollar in relation to the yen, Japanese-based manufacturers all have plans to increase their U.S. exports. According to the Japan Automobile Manufacturers Association, in 2010, U.S. car exports from U.S. auto plants of Japanese-based firms equaled 145,236 units, up from 94,162 in 2009. U.S. truck exports from Japanese-based company plants in the United States totaled 146,454 units, up from 76,399 in 2009.

Japanese-Based Manufacturers

Honda

According to the Detroit News, Honda exports Acura and Honda SUV's and other large vehicles to Russia and other countries with tastes similar to American consumers. Honda increased 2010 U.S. exports of 36,000 to over 48,000 vehicles in 2011. Mexico is the largest export market for U.S.-made Honda products, followed by Latin America/Caribbean and then the Middle East.

Honda is also looking to increase exports from the United States, due in part to the yen. Honda CEO Takanobu Ito told *Automotive News*, "We are asking the U.S. to take on a lot of our productions, and exports, as well. Already, they have been doing some exports to the Middle East, but we are asking them to do more exports around the world."

In October 2011, Honda announced a second shift at its plant in Greensburg, Indiana. This second shift doubled its workforce to 2,000 people and increased the plants' production to its full 200,000-unit capacity. The Honda Manufacturing Indiana, LLC (HMIN) began operations in 2008 with the Civic Sedans, and in 2009 it began producing the Civic Sedans for export to Mexico and 22 Latin American and Caribbean nations and U.S. territories.

Mitsubishi

Mitsubishi announced plans to double production at its Illinois factory to 70,000 vehicles per year. The plant currently produces the Galant, which is being discontinued. Once it is discontinued, the plant will begin production of the Outlander Sport. Mitsubishi aims to begin exporting the Outlander to markets ranging from Latin America to Russia beginning this summer.

Nissan

In the spring/summer of 2012, Nissan plans to release its new luxury Infiniti JX for export throughout the world. The Infiniti JX will be assembled at Nissan's Smyrna, Tennessee plant. This will be the first Infiniti built at the plant and is also the first luxury vehicle built in Tennessee. Nissan has said it will add up to 1,000 new jobs and add a second shift at the Smyrna plant in order to assemble the JX.

Toyota

Toyota currently exports the Tundra, Tacoma, Camry, Sienna, Sequoia, Venza and Avalon to 19 countries, including Mexico and Canada. Toyota is planning to increase production at its U.S. plants in order to increase exports. Toyota is planning to use North America as an export base, shipping worldwide to countries ranging from Saudi Arabia to South Korea. Toyota exported 16,700 vehicles from the United States in 2010.

Toyota began exporting the Indiana-made Sienna minivan to South Korea in 2011, and it plans to export as many as 6,000 Camry's from its Kentucky plant to South Korea as a result of the KORUS FTA.

In November 2011, Toyota opened Toyota Motor Manufacturing, Mississippi (TMMMS), its new \$800 million plant that assembles the Corolla. Toyota estimates that the plant will employ

2,000 individuals. In late 2011, Toyota Motor Corp. President Akio Toyoda stated that it is possible in the future that Corollas manufactured at TMMMS could be exported to countries that have a free-trade agreement with the United States, such as Korea.

Toyota is also planning to increase production of the Highlander SUV by 50,000 units at its Indiana plant in late 2013 for both the U.S. and global market. At the Chicago Auto Show in February 2012, Yoshimi Inaba, President & COO for Toyota Motor North America, announced that Toyota would be investing \$400 million in its Princeton, Indiana plant to accommodate the increased production. This is in addition to the Sequoia and the Sienna that are already built at the plant. Inaba stated that this investment will create 400 jobs at the factory.

European-Based Manufacturers

BMW

BMW has been using its Spartanburg, South Carolina plant as a base for exports since the mid-1990s. The plant is the sole location for exclusive production of its X-3, X-5 and X-6 models. BMW exported approximately 50 percent of the vehicles it built at this plant for many years. However, in recent years, exports of vehicles from the Spartanburg plant have grown to 70 percent or more, and vehicles are exported from this plant to 135 countries.

BMW announced in January 2012 that it is investing \$900 million over the next three years to expand its South Carolina plant. With these new investments, production will rise to 300,000 units by the end of 2012 and up to 350,000 units by 2014. The company also plans to add 300 U.S. jobs.

In early 2012, BMW announced that over 192,000 vehicles were exported from its South Carolina plant and the export value of its passenger vehicles through the Port of Charleston in 2011 was \$7.4 billion. In 2011, the plant produced 276,065 vehicles, a 73 percent increase versus 2010. Frank-Peter Arndt, BMW Group Board Member, has stated that the new BMW X4 will be manufactured at the Spartanburg plant.

Mercedes-Benz

Mercedes-Benz has a manufacturing plant in Birmingham, Alabama, that produces the M-Class, R-Class, and GL-Class vehicles for 135 worldwide export markets. The facility employs 3,000 people. In 2010, 125,000 vehicles were assembled at the plant, and 52 percent of these vehicles were exported outside the United States, Canada, and Mexico. Other top markets for the vehicles include Germany, China, and the United Kingdom.

In January 2012, *Manager Magazine* reported that Daimler plans to build a new Mercedes plant in either the United States or Mexico. The new plant will be operational by either 2017 or 2018 and will build the new A-class model. The new plant is part of Mercedes' goal to beat its rivals BMW and Audi to become the largest manufacturer of luxury vehicles.

Volkswagen

Volkswagen invested \$1 billion in its assembly plant in Chattanooga, Tennessee, which began production in 2011. The plant assembles the Passat, which is currently being exported to Mexico

and Canada. From the time the plant began production in May 2011 through March 9, 2012, the company exported 2,540 vehicles to Mexico and 3,015 vehicles to Canada. The Passat made its debut at the Qatar Motor Show in early 2012 where Volkswagen announced plans to export the U.S.-built vehicle to the Middle East. Volkswagen also has plans to export between 4,000 to 5,000 units of the Chattanooga-made Passat to South Korea per year to take advantage of implementation of the KORUS FTA.

Korean-Based Manufacturers

Hyundai

Hyundai of America President John Krafcik has said the company would like to export more from Hyundai's Montgomery, Alabama plant, but the plant manufactured about 330,000 units in 2011 to meet strong demand in the United States and North America. While Hyundai may not currently be able to use the United States as an export hub to the extent it would like, the company still managed to export 49,511 vehicles to Canada from its U.S. plant in 2011.

Conclusion

While the majority of automakers tend to "build where they sell," there obviously are opportunities across the globe to export U.S.-made vehicles. As mentioned earlier, the goal of the NEI is to double the value of 2009 exports within 5 years in order to support U.S. jobs. A look at the export data shows that the auto sector is well on its way to achieving this goal. In 2009, 1,067,516 new light-vehicles were exported from the United States. In 2010, exports grew 38.8 percent to 1,481,498 units. Growth continued in 2011 with 1,700,636 vehicles exported. Therefore, in only two years vehicle exports have grown 59.3 percent, which leaves three years to reach the remaining 40 percent goal of doubling exports. In terms of the value of exports, U.S. vehicle exports were \$25 billion in 2009. By 2011, the value in U.S. vehicle exports had increased over 72 percent to nearly \$44 billion. In addition, a rise in U.S. vehicle exports inevitably has a positive impact on U.S. auto parts exports, specifically aftermarket parts. Total U.S. auto parts exports (no distinction is made between original equipment and aftermarket parts in the statistics) grew from \$42.7 billion in 2009 to \$67.2 billion in 2011. The combined total of auto and auto parts exports, \$111.2 billion, represents 7.5 percent of total U.S. commodity exports. These trends illustrate that the U.S. automotive industry is on track to make a significant contribution to the success of the NEI.

**Top Markets for U.S. Exports of
New Passenger Vehicles & Light Trucks
(Numbers represent actual number of units)**

| Country | 2009 | 2010 | 2011 |
|----------------------|-------------|-------------|-------------|
| Canada | 579,759 | 718,983 | 736,501 |
| Mexico | 112,078 | 140,420 | 159,475 |
| Germany | 113,713 | 99,416 | 149,824 |
| China | 28,757 | 99,694 | 136,222 |
| Saudi Arabia | 55,262 | 115,070 | 131,217 |
| United Arab Emirates | 21,365 | 39,603 | 46,387 |
| United Kingdom | 13,053 | 22,019 | 35,638 |
| Kuwait | 17,757 | 30,603 | 34,121 |
| Australia | 9,334 | 16,735 | 25,552 |
| Chile | 7,276 | 16,859 | 18,854 |
| Korea | 5,878 | 13,582 | 14,819 |
| Japan | 6,409 | 7,666 | 14,315 |
| Brazil | 2,695 | 10,159 | 14,159 |
| Italy | 3,982 | 4,064 | 13,054 |
| Oman | 3,705 | 7,816 | 9,833 |
| South Africa | 3,990 | 7,554 | 9,723 |
| Russia | 580 | 3,429 | 9,416 |
| Israel | 4,303 | 7,309 | 9,342 |
| Qatar | 5,074 | 8,368 | 9,318 |
| Nigeria | 6,104 | 6,152 | 8,988 |
| Colombia | 3,157 | 5,485 | 5,753 |
| Dominican Republic | 3,893 | 8,515 | 5,076 |
| Bahrain | 4,056 | 5,392 | 4,820 |
| France | 1,032 | 2,105 | 4,812 |
| Benin | 995 | 3,525 | 4,751 |