



# Trade Makes Colorado Strong

Colorado gains from global trade. Trade (export and import) growth increases jobs by advancing Colorado’s manufacturers, services providers and farmers. Imports also keep costs low, helping Colorado businesses compete and saving Colorado families real dollars at the cash register. Foreign investment in Colorado creates good jobs across a range of sectors.

## TRADE CREATES JOBS FOR COLORADOANS

Trade with the world – both exports and imports of goods and services – creates jobs in Colorado.

- Today, trade supports **553,115 jobs** in Colorado.
- **18.5 percent of jobs** in Colorado are supported by trade, up from 11.0 percent in 1992.
- As trade in Colorado has grown, unemployment has fallen. Colorado’s unemployment rate – **5.0 percent** – is below the national average.

### Colorado’s Three Most Export-Intensive Industries

Industry	% Export-Related
Computers & Electronics	35.4%
Machinery	34.7
Transport. Equip.	19.6

Trade particularly benefits employees of Colorado’s small- and mid-size companies.

- In 2004, more than **4,400 Colorado companies** sold their products abroad.
- 3,850 exporters – **86.0 percent** – were small- or mid-sized companies in 2004.
- **Jobs in exporting plants pay on average up to 18 percent more** than similar jobs in non-exporting plants.

### TEN WAYS TRADE MAKES COLORADO STRONG

Trade supports nearly one in five jobs in Colorado.

Colorado’s exports have increased faster than its GDP since 2002.

Jobs at exporting plants pay 18% more than at non-exporting plants.

3.1% of Colorado’s GDP was from exports in 2005.

Foreign-owned companies employ 76,000 Coloradans.

Foreign-owned firms pay workers 32% more.

Half of imports are raw materials and other items needed for manufacturing.

Marketing imports demand services, which account for 23.8% of Colorado’s GDP.

Import prices grow much slower than overall consumer prices, saving money for Colorado consumers.

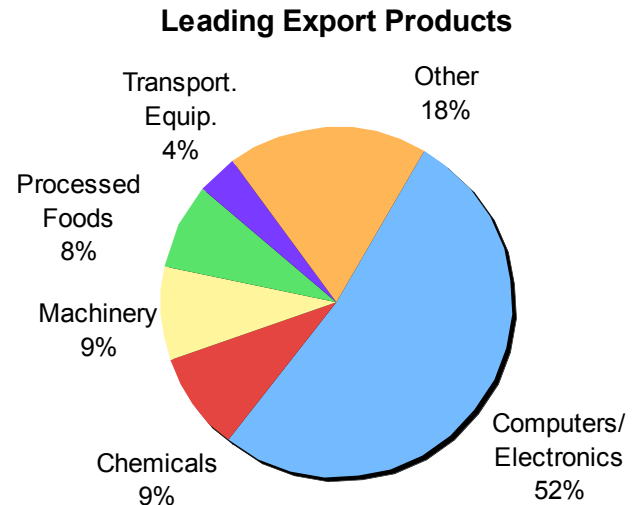
NAFTA worked for Colorado. In 2005, Colorado exports to Canada and Mexico totaled \$1.9 billion.

## COLORADO'S FARMERS AND KEY INDUSTRIES GROW WITH EXPORTS

Colorado farmers are strong exporters. The state exported **\$675 million** worth of **agricultural products** in 2005, ranking among the top 10 U.S. exporters of **sunflower seeds & oil** (4<sup>th</sup>), **hides & skins** (5<sup>th</sup>), and **animal fats** (4<sup>th</sup>).

According to the U.S. Department of Commerce, Colorado ranked 29<sup>th</sup> in the United States with **total exports valued at \$6.8 billion** in 2005.

- **Computers and electronics** was Colorado's leading export product category in 2005, accounting for **52 percent** of total exports.
- One of the fastest growing exports for Colorado is **primary metal products**, which grew at an annual rate of **32 percent** between 2000 and 2005.
- In 2005, Colorado companies sold their products in **192 foreign markets**.
- The top export market is **Canada** (\$1.8 billion). Other leading markets include **Mexico** (\$849 million) and **Japan** (\$384 million).
- **China** is one of Colorado's fastest growing trading partners. In 2005, Colorado companies exported **\$356 millions** worth of goods to China, an increase of **116 percent** since 2000.
- In 2005, exports represented approximately **3.1 percent of Colorado's state GDP**.
- Since 2002, exports have increased **1.2 times faster** than state GDP.



*Colorado's Office of Economic Development and International Trade (OEDIT) actively promotes foreign engagement by Colorado companies. In the past two years alone, the office organized trade missions to countries throughout the world, including: Argentina, Chile, China, Czech Republic, Japan, Mexico and Peru.*

*In 2007, the OEDIT will sponsor events in Northern Ireland, Brazil, Poland, Germany, and China.*

## COLORADO WORKERS & BUSINESSES BENEFIT FROM FOREIGN INVESTMENT

Foreign-owned companies invest significant amounts of capital to open or expand facilities in Colorado every year, infusing money into the local economy and keeping unemployment low.

- **865 divisions**, affiliates and subsidiaries of foreign-owned companies operate in Colorado.
- These companies employ **more than 76,000 workers**, nearly four percent of all Colorado employees, **ranking it 24<sup>th</sup>** in the nation in “insourced” workers.
- **Manufacturing** accounts for **14,400 insourced jobs**, representing 20 percent of all insourced jobs in Colorado.
- U.S. subsidiaries of **foreign companies pay** an average compensation of \$63,428 per year, **32 percent higher** than U.S. companies.

*In April 2006, **Rio Tinto Minerals**, the newly formed subsidiary of London-based Rio Tinto, announced that it would **locate its world headquarters** in the **Denver** metro region. Rio Tinto expects the corporate headquarters to **create 200 new, high-paying jobs** for the state.*

*Rio Tinto’s announcement continues the trend of international energy and mining companies locating in Colorado to take advantage of the **energy boom** currently underway in the Rocky Mountain region.*

*In December 2005, Canada-based **Enerplus Resources Fund** also chose **Denver** as the **headquarters** for its **U.S. operations**.*

### Selected Corporations with Operations in Colorado

<u>Company</u>	<u>Industry</u>	<u>Country</u>
Adidas-Salomon	Sporting Goods	Germany
AXA Advisors	Financial Services	France
BP	Energy	United Kingdom
Celestica	Computer/Electronics	Canada
DAKO Cytomation A/S	Medical Products	Denmark
Gates Rubber/Tomkins PLC	Rubber Products	United Kingdom
Grupo Bimbo	Food Products	Mexico
Hunter Douglas	Consumer Products	Netherlands
Mincom	Information Technology	Australia
Nestle USA, Inc.	Food Products	Switzerland
NTT Group	Information Technology	Japan
PCL Construction	Construction	Canada
Poma Group	Transportation Services	France
Roche Group	Pharmaceuticals	Switzerland
Siemens	Telecommunications	Germany

*To encourage foreign investment in Colorado, the Office of Economic Development and International Trade (OEDIT) maintains an office in **Guadalajara, Mexico**. The OEDIT also partners with local firms to create “Honorary Investment Offices” in **Germany, Switzerland, Japan, Argentina, and Brazil**.*

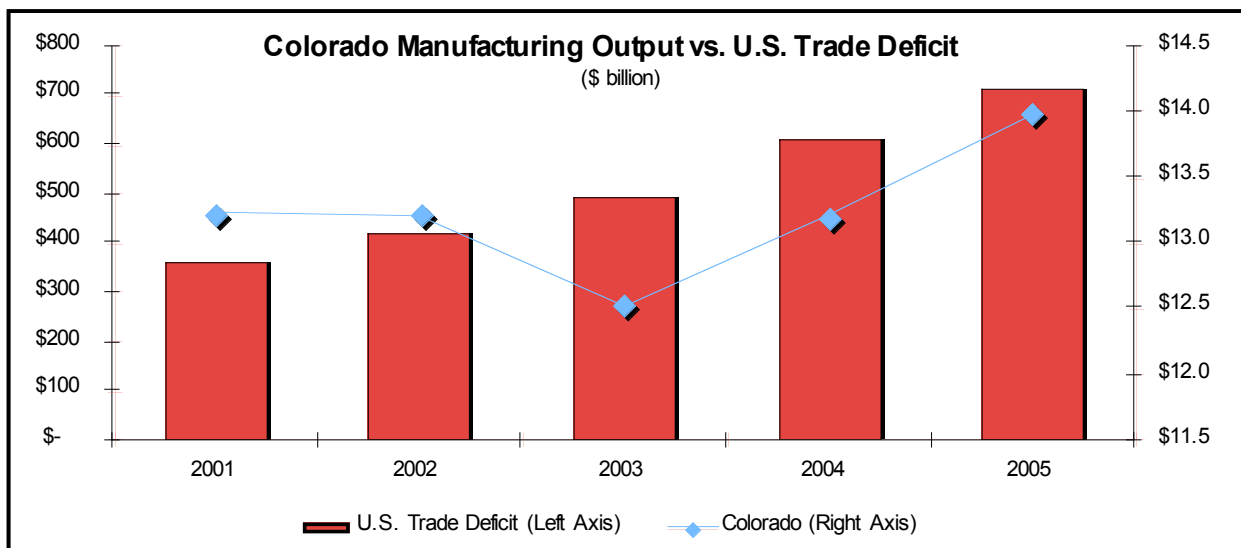
## COLORADO MANUFACTURERS NEED IMPORTS TO BE COMPETITIVE

Raw materials, capital goods and industrial products used to manufacture goods in the United States account for approximately half of total U.S. merchandise imports.

- Numerous Colorado manufacturing sectors benefit from imports.
- Colorado's **computer and electronics manufacturers** import **components** and other parts to keep costs down.
- Colorado's **fabricated metal producers** use imported **steel** to produce goods for the domestic market.

### Capital Goods Imports Benefiting Colorado's Manufacturers

Product	Price Change, 1996-2005
<b>All Capital Goods</b>	<b>-23.4%</b>
Electric Generators and Parts	-6.4%
Non-Electrical Machinery, (excl. Computers)	-9.4%
Business Machinery (excl. Computers)	-12.4%
Computers	-50.2%



Colorado experienced some of its strongest growth during periods when imports contributed to increasing national trade deficits.

## COLORADO'S SERVICES INDUSTRIES BENEFIT FROM IMPORT-DRIVEN DEMAND

Numerous **services industries** benefit from business generated by imported goods.

- **Professional services**, including finance, insurance, marketing, and legal services, are needed to market imported products. These industries are vital to Colorado's growth, and account for **23.8 percent of state GDP**, more than three times more than manufacturing.
- Imports comprise a significant portion of Colorado **transportation and product sales** (both wholesale and retail). These industries account for 14.1 percent of state GDP.

## COLORADO FAMILIES ENJOY A HIGHER STANDARD OF LIVING BECAUSE OF IMPORTS

Imports help keep prices for Colorado families down while increasing their choices for goods and services.

- Trade helps **keep inflation in check**. Prices for widely traded consumer goods tend to rise less than prices for non-traded goods.
- Trade and investment liberalization policies are **worth over \$10,000 per year** to an average Colorado family of four.
- Between 1990 and 2004, U.S. import prices grew at about a quarter of the rate of growth of overall consumer prices (0.6 percent per year, vs. 2.2 percent per year).

### Trade and Low Inflation: Price Changes (1997-2004)

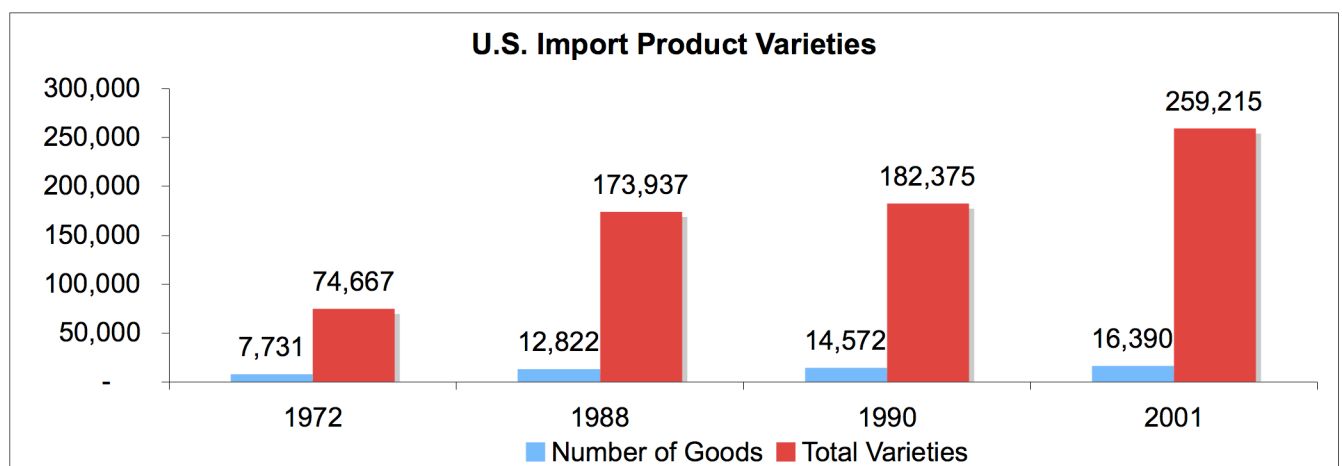
<u>Traded Goods</u>	<u>Price Change</u>
Toys	-36%
Household Appliances	-15%
Clothing	-11%
Footwear	-6%
<u>Non-Traded Goods</u>	
Milk	24%
Margarine	22%
Ice Cream	17%
Sugar	9%

The lower costs resulting from trade mean **more purchasing power** for Colorado consumers, which is particularly important for lower-income families.

- In 2005, 104,000 families in Colorado were at or below the national poverty level (about \$20,000 per year for a family of four).
- Lower-income families spend nearly three times as much on footwear and 50 percent more on apparel than upper-income families spend, both goods that are largely traded.

**Consumer choice** increases with trade.

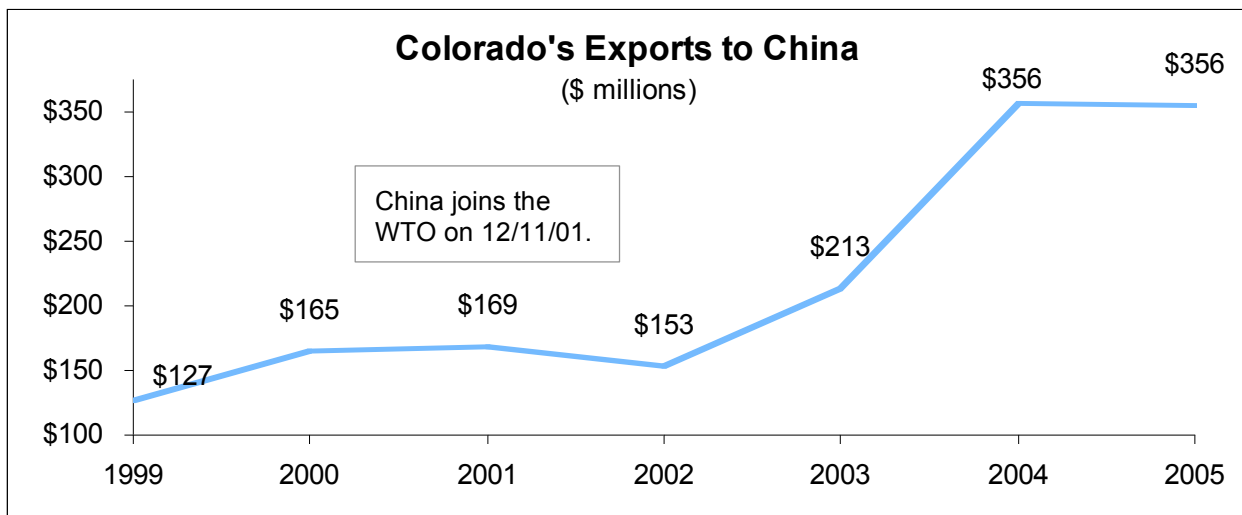
- Trade allows consumers to enjoy products with limited U.S. production (e.g., coffee) as well as out-of-season goods (e.g., strawberries in January).
- The number of product varieties imported by the United States increased fourfold over the last three decades.



## MORE OF A GOOD THING FOR COLORADO – LEVELING THE TRADE PLAYING FIELD

The United States has some of the lowest trade barriers in the world. Free trade agreements level the playing field by lowering other nations' trade barriers and opening up foreign markets to U.S. exports.

- Since the **North American Free Trade Agreement** went into effect in 1994, Colorado's exports to Canada have increased \$1.2 billion (187 percent), while exports to Mexico have increased \$702 million (477 percent).
- In 2001, a recession year, Colorado's total trade with **Canada** generated \$2.6 billion for Colorado's economy and supported 92,585 jobs.
- Similarly, **China's** entry into the World Trade Organization, which went into effect in 2001, has had a significant effect on export growth from Colorado to China.



## SOURCES

### JOBS

Laura Baughman and Joseph Francois (<http://www.businessroundtable.org>)  
U.S. Department of Labor (<http://www.bls.gov/lau/home.htm>)  
U.S. Department of Commerce (<http://ita.doc.gov/td/industry/otea/jobs/index.html>),  
(<http://ita.doc.gov/td/industry/otea/edb/index.html>)

### EXPORTS

Colorado Office of Economic Development and International Trade  
([www.advancecolorado.com/news/060818ito.html](http://www.advancecolorado.com/news/060818ito.html)), (<http://www.state.co.us/oed/international-trade-office/international-shows-events.cfm>)  
U.S. Department of Commerce (<http://tse.export.gov>),  
(<http://ita.doc.gov/td/industry/otea/edb/index.html>), (<http://www.bea.gov/bea/regional/gsp/>)

### FOREIGN INVESTMENT

Colorado Office of Economic Development and International Trade  
(<http://www.advancecolorado.com/international-trade-office/international-staff-representatives.cfm>),  
(<http://www.advancecolorado.com/invest-in-colorado/foreign-owned-companies.cfm>),  
(<http://www.advancecolorado.com/news/060414edn.html>),  
(<http://www.advancecolorado.com/news/051221edn.html>)  
Organization for International Investment (<http://www.ofii.org>)

### IMPORTS

U.S. Department of Labor (<http://www.bls.gov/mxp/home.htm>)  
U.S. Department of Commerce (<http://www.bea.gov/bea/regional/gsp/>)

### STANDARD OF LIVING

Council of Economic Advisers (<http://www.gpoaccess.gov/eop/index.html>)  
U.S. Department of Labor (<http://www.bls.gov/cpi/home.htm>), (<http://www.bls.gov/cex/home.htm>)  
U.S. Department of Commerce (<http://www.bea.gov/>)  
U.S. Census Bureau (<http://www.census.gov/hhes/www/poverty/poverty.html>)  
Christian Broda and David Weinstein ([http://www.ny.frb.org/research/staff\\_reports/sr180.html](http://www.ny.frb.org/research/staff_reports/sr180.html))

### TRADE LIBERALIZATION

U.S. Department of Commerce (<http://tse.export.gov>)  
Joseph Francois and Laura Baughman ([http://tradepartnership.com/pdf\\_files/2004\\_Canada\\_Jobs.pdf](http://tradepartnership.com/pdf_files/2004_Canada_Jobs.pdf))

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