

Trade Makes Connecticut Strong

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

TRADE CREATES JOBS FOR CONNECTICUT WORKERS

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

- Today, trade supports **402,539 jobs – 18.8 percent – of all jobs** in Connecticut, up from 10.6 percent in 1992.
- As trade in Connecticut has grown, unemployment has fallen. Connecticut’s unemployment rate – **4.9 percent** – is below the national average.

Connecticut’s Three Most Export-Intensive Industries

Industry	% Export-Related
Transport. Equip.	44.8%
Computers	33.2
Machinery	32.0

Trade through Connecticut’s three **deepwater ports** has a significant impact on the state employment.

- The Port of New Haven alone creates more than **10,000 jobs** and generates **\$1.5 billion annually** in Connecticut.

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

- In 2004, more than **5,100 Connecticut companies** sold their products abroad; 4,517 exporters – **87.5 percent** – were small- or mid-sized companies.
- **Jobs in exporting plants pay on average up to 18 percent more** than similar jobs in non-exporting plants.

TEN WAYS TRADE MAKES CONNECTICUT STRONG

Trade supports nearly one in five jobs in Connecticut.

Trade through the state’s ports generates billions of dollars and create thousands of jobs.

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

5% of Connecticut’s GDP was from exports in 2005.

Foreign-owned companies employ 102,700 Connecticut workers.

Foreign-owned firms pay workers 32% more.

Half of imports are raw materials and other manufacturing inputs.

Marketing imports demands services, which account for 28% of Connecticut’s GDP.

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

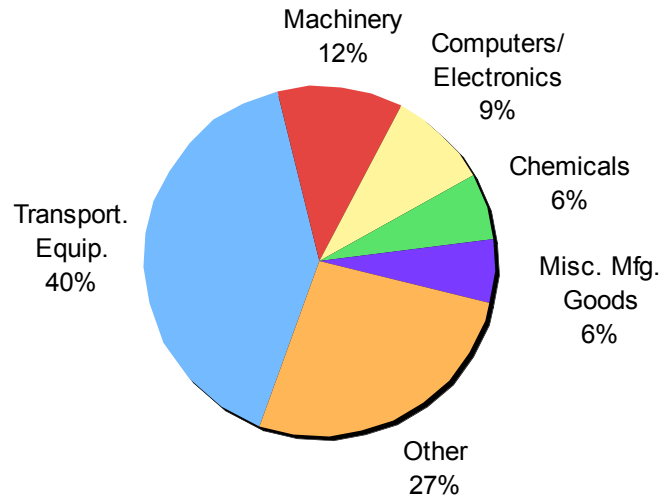
NAFTA worked for Connecticut. In 2005, Connecticut exports to Canada and Mexico totaled \$2.3 billion.

CONNECTICUT'S KEY INDUSTRIES GROW WITH EXPORTS

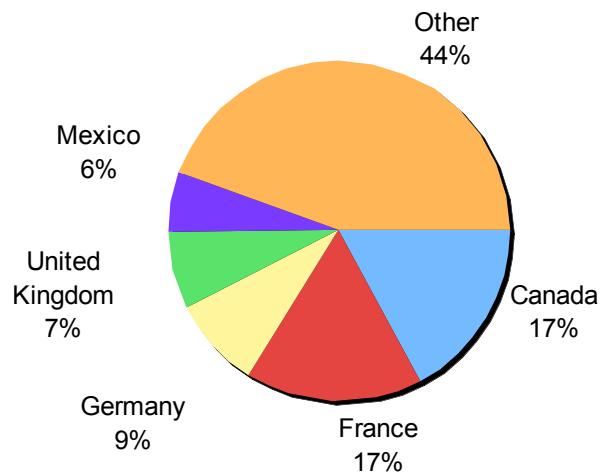
According to the U.S. Department of Commerce, Connecticut's **total exports had a value of \$9.7 billion** in 2005.

- **Transportation equipment** was Connecticut's leading export product in 2005, accounting for **40 percent** of total exports.
- One of the fastest growing exports for Connecticut is **electrical equipment, appliances, and parts**, which grew at an **annual rate of 16.7 percent** between 2001 and 2005.
- In 2005, Connecticut companies sold their products in **191 foreign markets**.
- The top export market is **Canada** (\$1.7 billion). Other leading markets include **France** (\$1.6 billion) and **Germany** (\$823 million).
- **China** is one of Connecticut's **fastest growing** trading partners. In 2005, Connecticut companies **exported \$337 million** worth of goods to China, an increase of **337 percent** since 2000.
- In 2005, exports represented approximately **5.0 percent of Connecticut's state GDP**.

Leading Export Products



Leading Export Markets



*As a member of the **Eastern Trade Council (ETC)**, Connecticut helps fund **international missions** for businesses operating in ETC member states. In 2006, the ETC led its **third mission to Poland** and its first to the **Czech Republic**.*

*The ETC has led **previous trade missions to China, Sweden, Thailand, and Germany**. The ETC also operates a **foreign office in China** that can assist Connecticut companies with **trade leads and in-country market research**.*

CONNECTICUT WORKERS & BUSINESSES BENEFIT FROM FOREIGN INVESTMENT

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

- Foreign-owned companies employ **more than 102,700 workers**, nearly 7 percent of all Connecticut employees, **ranking it 3rd** in the nation in the share of the workforce supported by “insourced” workers.
- **Manufacturing** accounts for **26,300 insourced jobs**, representing 25 percent of insourced jobs in Connecticut.
- U.S. subsidiaries of **foreign companies pay** an average compensation of \$63,428 per year, **32 percent higher** than U.S. companies.

*In October 2006, **Embraer Aircraft Holding**, a subsidiary of Brazilian corporation Empresa Brasileira de Aeronautica S.A., announced **Bradley International Airport** as the future location of its Northeast service center. The **\$11 million investment** will create **60 new jobs** in Connecticut servicing Embraer’s growing line of executive aircraft.*

*This was the **second major aerospace coup** for Connecticut in October, as **Volvo Aero** announced it would invest **\$15.3 million** to expand its Newington facility, which it expects to add **40 new jobs**.*

Selected Corporations with Operations in Connecticut

<u>Company</u>	<u>Industry</u>	<u>Country</u>
AC Cars	Transportation Equipment	United Kingdom
Allianz	Insurance/Financial Services	Germany
BASF	Chemicals	Germany
Bridgestone Americas	Rubber Products	Japan
Fuji Photo Film, Inc.	Photographic Supplies	Japan
GlaxoSmithKline	Pharmaceuticals	United Kingdom
Honda	Transportation Equipment	Japan
Nestle USA, Inc	Food Products	Switzerland
Philips	Electronics	Netherlands
Saint-Gobain	Glass/Engineered Materials	France
Thule, Inc.	Sporting Equipment	Sweden

*In October 2006, **TRUMPF Inc.**, the North-American subsidiary of the German company TRUMPF Group, announced that it would **invest \$20 million** to double its space for **research and manufacturing of laser components**. TRUMPF, which **received financial incentives from the state to expand**, is already one of the largest manufacturers of sheet metal fabrication machinery and industrial lasers.*

*“**TRUMPF Inc** is an example of yet another international company establishing itself and developing here in Connecticut. By helping TRUMPF expand, we are reinforcing the message that Connecticut is a great place to grow and business.”*

-Governor Jodi Rell

CONNECTICUT 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 manufacturing sectors in Connecticut benefit from imports in some way.
- Connecticut **chemical manufacturers** import inexpensive chemical raw materials (e.g., chlorine, alcohols, etc.) to produce **high-value specialty chemicals** such as **paints, coatings, pesticides, and adhesives**.
- Connecticut **pharmaceutical manufacturers** import parts and components of products that deliver medicine to patients.
- Connecticut **electrical equipment manufacturers** import **copper wire** and other **commodity goods** to keep end costs low.

Capital Goods Imports Benefiting Connecticut's Manufacturers

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

CONNECTICUT'S SERVICES INDUSTRIES BENEFIT FROM IMPORT-DRIVEN DEMAND

Numerous **services industries** benefit from business generated by imported goods, particularly at and around Connecticut's **three deepwater ports**.

- **Professional services**, including finance, insurance, marketing, and legal services, are needed to market imported products. These industries are vital to Connecticut's growth, and account for **28.0 percent of state GDP**.
- Imports comprise a significant portion of Connecticut's **transportation and product sales** (both wholesale and retail), which account for **12.9 percent of state GDP**.

CONNECTICUT FAMILIES ENJOY A HIGHER STANDARD OF LIVING BECAUSE OF IMPORTS

Imports help keep prices for Connecticut 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 Connecticut 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).

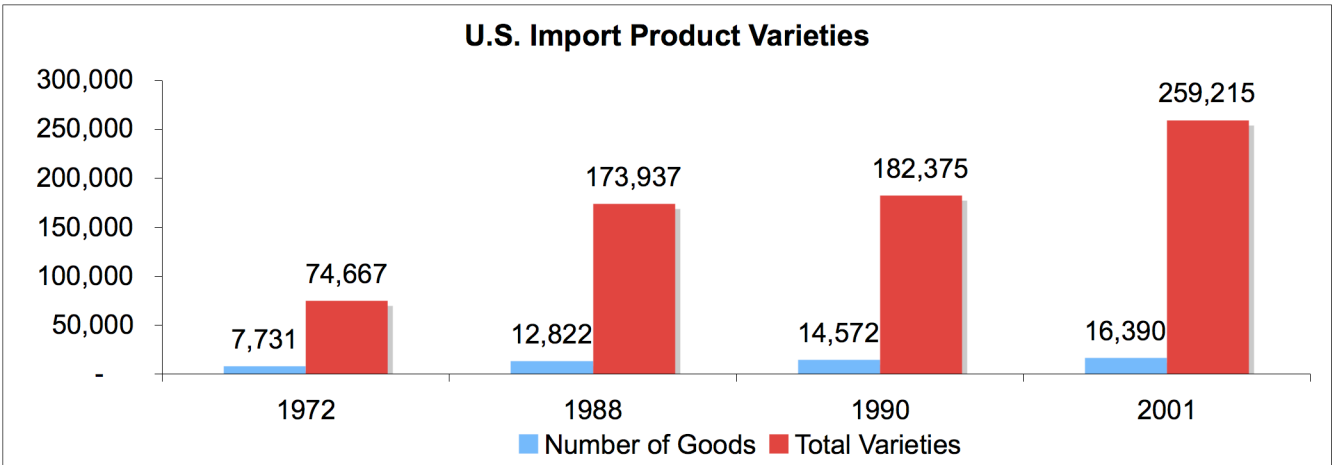
<u>Traded Goods</u>	<u>Price Change</u>
Toys	-36%
Household Appliances	-15%
Clothing	-11%
Footwear	-6%
<u>Non-Traded Goods</u>	
Milk	24%
Margarine	22%
Ice Cream	17%
Sugar	9%

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

- In 2005, 68,000 families in Connecticut 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.

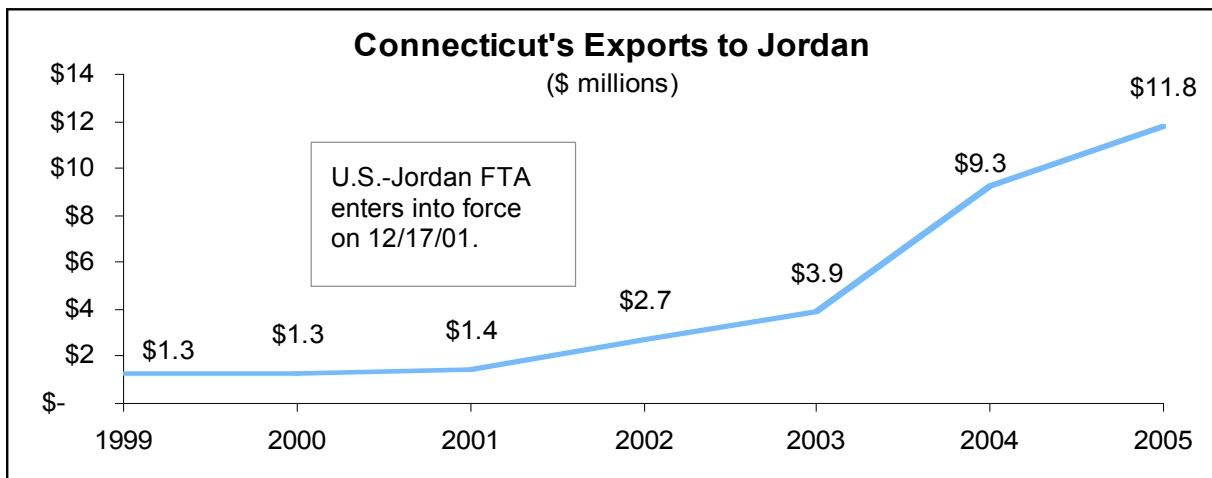
- Trade allows consumers to enjoy products with limited U.S. production (e.g., coffee) as well as out-of-season goods (e.g., strawberries in January).
- The number of product varieties imported by the United States increased fourfold over the last three decades.



LEVELING THE TRADE PLAYING FIELD – A GOOD THING FOR CONNECTICUT

The United States has some of the lowest trade barriers in the world. Free trade agreements lower other nations' trade barriers and open up foreign markets to Connecticut exports.

- Since the **North American Free Trade Agreement** went into effect in 1994, Connecticut's exports to Canada have increased \$306 million (22 percent), while exports to Mexico have increased \$256 million (84 percent).
- In 2001, a recession year, Connecticut's total trade with **Canada** generated \$2.8 billion for Connecticut's economy and supported 66,844 jobs.
- Similarly, the **U.S.–Jordan Free Trade Agreement**, which went into effect in late 2001, has had a significant effect on export growth from Connecticut to Jordan.



SOURCES

JOBS

Laura Baughman and Joseph Francois (<http://www.businessroundtable.org>)
New Haven Port Authority, "Orientation Presentation"
(http://www.cityofnewhaven.com/PortAuthority/pdfs/Port_Authority_Orientation_Presentation.pdf)
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

The Council of State Governments, Eastern Regional Conference
(<http://www.csgeast.org/etcrecent.asp>)
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

Connecticut Department of Economic and Community Development
(<http://www.ct.gov/ecd/cwp/view.asp?a=1104&q=321474>),
(<http://www.ct.gov/ecd/cwp/view.asp?a=1104&q=321470>)
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)

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)

Contact: Brigitte Schmidt Gwyn
Director, International Trade & Fiscal Policy
Business Roundtable
202.496.3263
bgwyn@businessroundtable.org



Business Roundtable

<http://trade.businessroundtable.org>