

Trade Makes Hawaii Strong

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

TRADE CREATES JOBS FOR HAWAIIANS

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

- Today, trade supports **165,704 jobs** in Hawaii.
- **20.5 percent of jobs** in Hawaii are supported by trade, up from 11.4 percent in 1992.
- As trade in Hawaii has grown, unemployment has fallen. Hawaii’s unemployment rate – **2.8 percent** – is below the national average.

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

- In 2004, more than **730 Hawaii companies** sold their products abroad.
- 625 exporters – **84.8 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 HAWAII STRONG

Trade supports more than one in five jobs in Hawaii.

Hawaii’s exports have increased four times faster than its GDP.

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

Small businesses in Hawaii benefit from trade.

Foreign-owned companies employ 31,600 workers in Hawaii.

Foreign-owned firms pay workers 32% more.

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

Marketing imports demands services, which account for 12% of Hawaii’s GDP.

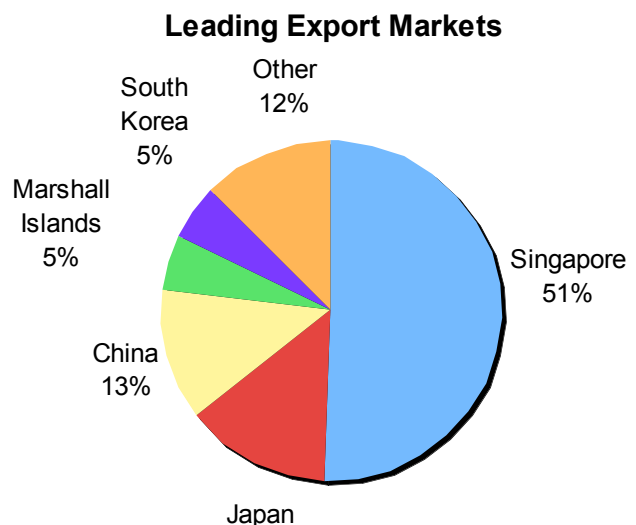
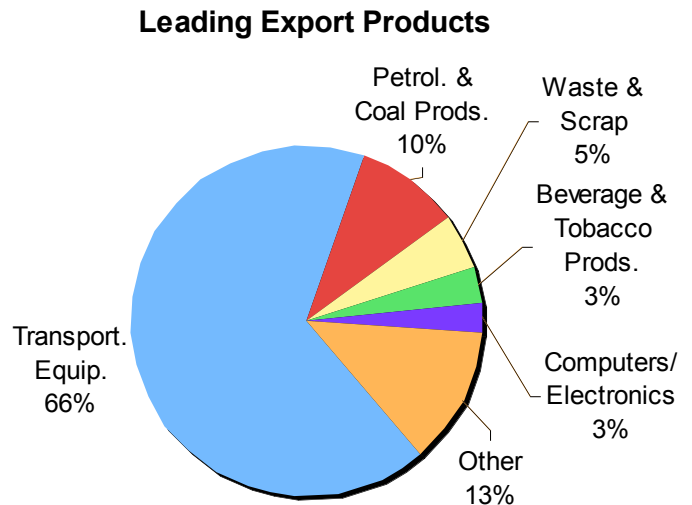
Import prices grow much slower than overall consumer prices, saving money for Hawaii consumers.

Approximately 80% of all goods consumed in Hawaii are imported.

HAWAII'S KEY INDUSTRIES GROW WITH EXPORTS

According to the U.S. Department of Commerce, Hawaii's **total exports had a value of \$1.0 billion** in 2005.

- **Transportation equipment** was Hawaii's leading export product in 2005, accounting for 66 percent of total exports.
- One of the fastest growing exports for Hawaii is **beverage and tobacco products**, which **grew at an annual rate of 857 percent** between 2001 and 2005.
- In 2005, Hawaii companies sold their products in **nearly 100 foreign markets**.
- The top export market is **Singapore** (\$521 million). Other leading markets include **Japan** (\$138 million) and **China** (\$133 million).
- **China** is one of Hawaii's fastest growing trading partners. Since 2000, **Hawaii's exports to China have increased nearly 27-fold**.
- In 2005, exports represented approximately **1.9 percent of Hawaii's state GDP**.
- Since 2002, exports have increased **4.1 times faster** than state GDP.



In March 2006, the Hawaii Department of Business, Economic Development and Tourism (DBEDT) sponsored "The Hawaii Experience in Taipei" at the Gourmet Taipei food and beverage trade show. As a result, six Hawaii companies – Hamakua Macadamia Nuts, Made in Hawaii Foods, Oils of Aloha, Arturo's Hot Flavors of Hawaii, Kauai Kookie Company, and Kona Bluewater Farms – reached agreements to sell their products to the upscale Taiwanese supermarket chain Jason's.

"This is our first step in Asia, and we're expecting that with Taiwan, and maybe Hong Kong, we'll see a substantial increase in sales."

-Steve Geimer, General Manager of Arturo's Hot Flavors of Hawaii

HAWAII WORKERS & BUSINESSES BENEFIT FROM FOREIGN INVESTMENT

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

- Foreign-owned companies employ **more than 31,600 workers**, nearly 7 percent of all Hawaii employees. **Hawaii ranks 5th** in the nation in the share of workers employed by foreign-owned companies.
- **Manufacturing** accounts for **700 “insourced” jobs**, representing 2 percent of all insourced jobs in Hawaii.
- U.S. subsidiaries of **foreign companies pay** an average compensation of \$63,428 per year, **32 percent higher** than U.S. companies.

In 2005, Norwegian Cruise Lines (NCL), itself a subsidiary of Singapore-based Star Cruises, began operating two cruise ships in Hawaii.

NCL’s aggressive expansion and marketing efforts have helped increase the number of tourists that choose Hawaiian cruises, and the number of cruise passengers visiting Hawaii increased nearly 50 percent between 2003 and 2005.

NCL accounts for nearly half of all cruise visitors to Hawaii, an industry that generates hundreds of millions of dollars annually for the state economy.

Selected Corporations with Operations in Hawaii

<u>Company</u>	<u>Industry</u>	<u>Country</u>
BAE Systems	Defense/Aerospace	United Kingdom
First Insurance Company of Hawaii	Insurance/Financial Services	Japan
Kotobuki Industries	Machinery	Japan
Kyo-Ya Company	Travel and Tourism	Japan
Star Cruises	Travel and Tourism	Singapore

Recognizing the importance of foreign investment, the Hawaii Department of Business, Economic Development and Tourism (DBEDT) maintains international offices in both Taiwan and China. Hawaii Governor Linda Lingle also has led international missions to both of these countries.

Following a successful mission to China in 2005, Governor Lingle hosted China’s Vice Premier Wu Yi and 150 other Chinese business and government officials in April 2006.

“It is an honor to welcome Madame Wu, whose visit will continue our ongoing effort to strengthen relationships between Hawaii and China, as well as expand our cooperative economic partnerships. It is another opportunity to meet face-to-face with top governments and business leaders and continue to aggressively market Hawaii’s tourism expertise and business opportunities to China.”

-Governor Linda Lingle

HAWAII INDUSTRIES NEED IMPORTS TO BE COMPETITIVE

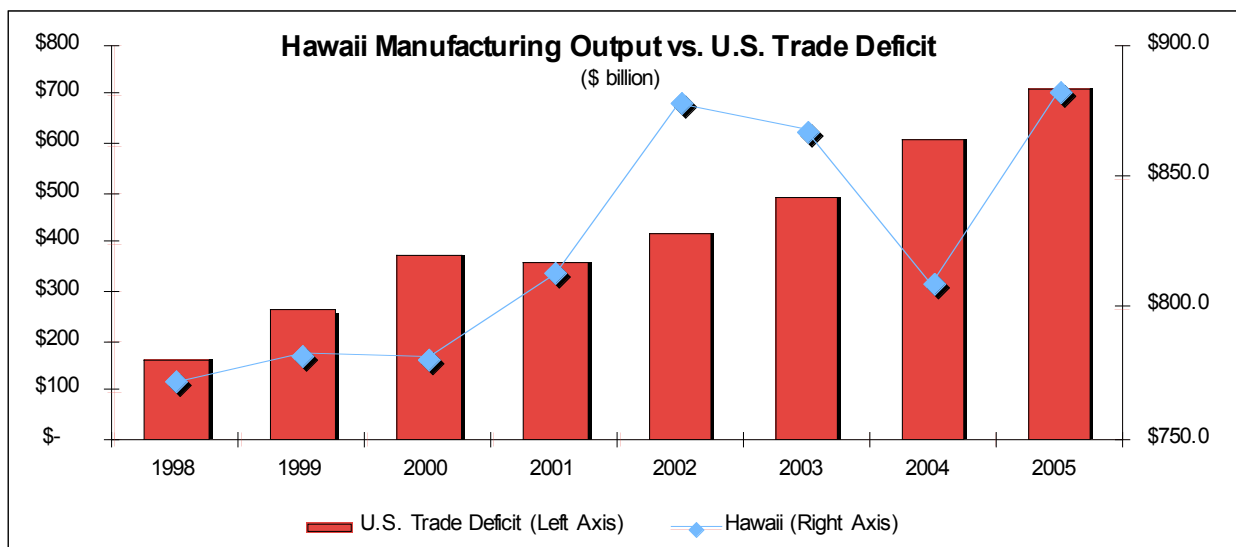
Raw materials, capital goods and industrial products used to manufacture goods in the United States account for approximately half of total U.S. merchandise imports.

- Numerous Hawaiian industries benefit from imports in some way.
- Hawaii refines **imported crude** into **jet** and **marine fuels** for the transportation industry, as well as **gasoline and diesel fuel** for the local market.
- Hawaii's growing **construction industry** relies on **imported heavy equipment**, such as excavators and bulldozers.

Capital Goods Imports Benefiting Hawaii'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%

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



HAWAII'S SERVICES INDUSTRIES BENEFIT FROM IMPORT-DRIVEN DEMAND

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

- **Professional services**, including finance and insurance, marketing, and legal services, are needed to market imported products. These industries are vital to Hawaii's growth, and account for **11.7 percent of state GDP**, 7.2 times more than manufacturing.
- Imports comprise a significant portion of Hawaii **transportation and product sales** (both wholesale and retail). These industries account for 14.8 percent of state GDP.

HAWAII FAMILIES ENJOY A HIGHER STANDARD OF LIVING BECAUSE OF IMPORTS

Imports help keep prices for Hawaii families down while increasing their choices for goods and services. In fact, approximately 80 percent of all goods consumed in Hawaii are imported.

- 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 Hawaii 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)

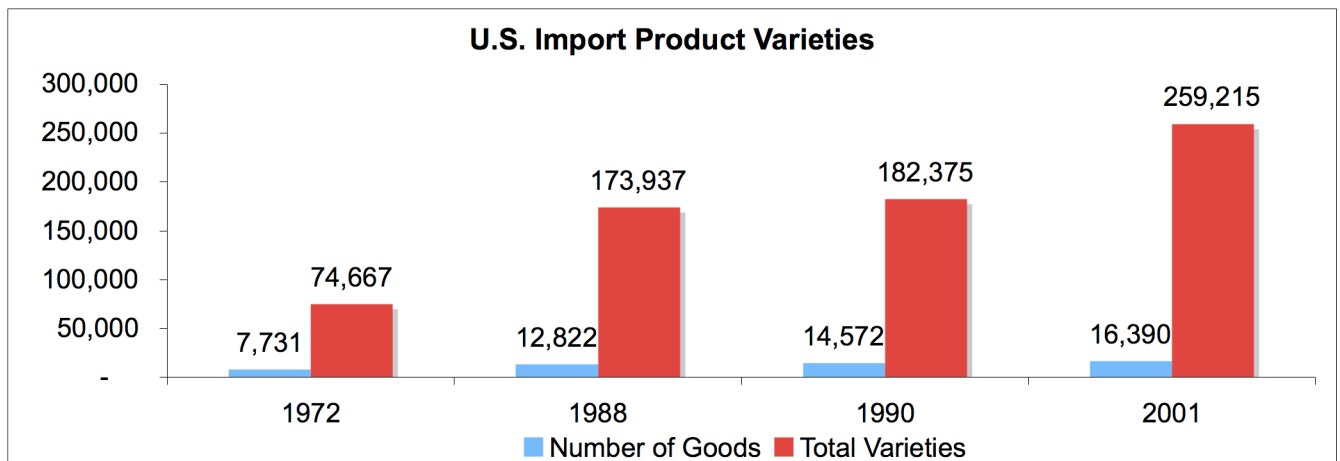
<u>Traded Goods</u>	<u>Price Change</u>
Toys	-36%
Household Appliances	-15%
Clothing	-11%
Footwear	-6%
<u>Non-Traded Goods</u>	
Milk	24%
Margarine	22%
Ice Cream	17%
Sugar	9%

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

- In 2005, 19,000 families in Hawaii 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.

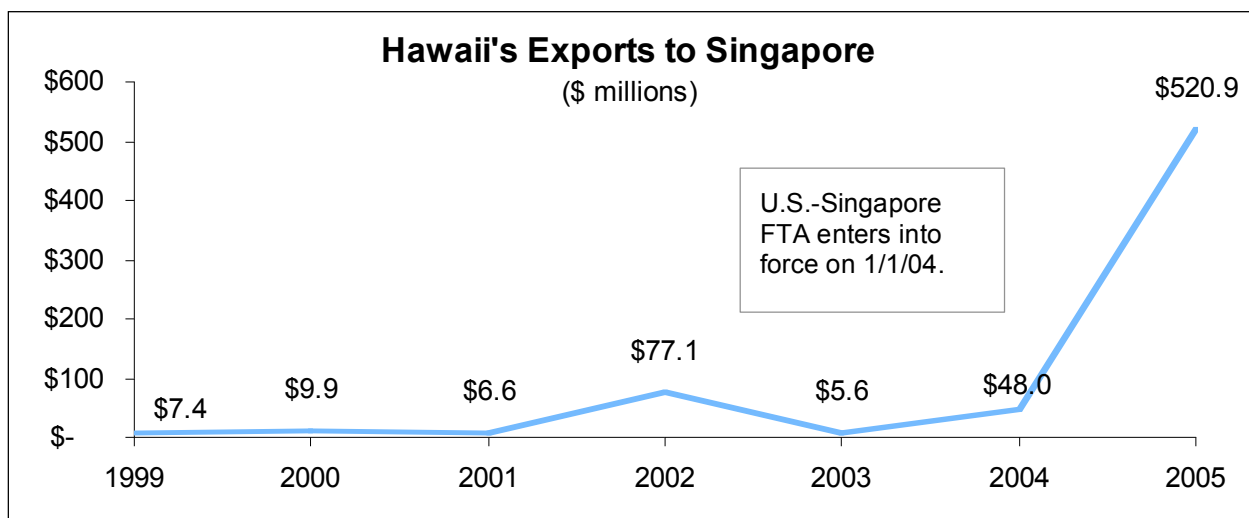
- Trade allows consumers to enjoy products with limited U.S. production (e.g., silk apparel) as well as out-of-season goods (e.g., strawberries in January).
- The number of product varieties imported by United States increased fourfold over the last three decades.



MORE OF A GOOD THING FOR HAWAII – 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.

- In 2001, a recession year, Hawaii's total trade with **Canada** generated \$796 million for Hawaii's economy and supported 25,564 jobs.
- Similarly, the **U.S. – Singapore Free Trade Agreement**, which went into effect in 2004, has had a significant effect on export growth from Hawaii to Singapore.



SOURCES

JOBS

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IMPORTS

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STANDARD OF LIVING

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



Business Roundtable

<http://trade.businessroundtable.org>