



# Trade Makes Massachusetts Strong

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

## TRADE CREATES JOBS FOR BAY STATERS

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

- Today, trade supports **774,120 jobs – 19.1 percent – of all jobs** in Massachusetts, up from 10.1 percent in 1992.
- As trade has grown, unemployment has fallen. The state's **4.8 percent** unemployment rate is below the U.S. average.

### *Massachusetts' Three Most Export-Intensive Industries*

<u>Industry</u>	<u>% Export-Related</u>
Transport. Equip.	49.1%
Leather Products	43.8
Computers	33.5

Trade through Massachusetts' **ports** has a significant impact on the state economy.

- Trade through the **Port of Boston** alone has an **annual economic impact of \$449 million** and generates more than **\$33 million in local and state taxes**.

Trade particularly benefits employees of Massachusetts' small- and mid-size companies.

- In 2004, more than **10,100 Massachusetts companies** sold their products abroad. 8,956 exporters – **88.5 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 MASSACHUSETTS STRONG

Trade supports nearly 1 in 5 Massachusetts jobs.

Massachusetts' exports increased 2.2 times faster than GDP since 2002.

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

6.8% of the state's 2005 GDP was from exports.

Foreign-owned companies employ 182,900 Bay Staters.

Foreign-owned firms pay workers 32% more.

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

Marketing imports demands services and services account for 26.2% of Massachusetts' GDP.

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

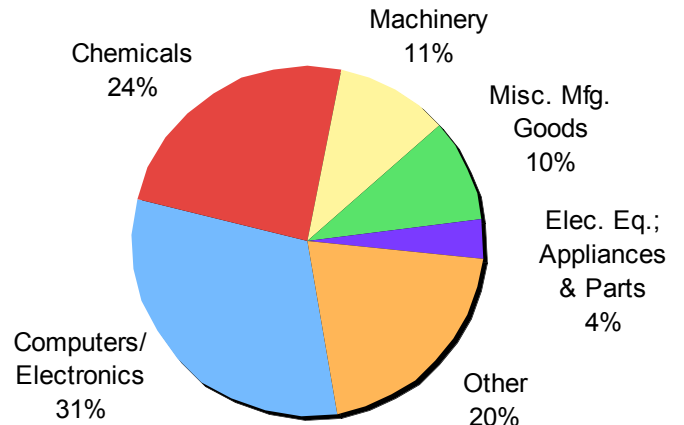
NAFTA worked for Massachusetts. In 2005, Massachusetts exports to Canada and Mexico were \$2.9 billion and \$780 million.

## MASSACHUSETTS' KEY INDUSTRIES GROW WITH EXPORTS

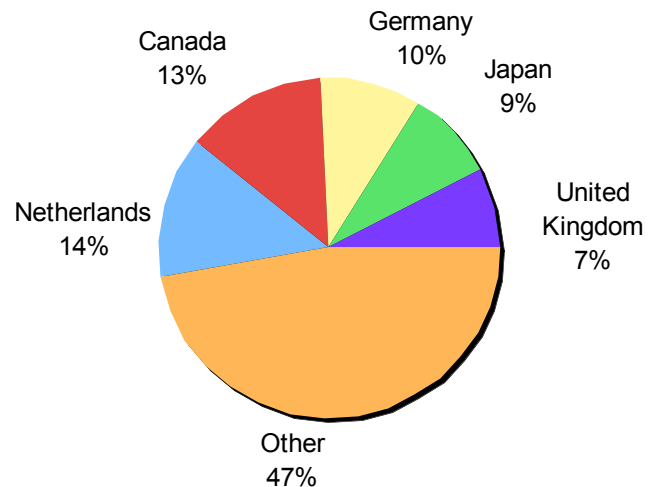
According to the U.S. Department of Commerce, Massachusetts ranked 10<sup>th</sup> in the United States with **total exports valued at \$22.0 billion** in 2005.

- **Computers and electronics** were Massachusetts' leading export product in 2005, accounting for 31 percent of total exports.
- One of the fastest growing exports for Massachusetts is **chemicals**, which grew at an annual rate of 61.1 percent between 2001 and 2005.
- In 2005, Massachusetts companies sold their products in **210 foreign markets**.
- Massachusetts' top export market is the **Netherlands** (\$3.0 billion). Other leading markets include **Canada** (\$2.9 billion) and **Germany** (\$2.2 billion).
- **China** is one of Massachusetts' **fastest growing trading partners**. In 2005, Massachusetts companies exported **\$883 million** worth of goods to China, an **increase of 107.5 percent** since 2001.
- In 2005, exports represented approximately **6.8 percent of Massachusetts' state gross domestic product** (state GDP).
- Massachusetts' share of exports to GDP ranked 18<sup>th</sup> among all states in 2005.
- Since 2002, exports have increased **more than two times faster** than state GDP.

**Leading Export Products**



**Leading Export Markets**



*The greater Boston region's leading industries – financial services, health care and life sciences, high technology, higher education and consulting, and tourism – “were severely affected when the economy entered a recession in 2000. But as the economy strengthens, access to growing international trade and markets is critically important to their success and the stability of the local economy.”*

- Massachusetts Port Authority, Economic Impact Report 2006

## MASSACHUSETTS WORKERS & BUSINESSES BENEFIT FROM FOREIGN INVESTMENT

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

- Foreign-owned companies employ **more than 182,900 workers**, nearly 6 percent of all Massachusetts employees, **ranking it 11<sup>th</sup>** in the nation in “insourced” workers.
- **Manufacturing** accounts for **35,400 insourced jobs**, representing 19 percent of all insourced jobs in Massachusetts.
- U.S. subsidiaries of **foreign companies pay** an average compensation of \$63,428 per year, **32 percent higher** than U.S. companies.

*Dutch biotechnology companies DSM Biologics and Crucell N.V. announced in November 2006 the opening of a new PERCIVIA Development Center in Cambridge.*

*The Center will employ 50 highly skilled staff.*

### Selected Corporations with Operations in Massachusetts

<u>Company</u>	<u>Industry</u>	<u>Country</u>
AREVA Inc.	Nuclear Energy	France
BAE Systems	Aerospace/Defense	United Kingdom
Bridgestone Americas	Rubber Products	Japan
GlaxoSmithKline	Pharmaceuticals	United Kingdom
Hannaford Brothers Co.	Grocery Stores	Belgium
Honda	Transportation Equipment	Japan
John Hancock Financial Services	Financial Services	Canada
Nokia	Electronics	Finland
Saint-Gobain	Glass/Building Materials	France
Oldcastle Inc.	Building Materials	Ireland
Toyota	Transportation Equipment	Japan

*The Massachusetts Office of International Trade & Investment (MOITI) uses a “Team Massachusetts / One-Stop-Shopping” model to encourage foreign companies to locate in the state.*

*It enlists specialists from state, municipal and non-profit organizations to address foreign investors’ specific needs and guide them through the entire development process. In addition, the Business Resource Team of the Executive Office of Economic Development helps companies identify and access state programs and resources available to promote investment in the state.*

## MASSACHUSETTS 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 Massachusetts manufacturing sectors benefit from imports.
- Imported natural gas is key to many manufacturers – and households – in Massachusetts.
- **98 percent** of the **wood fiber** used by Massachusetts' manufacturers of wood-based products is imported.

### *Capital Goods Imports Benefiting Massachusetts' Manufacturers*

<u>Product</u>	<u>Price Change, 1996-2005</u>
<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%

## MASSACHUSETTS 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 Massachusetts' growth, and account for **26.2 percent of state GDP**, almost three times more than manufacturing.
- Imports comprise a significant portion of Massachusetts **transportation and product sales** (both wholesale and retail). These industries account for **12.8 percent of state GDP**.
- Imports entering the United States through the **Port of Boston, including Logan International Airport**, provide thousands of jobs in Massachusetts. **Massachusetts Port Authority facilities** employ **18,000 workers** with average incomes of **\$43,000**.

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

Imports help keep prices for Massachusetts 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 Massachusetts 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)

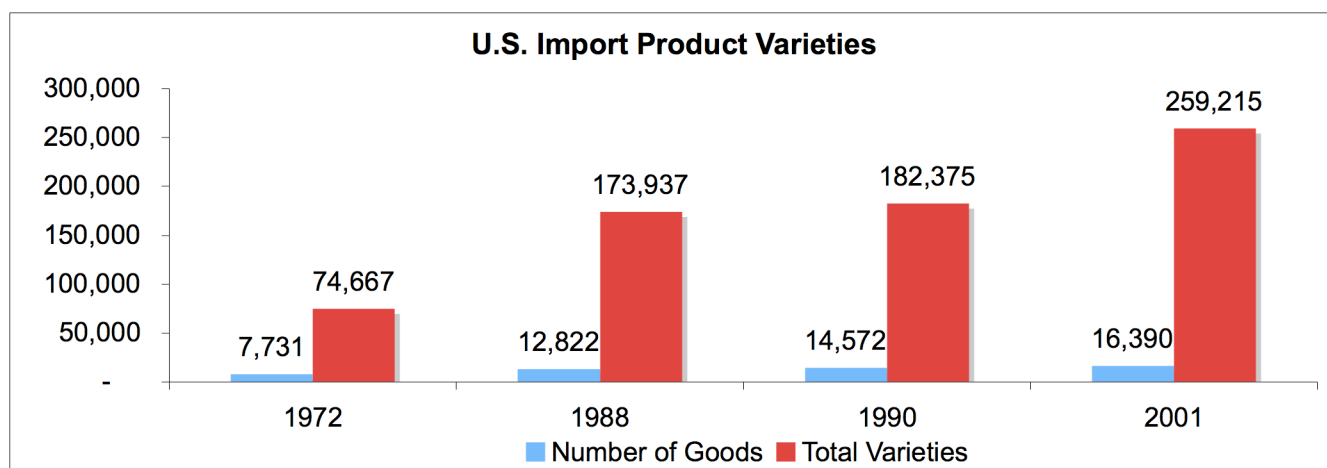
<u>Traded Goods</u>	<u>Price Change</u>
Toys	-36%
Household Appliances	-15%
Clothing	-11%
Footwear	-6%
<u>Non-Traded Goods</u>	
Milk	24%
Margarine	22%
Ice Cream	17%
Sugar	9%

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

- In 2005, 142,000 families in Massachusetts 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.

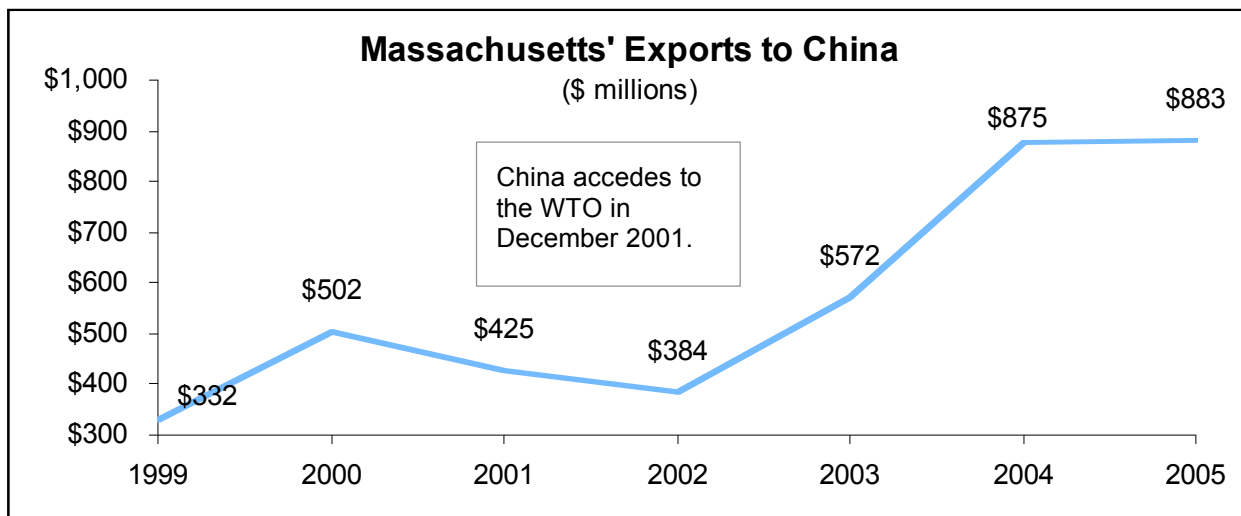
- Trade allows consumers to enjoy products with limited U.S. production (e.g., coffee) as well as out-of-season goods (e.g., strawberries in January).
- The number of product varieties imported by the United States increased fourfold over the last three decades.



## MORE OF A GOOD THING FOR MASSACHUSETTS – 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, Massachusetts' exports to Canada have increased \$345 million (14 percent), while exports to Mexico have increased \$492 million (171 percent).
- In 2001, a recession year, Massachusetts' total trade with **Canada** generated \$4.8 billion for Massachusetts' economy and supported 134,197 jobs.
- Similarly, **China's** accession to the World Trade Organization in late 2001 has had a significant effect on export growth from Massachusetts to China.



## SOURCES

### JOBS

Laura Baughman and Joseph Francois (<http://www.businessroundtable.org>)  
Massachusetts Port Authority, "2006 Economic Impact Study"  
(<http://www.massport.com/about/pdf/connec.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

Massachusetts Port Authority (<http://www.massport.com/about/pdf/connec.pdf>)  
U.S. Department of Commerce (<http://tse.export.gov>),  
(<http://ita.doc.gov/td/industry/otea/edb/index.html>), (<http://www.bea.gov/beat/regional/gsp/>)

### FOREIGN INVESTMENT

Massachusetts Office of International Trade and Investment  
(<http://www.mass.gov/moiti/fdi.htm>), (<http://www.mass.gov/moiti/italy.htm#dsm>)  
Organization for International Investment (<http://www.ofii.org>)

### IMPORTS

Massachusetts Port Authority, "2006 Economic Impact Study"  
(<http://www.massport.com/about/pdf/connec.pdf>)  
U.S. Department of Labor (<http://www.bls.gov/mxp/home.htm>)  
U.S. Department of Commerce (<http://www.bea.gov/beat/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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