



Trade Makes Pennsylvania Strong

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

TRADE CREATES JOBS FOR PENNSYLVANIANS

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

- Today, trade supports **nearly 1.3 million jobs** in Pennsylvania.
- **18.4 percent of jobs** in Pennsylvania are supported by trade, up from 10.1 percent in 1992.
- As trade in Pennsylvania has grown, unemployment has fallen. Pennsylvania’s unemployment rate – **5.0 percent** – is below the national average.

Pennsylvania’s Three Most Export-Intensive Industries

<u>Industry</u>	<u>% Export-Related</u>
Computers	41.5%
Textiles	33.0
Machinery	26.5

Trade – exports and imports – through Pennsylvania’s ports support more than 300,000 jobs in the state.

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

- In 2004, more than **12,600 Pennsylvania companies** sold their products abroad; **87.4 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 PENNSYLVANIA STRONG

Trade supports nearly one in five jobs in Pennsylvania.

Since 2002, Pennsylvania’s exports have increased more than three times faster than its GDP.

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

5% of Pennsylvania’s 2005 GDP was from exports.

Foreign-owned companies employ 225,000 workers in Pennsylvania.

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 18% of Pennsylvania’s GDP.

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

NAFTA worked for Pennsylvania. Since 1994, the state’s exports to Canada and Mexico have increased by \$5 billion.

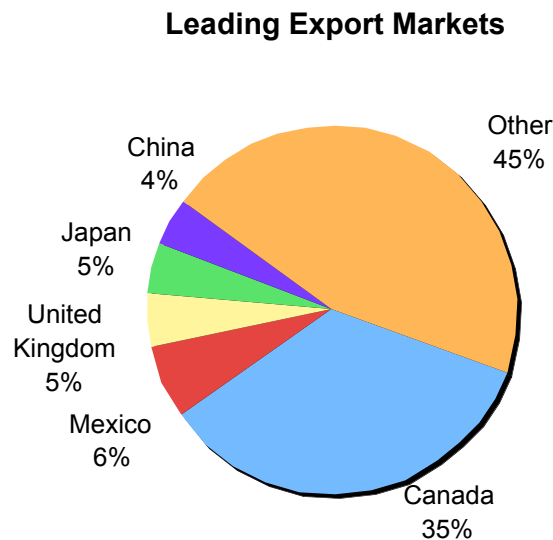
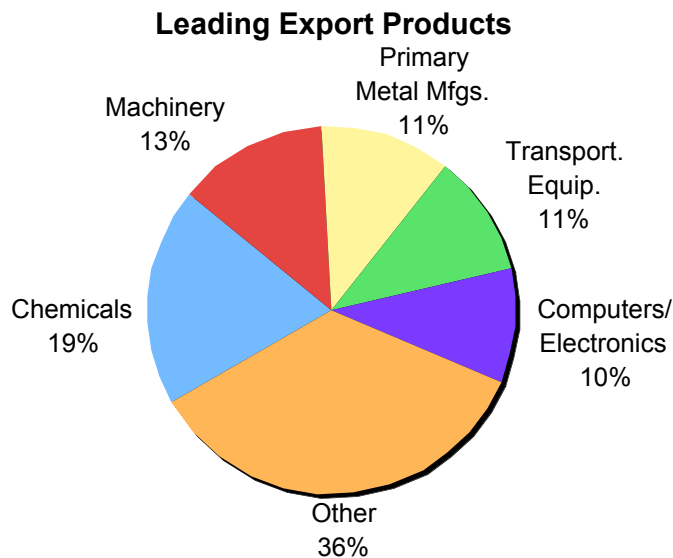
PENNSYLVANIA'S FARMERS AND KEY INDUSTRIES GROW WITH EXPORTS

Agricultural exports are important to Pennsylvania farmers. The state exported more than \$1 billion in agricultural products in 2005. It is a leading exporter of **fruit and preparations**, **dairy products**, and **animal fats**.

According to the U.S. Department of Commerce, Pennsylvania ranked ninth in the United States with **manufactured exports valued at \$22.3 billion** in 2005.

- **Chemicals** were Pennsylvania's leading export sector in 2005, accounting for 19 percent of total exports.
- One of the fastest growing exports for Pennsylvania is **primary metal manufactures**, which grew at an annual rate of 19 percent between 2001 and 2005.
- In 2005, Pennsylvania companies sold their products in **over 210 foreign markets**.
- The top export market is **Canada** (\$7.7 billion). Other top markets include **Mexico** (\$1.4 billion) and the **United Kingdom** (\$1.0 billion).
- **China** is one of Pennsylvania's fastest growing trading partners. In 2005, Pennsylvania companies exported \$933 million worth of goods to China, an increase of 130 percent since 2000.
- In 2005, exports represented approximately **4.6 percent of Pennsylvania's state GDP**.

Ossteem Co., Ltd., a dental implant manufacturer based in Seoul, Korea, agreed to locate its first American manufacturing operation in Bucks County, creating at least 600 jobs there. The facility will also serve as the company's U.S. headquarters, with the products made there exported to several countries including Germany, Russia, China, Japan and Korea.



- Since 2002, exports have increased **265 percent faster** than state GDP.
- Pennsylvania budgeted \$15 million in 2006 to promote trade and attract international investment.

PENNSYLVANIA WORKERS & BUSINESSES BENEFIT FROM FOREIGN INVESTMENT

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

- **Over 1,000** affiliates, and subsidiaries of foreign-owned companies operate in Pennsylvania.
- These companies employ **more than 225,600 workers**, nearly 5 percent of all Pennsylvania employees, **ranking it 6th** in the nation in “insourced” workers.
- **Manufacturing** accounts for **81,300 insourced jobs**, representing 36 percent of all insourced jobs in Pennsylvania.
- U.S. subsidiaries of **foreign companies pay** an average compensation of \$63,428 per year, **32 percent higher** than U.S. companies.

Monterey, Mexico-based Gruma Corp., a leading manufacturer and distributor of corn and wheat flour tortillas and other related Mexican food, selected Pennsylvania as the location for a new manufacturing facility for its Mission Foods Division. “[W]e are happy to support the initiatives of Governor Rendell’s strategy for the continuous growth of Pennsylvania,” said Mission Foods President and CEO Jairo Senise

Selected Multinational Corporations with Operations in Pennsylvania

<u>Company</u>	<u>Industry</u>	<u>Country</u>
Air Liquide	Industrial Gases	France
GlaxoSmithKline	Pharmaceuticals	United Kingdom
BASF	Chemicals	Germany
Bayer	Chemicals	Germany
Nestle USA, Inc.	Food Products	Switzerland
Mitsubishi Electric	Electronics	Japan
Philips	Electronics	Netherlands
SAP	Business Software	Germany
Sony	Electronics	Japan

Pennsylvania is endeavoring to grow current trade and investment activities and increase the state’s global competitiveness with \$15 million devoted to its “World Trade PA” initiative. This includes expanding the state’s network of overseas trade representatives, increasing operations in China, India and other emerging markets, and helping small businesses navigate international markets.

PENNSYLVANIA MANUFACTURERS NEED IMPORTS TO BE COMPETITIVE

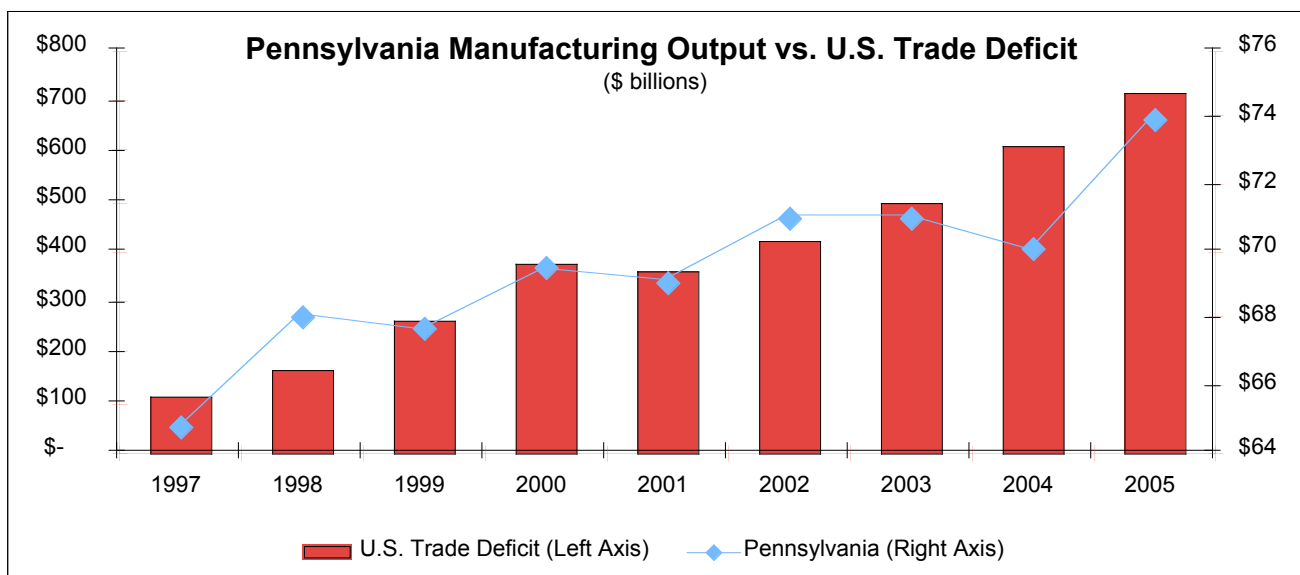
Raw materials, capital goods and industrial products used to manufacture goods in the United States account for approximately half of total U.S. merchandise imports.

- Numerous Pennsylvania manufacturing sectors benefit from imports in some way.
- Local plastic bottle manufacturers import plastic resin to keep costs low. Machinery and equipment manufacturers use imported components and parts in their Pennsylvania manufacturing operations.
- Pennsylvania steel companies use imported ferroniobium to produce steel for the domestic market.

Capital Goods Imports Benefiting Pennsylvania'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%

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



PENNSYLVANIA'S SERVICE 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 Pennsylvania's growth, and account for **18.4 percent of state GDP**.
- Imports comprise a significant portion of Pennsylvania **transportation and product sales** (both wholesale and retail). These industries account for 15.6 percent of state GDP.

<http://trade.businessroundtable.org>

PENNSYLVANIA FAMILIES ENJOY A HIGHER STANDARD OF LIVING BECAUSE OF IMPORTS

Imports help keep prices for Pennsylvania 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 Pennsylvania 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)

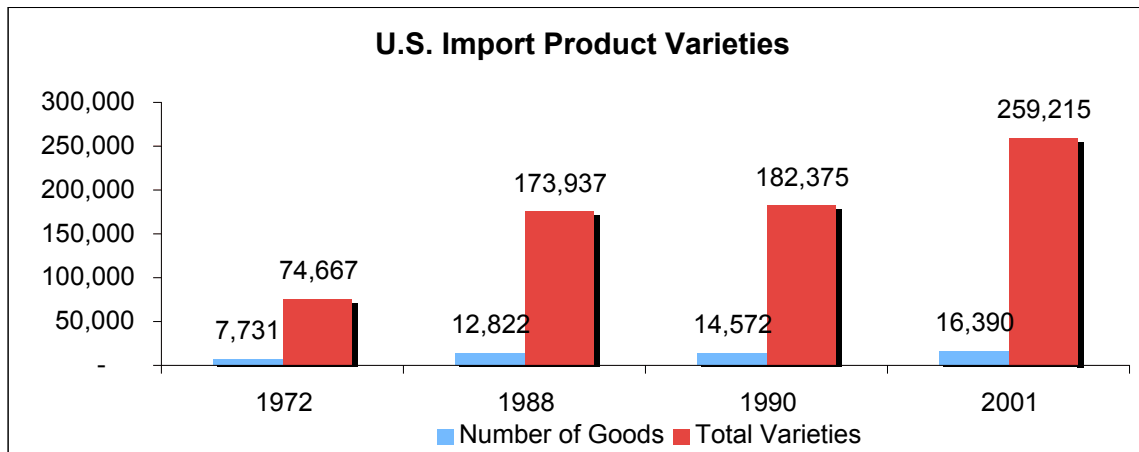
<u>Traded Goods</u>	<u>Price Change</u>
Toys	-36%
Household Appliances	-15%
Clothing	-11%
Footwear	-6%
<u>Non-Traded Goods</u>	
Milk	24%
Margarine	22%
Ice Cream	17%
Sugar	9%

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

- In 2005, 274,000 families in Pennsylvania 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.

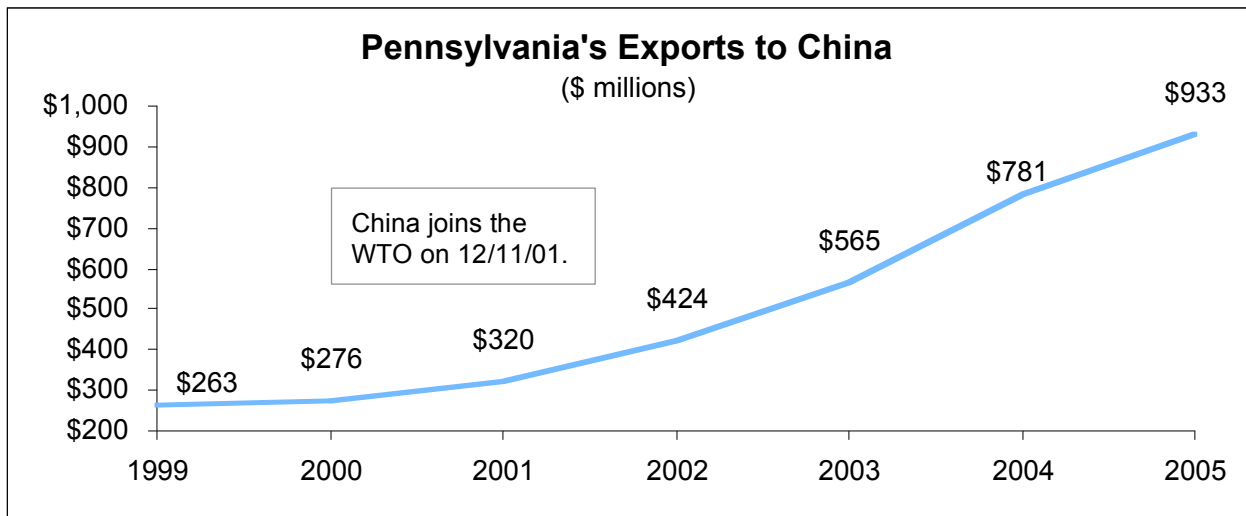
- Trade allows consumers to enjoy products with limited U.S. production (e.g., coffee) as well as out-of-season goods (e.g., strawberries in January).
- The number of product varieties imported by the United States increased fourfold over the last three decades.



MORE OF A GOOD THING FOR PENNSYLVANIA – 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, Pennsylvania's exports to Canada have increased \$4.1 billion (113 percent), while exports to Mexico have increased \$805 billion (131 percent).
- In 2001, a recession year, Pennsylvania's total trade with **Canada** generated \$6.6 billion for Pennsylvania's economy and supported 219,130 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 Pennsylvania to China.



SOURCES

JOBS

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IMPORTS

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TRADE LIBERALIZATION

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