



# Trade Makes Rhode Island Strong

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

## TRADE CREATES JOBS FOR RHODE ISLANDERS

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

- Today, trade supports **112,886 jobs** in Rhode Island.
- **18.7 percent of jobs** in Rhode Island are supported by trade, up from 9.3 percent in 1992.
- As trade in Rhode Island has grown, unemployment has fallen. Rhode Island’s unemployment rate – **5.0 percent** – is below the national average.

### *Rhode Island’s Three Most Export-Intensive Industries*

<u>Industry</u>	<u>% Export-Related</u>
Computers/Electronics	33.9%
Textiles	27.8
Misc. Manufactures	27.5

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

- In 2004, more than **1,500 Rhode Island companies** sold their products abroad.
- 1,317 exporters – **85.5 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 RHODE ISLAND STRONG

Trade supports nearly one in five Rhode Island jobs.

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

2.9% of Rhode Island’s GDP was from exports in 2005.

India is one of Rhode Island’s fastest growing foreign markets.

Foreign-owned companies employ 26,100 Rhode Islanders.

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 22.0% of Rhode Island’s GDP.

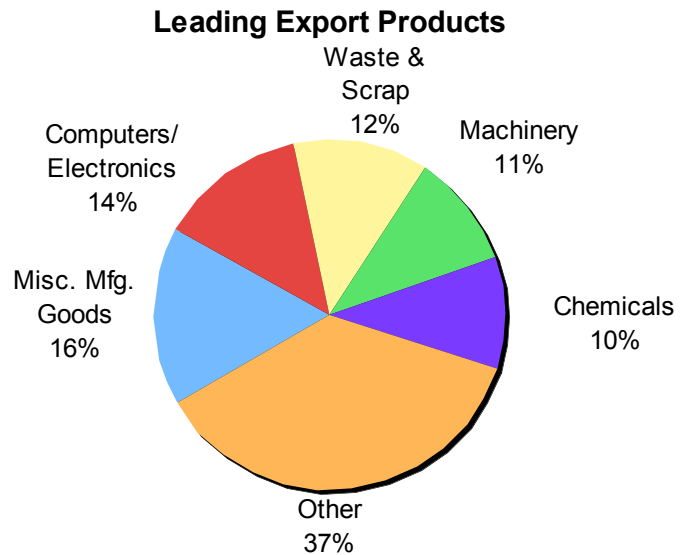
Import prices grow much slower than overall consumer prices, saving money for Rhode Island consumers.

NAFTA worked for Rhode Island. In 2005, Rhode Island exports to Canada and Mexico were \$427 million and \$68 million.

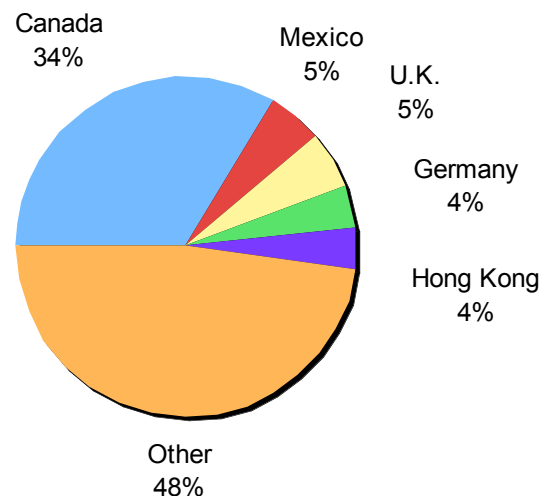
## RHODE ISLAND'S KEY INDUSTRIES GROW WITH EXPORTS

According to the U.S. Department of Commerce, Rhode Island's **total exports were valued at \$1.3 billion** in 2005.

- **Miscellaneous manufactured goods** were Rhode Island's leading export category in 2005, accounting for 16 percent of total exports.
- One of the Rhode Island's fastest growing exports is **processed foods**, which grew at an annual rate of 71 percent between 2001 and 2005.
- In 2005, Rhode Island companies sold their products in **nearly 150 foreign markets**.
- The top export market is **Canada** (\$427 million). Other leading markets include **Mexico** (\$68 million) and **the United Kingdom** (\$65 million).
- **India** is one of Rhode Island's fastest growing trading partners. In 2005, Rhode Island companies exported \$34.9 million worth of goods to India, an increase of 655 percent since 2000.
- In 2005, exports represented approximately **2.9 percent of Rhode Island's state GDP**.



**Leading Export Markets**



*In an effort to promote exports, the Rhode Island Economic Development Commission (RIEDC), in partnership with Food Export USA, led a **focused trade mission to Kuwait and Dubai** in September 2006. Of the four participant companies that provided RIEDC with sales information:*

- *Three reported combined **actual onsite sales of \$375,000** with the **potential for \$2.5 million more** over the next two years;*
- *The fourth reported **expected sales growth of 50 percent** over the next two years; and*
- *The companies also reported **59 new trade contacts, four first times sales in the region, and nine new distributorships awarded.***

*RIEDC has led similar trade missions to **Mexico and India**, and will lead another mission to **Costa Rica and the Dominican Republic** in April 2007.*

## RHODE ISLAND WORKERS & BUSINESSES BENEFIT FROM FOREIGN INVESTMENT

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

- Foreign-owned companies employ **more than 26,100 workers**, nearly 6 percent of all Rhode Island employees.
- **Rhode Island ranks 8<sup>th</sup>** in the nation in the share of its workforce comprised of “insourced” workers.
- **Manufacturing** accounts for **3,200 insourced jobs**, representing 12 percent of all insourced jobs in Rhode Island.
- U.S. subsidiaries of **foreign companies pay** an average compensation of \$63,428 per year, **32 percent higher** than U.S. companies.

### Selected Corporations with Operations in Rhode Island

<u>Company</u>	<u>Industry</u>	<u>Country</u>
BAE Systems	Defense	United Kingdom
Brown and Sharpe	Machine Tools	Sweden
Cookson Group	Electronics	United Kingdom
Deutsche Telekom	Telecommunications	Germany
Fuji Photo Film Inc.	Photographic Supplies	Japan
National Grid	Electricity Generation/Transmission	United Kingdom
Oldcastle Inc.	Building Materials	Ireland
Polyrack Tech-Group	Electronics Packaging	Germany
Saint-Gobain	Glass/Engineered Materials	France
Toray Industries	Plastics	Japan
Uvex Safety Manufacturing	Protective Gear	Germany

*In December 2006, **Polyrack Tech Group**, a German manufacturer of electronic and microcomputer packaging system, announced that it had chosen the Highland Corporate Park in **Cumberland** as the location for its **first U.S. facility**.*

*As the **headquarters for Polyrack North American Corporation**, Polyrack will build **both corporate offices and a manufacturing facility** in Rhode Island, providing a wide range of new high-paying jobs in the state.*

*“I’m very pleased that another global company has chosen Rhode Island as their destination of choice for expansion within the North American marketplace. We welcome Polyrack’s expansion in Rhode Island and the new jobs they are bringing to our state.”*

*-Governor Donald Carcieri*

## RHODE ISLAND MANUFACTURERS NEED IMPORTS TO BE COMPETITIVE

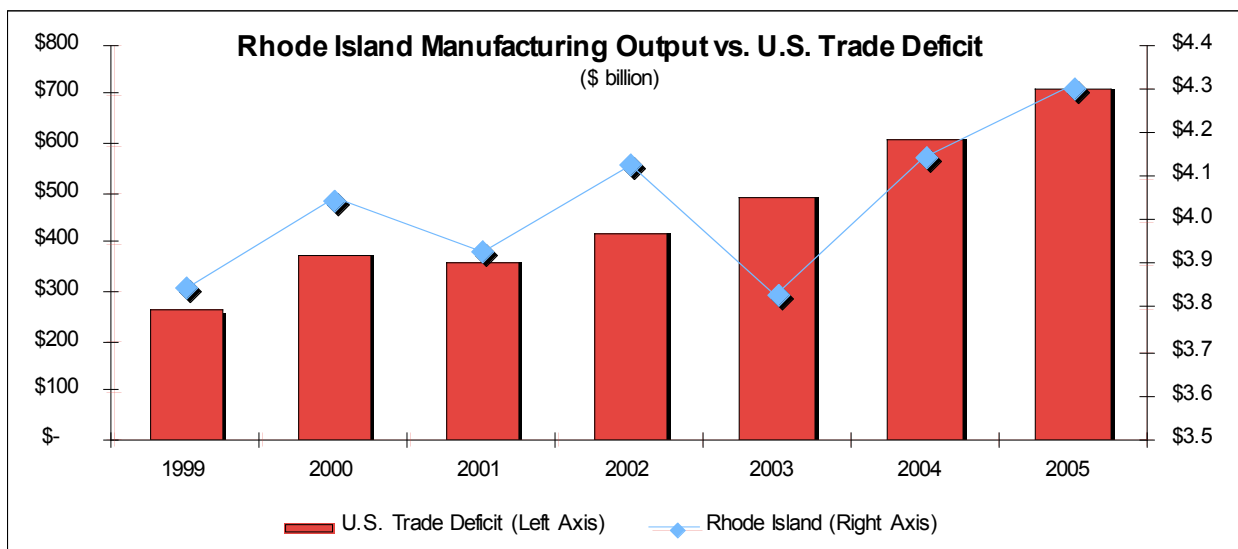
Raw materials, capital goods and industrial products used to manufacture goods in the United States account for approximately half of total U.S. merchandise imports.

- Numerous Rhode Island manufacturing sectors benefit from imports.
- Rhode Island **chemical manufacturers import necessary dyes and pigments** that are **unavailable** in the United States.
- **Electrical equipment manufacturers** use imported **copper wire** and other **commodity goods** to keep end costs low.

### Capital Goods Imports Benefiting Rhode Island'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%

Rhode Island has experienced some of its strongest manufacturing growth during periods when imports contributed to increasing national trade deficits.



## RHODE ISLAND'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 Rhode Island's growth, and account for **22.0 percent of state GDP**, 2.2 times more than manufacturing.
- Imports comprise a significant portion of Rhode Island **transportation and product sales** (both wholesale and retail). These industries account for 13.0 percent of state GDP.

<http://trade.businessroundtable.org>

## RHODE ISLAND FAMILIES ENJOY A HIGHER STANDARD OF LIVING BECAUSE OF IMPORTS

Imports help keep prices for Rhode Island 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 Rhode Island 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)

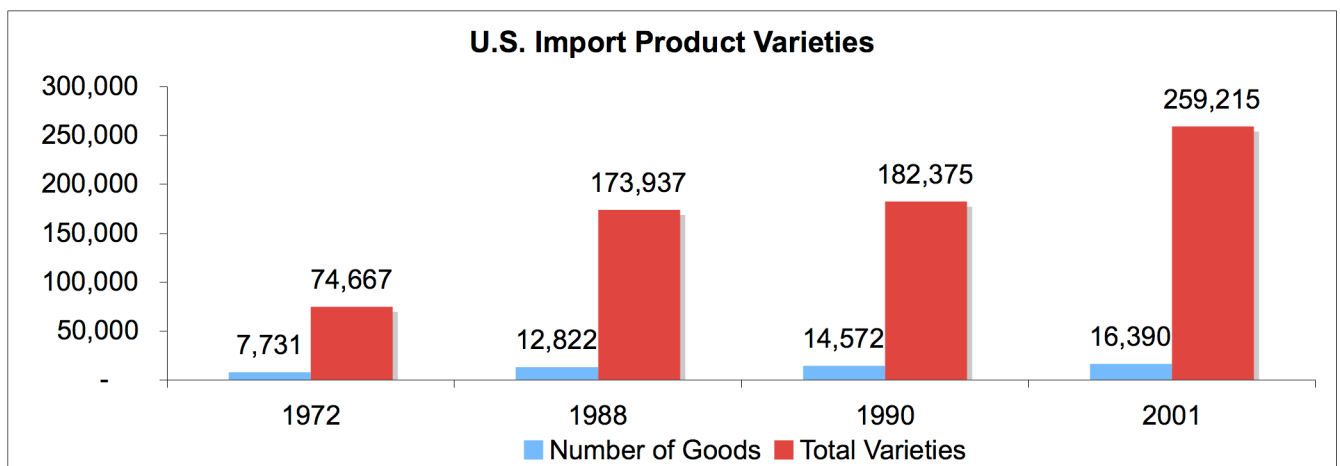
<u>Traded Goods</u>	<u>Price Change</u>
Toys	-36%
Household Appliances	-15%
Clothing	-11%
Footwear	-6%
<u>Non-Traded Goods</u>	
Milk	24%
Margarine	22%
Ice Cream	17%
Sugar	9%

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

- In 2005, 26,000 families in Rhode Island 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.

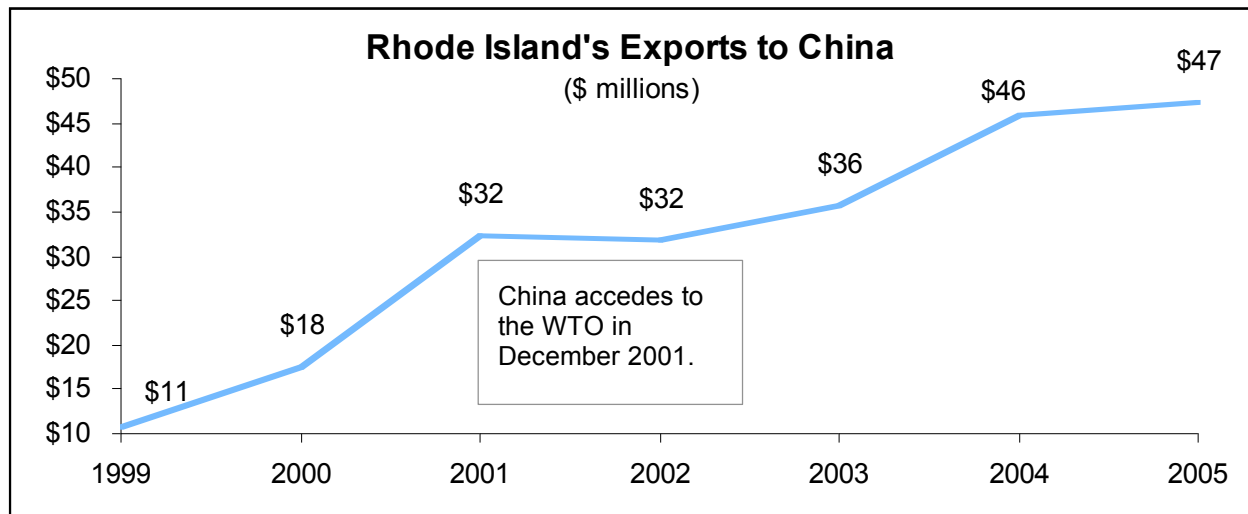
- Trade allows consumers to enjoy products with limited U.S. production (e.g., coffee) as well as out-of-season goods (e.g., strawberries in January).
- The number of product varieties imported by United States increased fourfold over the last three decades.



## MORE OF A GOOD THING FOR RHODE ISLAND – 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, Rhode Island's exports to Canada have increased \$129 million (43 percent), while exports to Mexico have increased \$37 million (119 percent).
- In 2001, a recession year, Rhode Island's total trade with **Canada** generated \$625 million for Rhode Island's economy and supported 18,850 jobs.
- Similarly, **China's** accession to the World Trade Organization, which went into effect in late 2001, has had a significant effect on export growth from Rhode Island 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

Rhode Island Economic Development Commission  
([http://www.riedc.com/riedc/business\\_services/14/201](http://www.riedc.com/riedc/business_services/14/201))  
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

Rhode Island Economic Development Commission (<http://www.riedc.com/riedc/news/65/523>)  
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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