



# Trade Makes Utah Strong

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

## TRADE CREATES JOBS FOR UTAH WORKERS

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

- Today, trade supports **259,724 jobs** in Utah.
- **17.9 percent of jobs** in Utah are supported by trade, up from 10.5 percent in 1992.
- As trade in Utah has grown, unemployment has fallen. Utah’s unemployment rate – **4.3 percent** – is below the national average.

### Utah’s Three Most Export-Intensive Industries

Industry	% Export-Related
Primary Metals	60.0%
Transport. Equip.	45.7
Computers/Electronics	33.6

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

- In 2004, more than **2,300 Utah companies** sold their products abroad.
- 1,915 exporters – **83.2 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 UTAH STRONG

Trade supports nearly one in five jobs in Utah.

Utah’s exports have increased 1.3 times faster than its GDP.

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

6.7% of Utah’s GDP was from exports in 2005.

Foreign-owned companies employ 30,900 workers in Utah.

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 19.8% of Utah’s GDP.

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

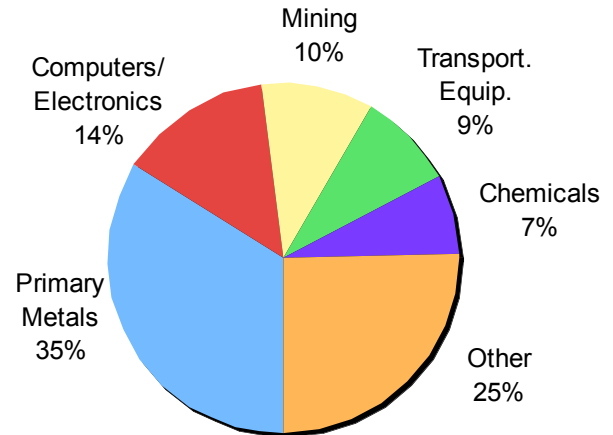
NAFTA worked for Utah. In 2005, Utah exports to Canada and Mexico were \$709 million and \$128 million.

## UTAH'S KEY INDUSTRIES GROW WITH EXPORTS

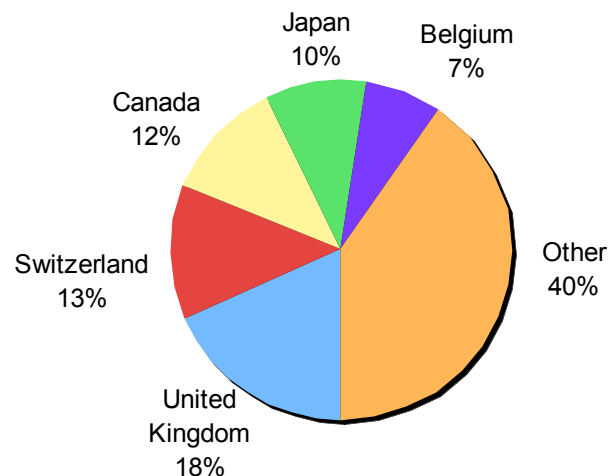
According to the U.S. Department of Commerce, Utah ranked 31<sup>st</sup> in the United States with **total exports valued at \$6.1 billion** in 2005.

- **Primary metals** were Utah's leading export products in 2005, accounting for 35 percent of total exports.
- One of the fastest growing exports for Utah is **mining**, which grew at an annual rate of 122 percent between 2001 and 2005.
- In 2005, Utah companies sold their products in **179 foreign markets**.
- The top export market is **the United Kingdom** (\$1.1 billion). Other leading markets include **Switzerland** (\$777 million) and **Canada** (\$709 million).
- **China** is one of Utah's fastest growing trading partners. In 2005, Utah companies exported \$321 million worth of goods to China, an increase of 884 percent since 2000.
- In 2005, exports represented **6.7 percent of Utah's state GDP**.
- Utah's share of exports to state GDP ranked 19<sup>th</sup> among all states in 2005.
- Since 2002, exports have increased **1.3 times faster** than state GDP.

**Leading Export Products**



**Leading Export Markets**



*As a former Deputy U.S. Trade Representative, Governor Jon Huntsman, Jr. understands the importance of exports for domestic companies. Upon his election in 2005, Governor Huntsman helped solidify plans to create the World Trade Center Utah in Salt Lake City. The Center provides "one-stop-shopping" for Utah companies looking to increase export opportunities by expanding their business into new markets.*

*"Utah is increasingly becoming a global destination. We are now exporting about \$6.1 billion in goods and services to the rest of the world [and] all of these exports lead to jobs right here in Utah."*

*-Governor Jon Huntsman*

## UTAH WORKERS & BUSINESSES BENEFIT FROM FOREIGN INVESTMENT

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

- Foreign-owned companies employ **more than 30,900 workers**, nearly 3 percent of all Utah employees.
- **Manufacturing** accounts for **8,000 insourced jobs**, representing 25 percent of all insourced jobs in Utah.
- U.S. subsidiaries of **foreign companies pay** an average compensation of \$63,428 per year, **32 percent higher** than U.S. companies.

*In August 2006, Netherlands-based Hunter Douglas announced plans to build a new \$17 million manufacturing plant in Salt Lake City.*

*The investment will allow Hunter Douglas to increase its manufacturing output while bringing its shipping and distribution functions together into one centralized location.*

*The new plant will also double the number of Hunter Douglas employees in the Salt Lake City area from 250 to 500.*

### Selected Corporations with Operations in Utah

<u>Company</u>	<u>Industry</u>	<u>Country</u>
Bridgestone Americas	Rubber Products	Japan
DaimlerChrysler	Transportation Equipment	Germany
Deutsche Telekom	Telecommunications	Germany
DHL	Express Delivery/Logistics	Germany
Oldcastle, Inc.	Building Materials	Ireland
Reed Elsevier	Publishing	United Kingdom/Netherlands
Siemens	Machinery/Electronics	Germany
Sodexo	Food/Facilities Management	France

*Recognizing the importance of trade and foreign investment, Governor Huntsman led trade missions to Mexico in 2005 and China in 2006. In China, Governor Huntsman used his fluency in Mandarin to help Utah companies establish relationships with high-ranking Chinese officials and invited Chinese business leaders to visit Utah.*

*In addition, the Utah International Trade and Diplomacy Office maintains a network of trade representatives and partner organizations in 11 targeted countries and markets, including Mexico, Chile, South Korea, Singapore, Japan, China, Thailand, Germany, Austria, Belgium, Sweden, Norway, and Finland.*

## UTAH MANUFACTURERS NEED IMPORTS TO BE COMPETITIVE

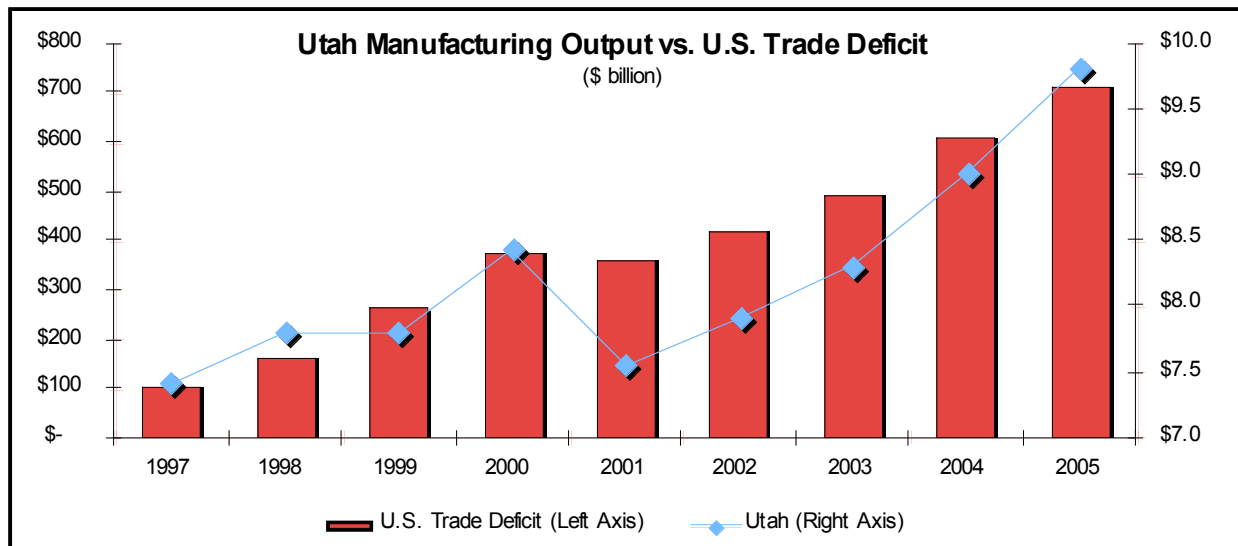
Raw materials, capital goods and industrial products used to manufacture goods in the United States account for approximately half of total U.S. merchandise imports.

- Numerous Utah manufacturing sectors benefit from imports. Utah **computer and electronics manufacturers** use imported **components** and other parts to keep prices low.
- Utah **chemical manufacturers** import commodity chemicals (e.g., chlorine, alcohols) to produce **high-value specialty chemicals** such as **paints, pesticides, and adhesives**.

### Capital Goods Imports Benefiting Utah'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%

Utah experienced some of its strongest growth during periods when imports contributed to increasing national trade deficits. In fact, Utah's manufacturing output has only decreased once in the last eight years – 2001 to 2002 – *the only year the national deficit decreased*.



## UTAH'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 Utah's growth, and account for **19.8 percent of state GDP**, 1.8 times more than manufacturing.
- Imports comprise a significant portion of Utah **transportation and product sales** (both wholesale and retail). These industries account for 16.2 percent of state GDP.

<http://trade.businessroundtable.org>

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

Imports help keep prices for Utah 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 Utah 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)

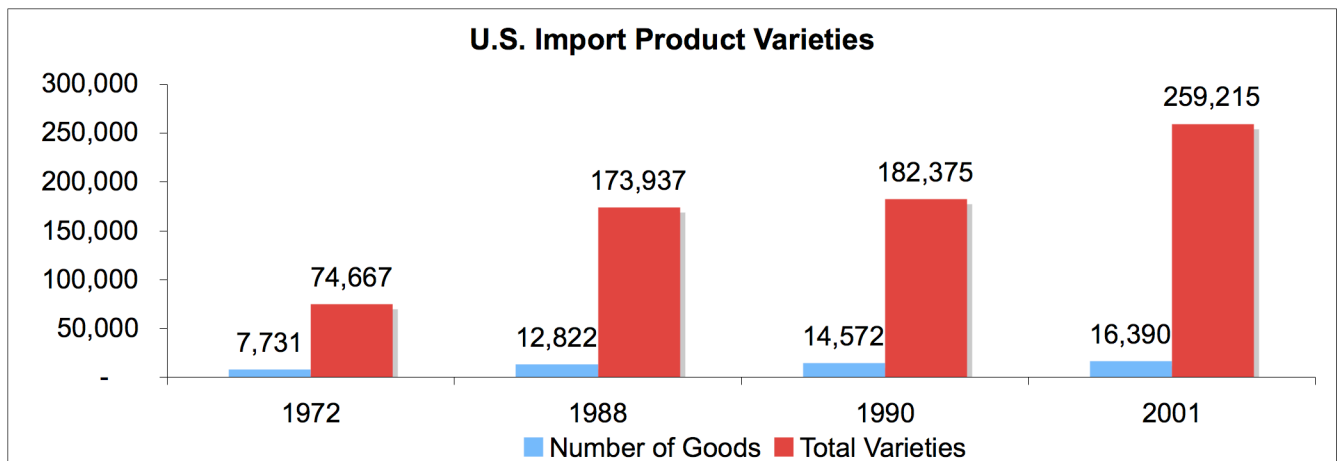
<u>Traded Goods</u>	<u>Price Change</u>
Toys	-36%
Household Appliances	-15%
Clothing	-11%
Footwear	-6%
<u>Non-Traded Goods</u>	
Milk	24%
Margarine	22%
Ice Cream	17%
Sugar	9%

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

- In 2005, 44,000 families in Utah 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.

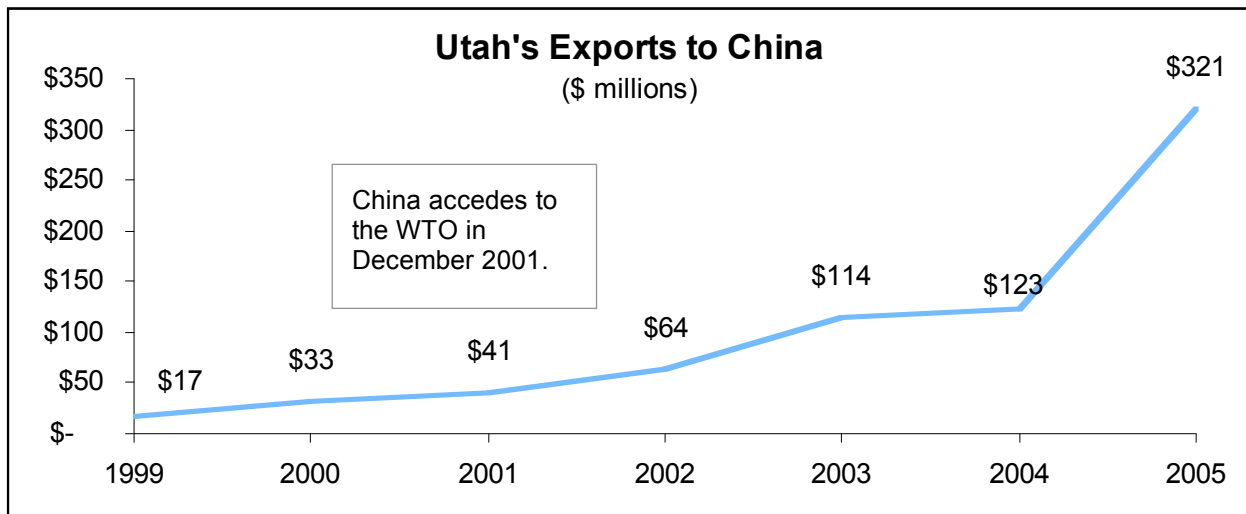
- Trade allows consumers to enjoy products with limited U.S. production (e.g., coffee) as well as out-of-season goods (e.g., strawberries in January).
- The number of product varieties imported by United States increased fourfold over the last three decades.



## MORE OF A GOOD THING FOR UTAH – 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, Utah's exports to Canada have increased \$367 million (107 percent), while exports to Mexico have increased \$78 million (154 percent).
- In 2001, a recession year, Utah's total trade with **Canada** generated \$1.1 billion for Utah's economy and supported 43,611 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 Utah 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

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/>)  
Utah Business ([http://www.utahbusiness.com/parser.php?nav=email\\_article&article\\_id=4615](http://www.utahbusiness.com/parser.php?nav=email_article&article_id=4615))

### FOREIGN INVESTMENT

Economic Development Corporation of Utah  
(<http://www.edcutah.org/news/documents/HunterDouglasGroundbreaking.pdf>)  
Organization for International Investment (<http://www.ofii.org>)  
Utah International Trade and Diplomacy Office  
([http://www.international.utah.gov/trade\\_representatives/index.html](http://www.international.utah.gov/trade_representatives/index.html))

### 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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