



# Trade Makes the United States Strong

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

## TRADE CREATES JOBS FOR AMERICANS

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

- Today, trade supports **31 million jobs** in the United States, or 18.1 percent of all jobs, up from 10.4 percent in 1992.
- As trade has grown, unemployment has fallen. The 2006 national unemployment rate was **4.6 percent** – the lowest rate since 2000 and **fourth-lowest rate since 1970**.

Trade particularly benefits employees in small- and mid-size companies.

- In 2004, more than **230,000 U.S. companies** sold their products abroad.
- 225,139 exporters – **97.2 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.

### *The Five Most Export-Intensive U.S. Industries*

<u>Industry</u>	<u>% Export-Related</u>
Computers/Electronics	35%
Leather Products	30
Primary Metals	28
Machinery	27
Textile Mills	25

### TEN WAYS TRADE MAKES THE UNITED STATES STRONG

Trade supports nearly one in five U.S. jobs.

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

7.3% of U.S. GDP was from exports in 2005.

Foreign-owned companies employ 5.1 million Americans.

Foreign-owned firms pay workers 32% more.

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

Marketing imports demands professional and financial services, which account for 19.4% of U.S. GDP.

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

NAFTA worked for America. In 2005, U.S. exports to Canada and Mexico were \$211 billion and \$120 billion.

Every FTA implemented since 2000 has led to increased U.S. exports to the respective FTA partner.

## U.S. FARMERS AND KEY INDUSTRIES GROW WITH EXPORTS

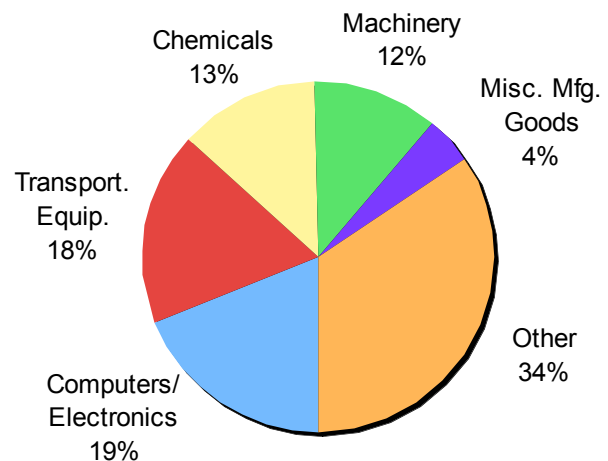
American farmers are strong exporters. The United States exported **\$62.4 billion** worth of **agricultural products** in 2005.

- Top state agricultural exporters include **California** (\$10.2 billion), **Iowa** (\$4.0 billion), and **Texas** (\$3.5 billion).

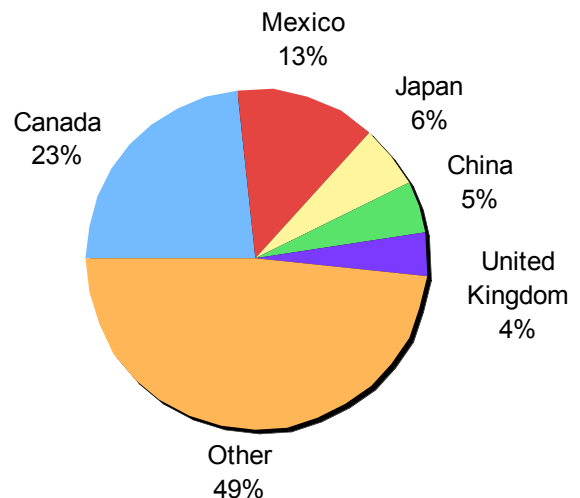
According to the U.S. Department of Commerce, U.S. **total exports were valued at more than \$900 billion** in 2005.

- **Computers and electronics** was the leading U.S. export sector in 2005, accounting for **19 percent** of total exports.
- One of the fastest growing U.S. exports is **primary metal manufacturing**, which grew at an annual rate of 26 percent between 2002 and 2005.
- In 2005, U.S. companies sold their products in **227 foreign markets**.
- The top export market is **Canada** (\$222 billion). Other leading markets include **Mexico** (\$120 billion) and **Japan** (\$55 billion).
- **Ireland** is one of the fastest growing U.S. trading partners. In 2005, U.S. companies exported **\$9.3 billion** worth of goods to Ireland, **an increase of 270 percent since 2000**.
- In 2005, exports represented **7.3 percent of U.S. gross domestic product (GDP)**.
- **Vermont has highest share of exports to state GDP** (18 percent). Other states where GDP represents at least 10 percent of GDP include **Washington, Texas, Louisiana, Kentucky, Michigan, and South Carolina**.

**Leading Export Products**



**Leading Export Markets**



## AMERICAN WORKERS & BUSINESSES BENEFIT FROM FOREIGN INVESTMENT

Foreign-owned companies invest significant amounts of capital to open or expand facilities in United States every year, infusing money into local economies, creating new jobs, and keeping unemployment low.

- Foreign-owned companies employ **more than 5.1 million “insourced” workers** and support an **annual payroll of nearly \$325 billion**.
- Foreign-owned companies account for almost **12 percent of U.S. manufacturing jobs**.
- U.S subsidiaries employ a particularly **large share of American workers** in the **chemical industry** (28 percent), the **motor vehicles industry** (24 percent), and the **non-metallic mineral products industry** (24 percent).
- U.S. subsidiaries of **foreign companies pay** an average compensation of \$63,428 per year, **32 percent higher** than U.S. companies.
- Foreign-owned companies **invested a record \$59 billion** of their U.S. profits back into their U.S. operations.

### Selected Corporations with Major U.S. Operations

<u>Company</u>	<u>Industry</u>	<u>Country</u>
BASF	Chemicals	Germany
Bayer	Pharmaceuticals	Germany
Case New Holland	Industrial Equipment	Netherlands
DaimlerChrysler	Automobiles	Germany
GlaxoSmithKline	Pharmaceuticals	United Kingdom
Honda Motor Co.	Automobiles	Japan
Nestle	Food Products	Switzerland
Royal Ahold	Supermarkets	Netherlands
Siemens Corporation	Electrical Equipment	Germany
Sony Corporation	Computers/Electronics	Japan
Vodafone (Verizon Wireless)	Telecommunications	United Kingdom

## U.S. MANUFACTURERS NEED IMPORTS TO BE COMPETITIVE

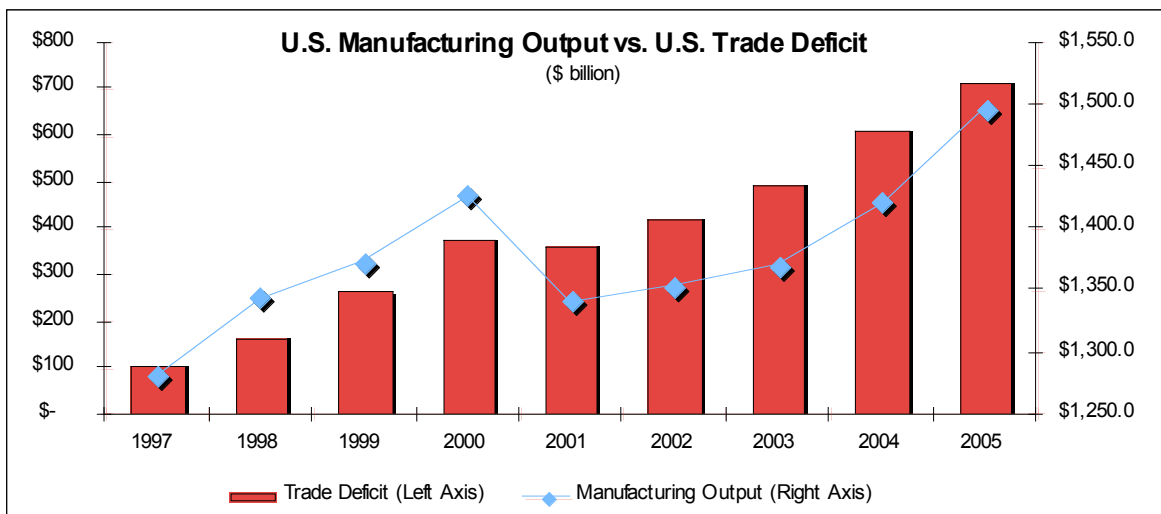
Raw materials, capital goods and industrial products used to manufacture goods in the United States account for approximately half of total U.S. merchandise imports.

- For example, imported **fertilizers and minerals** help **farmers** keep costs low and improve productivity.
- **Chemical manufacturers** import commodity chemicals (e.g., chlorine, alcohols) to produce **high-value paints, pesticides, and adhesives**.
- **Computer and electronics producers** import **components** and other component parts to remain competitive.

### Capital Goods Imports Benefiting U.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%

The United States has experienced some of its strongest manufacturing growth during periods when imports contributed to increasing national trade deficits. In fact, manufacturing output only decreased once since 1997, the only year the national deficit *decreased* as well.



## U.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 economic growth, and account for **19.4 percent of U.S. GDP**, one-and-a-half times more than manufacturing.
- Imports comprise a significant portion of U.S. **transportation and product sales** (both wholesale and retail). These industries account for 15.4 percent of 2005 U.S. GDP.

<http://trade.businessroundtable.org>

## U.S. FAMILIES ENJOY A HIGHER STANDARD OF LIVING BECAUSE OF IMPORTS

Imports help keep prices for American 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 American 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)

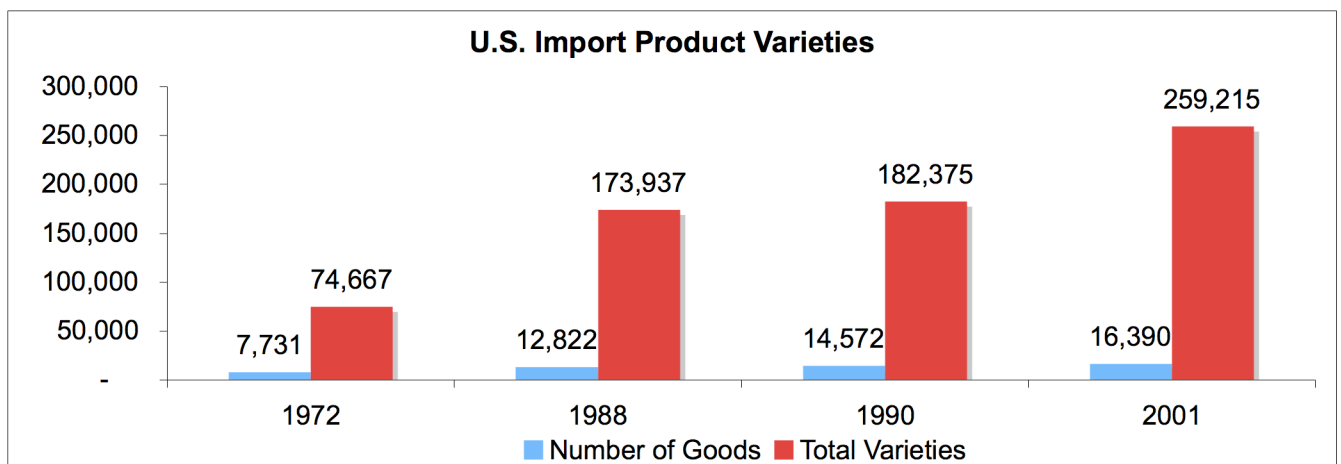
<u>Traded Goods</u>	<u>Price Change</u>
Toys	-36%
Household Appliances	-15%
Clothing	-11%
Footwear	-6%
<u>Non-Traded Goods</u>	
Milk	24%
Margarine	22%
Ice Cream	17%
Sugar	9%

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

- In 2005, **7.7 million U.S. families** 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.

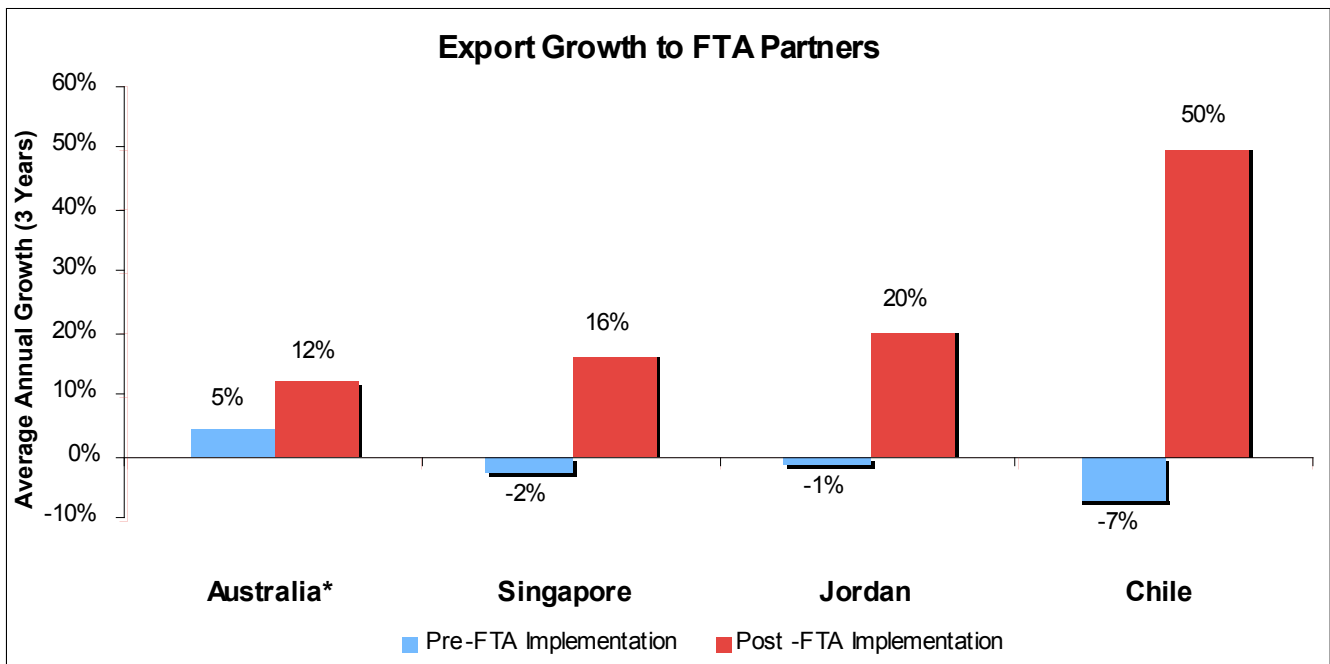
- Trade allows consumers to enjoy products with limited U.S. production (e.g., coffee) as well as out-of-season goods (e.g., strawberries in January).
- The number of product varieties imported by United States increased fourfold over the last three decades.



## MORE OF A GOOD THING FOR AMERICA – 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, U.S. exports to Canada have increased \$111 billion (111 percent), while exports to Mexico have increased \$78 billion (188 percent).
- In 2001, a recession year, total U.S. trade with **Canada** generated \$161.9 billion for the national economy and supported 5.2 million jobs.
- Similarly, the free trade agreements with **Australia, Jordan, Chile, and Singapore** have all had a significant effect on export growth from the United States.



\*Because the U.S.-Australia FTA has only been in effect since 2005, export growth data is based on the export figures from the two years before and after implementation.

## SOURCES

### JOBS

Laura Baughman and Joseph Francois (<http://www.businessroundtable.org>)  
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(<http://ita.doc.gov/td/industry/otea/edb/index.html>)

### EXPORTS

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### FOREIGN INVESTMENT

Organization for International Investment (<http://www.ofii.org>)

### IMPORTS

U.S. Department of Labor (<http://www.bls.gov/mxp/home.htm>)  
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### STANDARD OF LIVING

Council of Economic Advisers (<http://www.gpoaccess.gov/eop/index.html>)  
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(<http://www.bls.gov/cex/home.htm>)  
U.S. Department of Commerce (<http://www.bea.gov/>)  
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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

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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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