



Trade Makes Vermont Strong

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

TRADE CREATES JOBS FOR VERMONTERS

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

- Today, trade supports **77,886 jobs** in Vermont.
- **18.7 percent of jobs** in Vermont are supported by trade, up from 10.5 percent in 1992.
- As trade in Vermont has grown, unemployment has fallen. Vermont’s unemployment rate – **3.5 percent** – is below the national average.

Vermont’s Top Export-Intensive Industries

<u>Industry</u>	<u>% Export-Related</u>
Misc. Manufactured Goods	29.6%
Machinery	16.3

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

- In 2004, more than **1,100 Vermont companies** sold their products abroad.
- 918 exporters – **82.5 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 VERMONT STRONG

Trade supports nearly one in five jobs in Vermont.

Vermont’s exports have increased 3.8 times faster than its GDP.

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

18.4% of Vermont’s 2005 GDP was from exports.

Foreign-owned companies employ 10,800 Vermonters.

Foreign-owned firms pay workers 32% more.

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

Marketing imports demand services, which account for 15.6% of Vermont’s GDP.

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

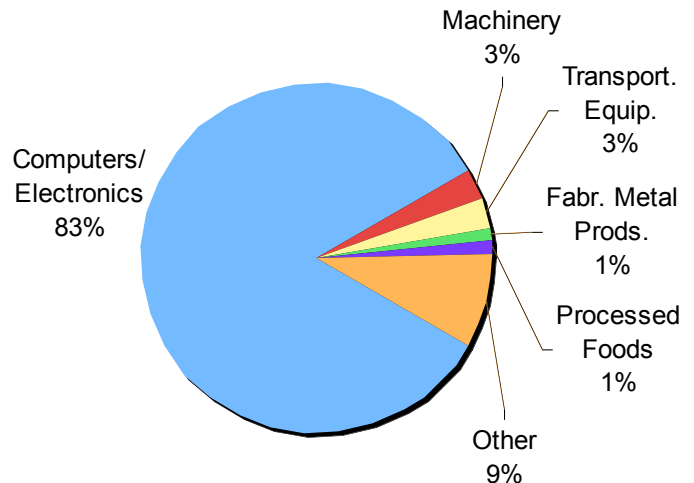
NAFTA worked for Vermont. In 2005, Vermont exports to Canada and Mexico were \$2.1 billion and \$39 million.

VERMONT'S KEY INDUSTRIES GROW WITH EXPORTS

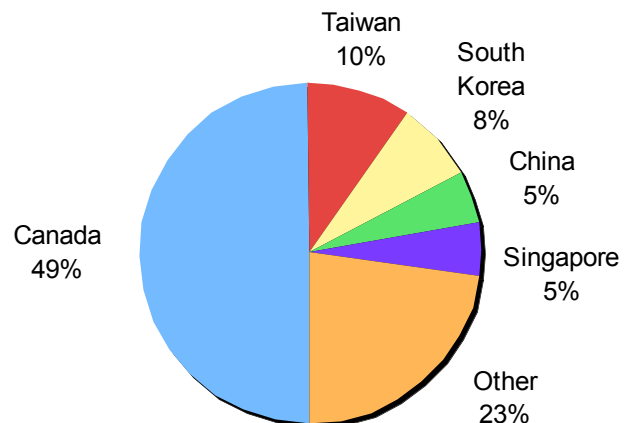
According to the U.S. Department of Commerce, Vermont ranked 33rd in the United States with **total exports valued at \$4.2 billion** in 2005.

- **Computers and electronics** were Vermont's leading export products in 2005, accounting for **83 percent** of total exports.
- Two of the fastest growing exports for Vermont are **plastic and rubber products**, which grew at an annual rate of 12.3 percent between 2001 and 2005.
- In 2005, Vermont companies sold their products in **135 foreign markets**.
- The top export market is **Canada** (\$2.1 billion). Other leading markets include **Taiwan** (\$417 million) and **Korea** (\$322 million).
- **China** is one of Vermont's fastest growing trading partners. In 2005, Vermont companies **exported \$212 million** worth of goods to China, an **increase of over 1,500 percent since 2000**.
- In 2005, exports represented **18.4 percent of Vermont's state GDP**.
- **Vermont's share of exports to GDP ranked 1st among all states in 2005**.
- Since 2002, exports have increased **3.8 times faster** than state GDP.

Leading Export Products



Leading Export Markets



“As we seek to grow an economy that will offer the next generation of Vermonters more and better paying job opportunities, it is clear that we must look beyond our borders. The high paying jobs of the future are increasingly linked to global trade.”

-Governor Jim Douglas

VERMONT WORKERS & BUSINESSES BENEFIT FROM FOREIGN INVESTMENT

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

- Foreign-owned companies employ **more than 10,800 workers**, nearly four percent of all Vermont employees.
- **Manufacturing** accounts for **1,900 insourced jobs**, representing 18 percent of all insourced jobs in Vermont.
- 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 Vermont

<u>Company</u>	<u>Industry</u>	<u>Country</u>
Barry Callebaut	Food Products	Switzerland
Hannaford Brothers Company	Grocery Stores	Belgium
Oldcastle Inc	Building Materials	Ireland
Plasan USA	Defense Materials	Israel
Qimonda	Semiconductors	Germany
Simport	Chemicals	Canada
Sodexo	Food/Facilities Management	France
Unilever	Foods/Consumer Products	U.K./Netherlands
Velan Inc.	Industrail Manufacturing	Canada

*In September 2006, **Plasan Sasa**, an Israeli composite manufacturer, announced a deal that included purchasing the automotive parts division from Vermont Composites in **Bennington** and setting up a **new subsidiary, Plasan USA**. The deal allowed Plasan, which specializes in **protective armored systems** for customers including the U.S. military, to expand its armor production capabilities in the United States.*

To convince Plasan Sasa to open the plant, Governor Jim Douglas and the Vermont Economic Progress Council authorized more than \$1 million in tax incentives for the company. Plasan was also approved for a \$1.16 million loan from the Vermont Economic Development Authority.

Plasan USA will create as many as 105 new jobs and contribute more than \$16 million in payroll and direct investments for the Vermont economy over the next five years.

“I am very pleased to welcome Plasan Sasa to Vermont. Recruiting this kind of good-paying, high technology manufacturing company is a key component of my administration’s Affordability Agenda.”

-Governor Jim Douglas

VERMONT MANUFACTURERS NEED IMPORTS TO BE COMPETITIVE

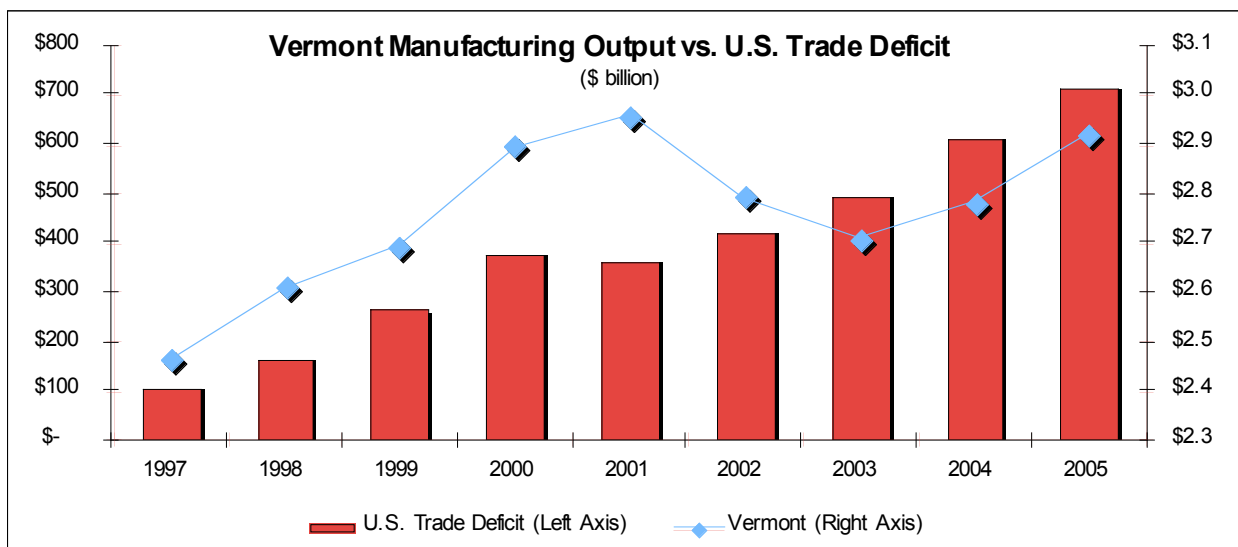
Raw materials, capital goods and industrial products used to manufacture goods in the United States account for approximately half of total U.S. merchandise imports.

- Numerous Vermont manufacturing sectors benefit from imports.
- Vermont's **computer and electronics manufacturers** use imported **components** and other parts to keep costs low.
- Vermont's **machinery manufacturers** use imported **steel** to produce industrial equipment for the U.S. market.

Capital Goods Imports Benefiting Vermont'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%

Increasing imports do not lead to decreased manufacturing. In fact, Vermont experienced some of its strongest growth during periods when imports contributed to increasing national trade deficits.



VERMONT'S 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 Vermont's growth, and account for **15.6 percent of state GDP**, 1.2 times more than manufacturing.
- Imports comprise a significant portion of Vermont's **transportation and product sales** (both wholesale and retail). These industries account for 15.6 percent of state GDP.

VERMONT FAMILIES ENJOY A HIGHER STANDARD OF LIVING BECAUSE OF IMPORTS

Imports help keep prices for Vermont 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 Vermont 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)

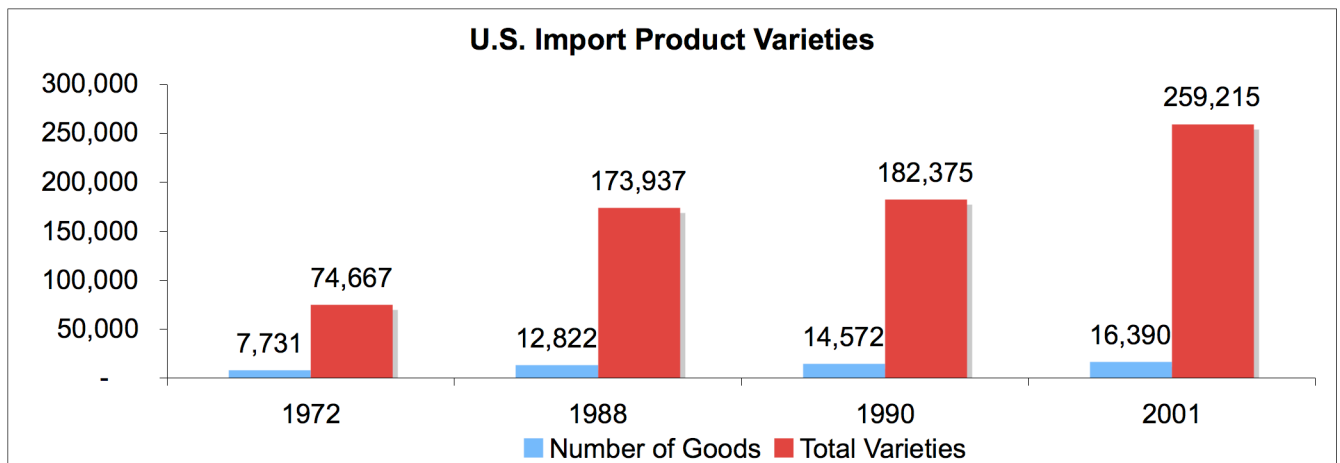
<u>Traded Goods</u>	<u>Price Change</u>
Toys	-36%
Household Appliances	-15%
Clothing	-11%
Footwear	-6%
<u>Non-Traded Goods</u>	
Milk	24%
Margarine	22%
Ice Cream	17%
Sugar	9%

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

- In 2005, 8,000 families in Vermont 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.

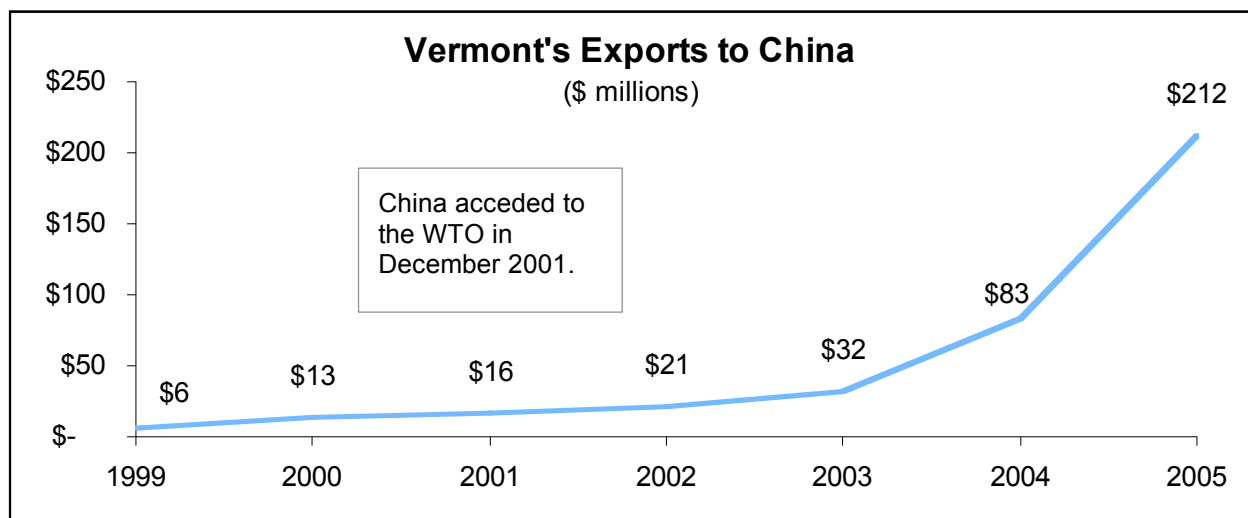
- Trade allows consumers to enjoy products with limited U.S. production (e.g., coffee) as well as out-of-season goods (e.g., strawberries in January).
- The number of product varieties imported by United States increased fourfold over the last three decades.



MORE OF A GOOD THING FOR VERMONT – 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, Vermont's exports to Mexico have increased \$17 million (80 percent).
- In 2001, a recession year, Vermont's total trade with **Canada** generated \$300 million for Vermont's economy and supported 12,308 jobs.
- Similarly, **China's** accession to the World Trade Organization, which went into effect in 2001, has had a significant effect on export growth from Vermont to China.



SOURCES

JOBS

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EXPORTS

U.S. Department of Commerce (<http://tse.export.gov>),
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Vermont Office of the Governor
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FOREIGN INVESTMENT

Organization for International Investment (<http://www.ofii.org>)
Plasan USA Website (<http://www.plasanusa.com/Site/Press%20Release.html>)
Vermont Office of the Governor
(<http://www.vermont.gov/tools/whatsnew2/index.php?topic=GovPressReleases&id=2074&v=Article>)

IMPORTS

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U.S. Department of Commerce (<http://www.bea.gov/bea/regional/gsp/>)

STANDARD OF LIVING

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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/>)
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TRADE LIBERALIZATION

U.S. Department of Commerce (<http://tse.export.gov>)
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