

## How California's Economy Benefits from International Trade & Investment



### Overview

With more than 95 percent of the world's population and 80 percent of the world's purchasing power outside the United States, future economic growth and jobs for California and America increasingly depend on expanding U.S. trade and investment opportunities in the global marketplace.

The following pages feature key facts and figures drawn from new Business Roundtable research, U.S. government data, and other data sources that demonstrate the benefits of international trade and investment to economic growth and jobs in California.

### Why is International Trade & Investment Important to California?

- **International trade, including exports and imports, supports 4,869,200 California jobs – more than 1 in 5.** These trade-related jobs grew 2.9 times faster than total employment from 2004 to 2014 and are at large and small companies, on farms, in factories, and at the headquarters of California's globally engaged firms. *(See California Jobs Depend On Two-Way Trade)*
- **California exported \$169.6 billion in goods and \$118.2 billion in services in 2014**, including aerospace products & parts, fruits & tree nuts, communications equipment and travel services. Of California's 75,175 exporters, 96 percent are small- and medium-sized companies with less than 500 workers. *(See California Businesses Grow With Exports)*
- **Customers in 227 countries and territories buy California-made goods and services**, including tens of billions of dollars in annual exports to top markets like Mexico, Canada and China. California's goods exports have grown more than 40 percent faster than state GDP since 2004. *(See California Companies Export Throughout The World)*
- **Imports lower prices and increase choices for California companies and families.** Lower raw material and input costs help California companies stay competitive in global markets, while families can stretch paychecks further as trade agreements reduce the cost of products by eliminating costly barriers to trade. *(See California Companies And Workers Use Imports To Compete)*
- **Free trade agreements (FTAs) have helped fuel rapid export growth from California to partner countries.** In 2014, \$70.3 billion of California's goods exports, or 41 percent, went to FTA partners. This represents a 59 percent increase since 2004. *(See California Needs Trade Agreements To Grow)*
- **Foreign-owned companies invest and build facilities and employ 631,500 workers in California.** *(See Foreign Investment In California Creates Jobs)*

## California Jobs Depend on Two-Way Trade



### Overview

Creating and preserving quality U.S. jobs is a goal shared by all Americans. With more than 95 percent of the world's population and 80 percent of the world's purchasing power outside of the United States, future American economic growth and job creation depend on open markets abroad.

### Trade Creates & Supports Jobs in California

- Export growth increases jobs by generating new business for California's manufacturers, service providers and farmers. Imports support jobs and keep costs low, helping California businesses compete and saving California families real dollars at the cash register.
- More than one in five California jobs depends upon international trade.
- California's trade-related employment grew 2.9 times faster than total employment from 2004 to 2014.
- Jobs in more export-intensive industries pay about 16 percent more than jobs in less export-intensive industries.
- U.S. exporting plants increase employment 2 to 4 percent faster annually than plants that do not export. Exporting plants also are less likely to go out of business.
- Trade-supported jobs are not just at companies that export and import. Trade supports higher wages for workers and lower costs for companies and consumers, providing them with more money to spend on other things. This spending supports additional jobs throughout the U.S. economy in sectors like entertainment, education and construction.

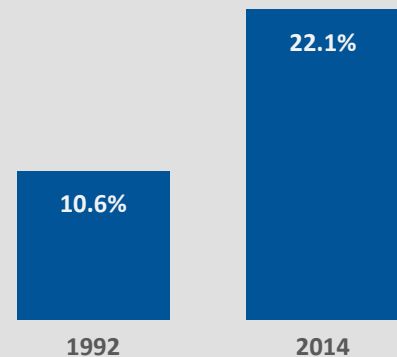
### By the Numbers

**4,869,200**

**Number of Jobs in California  
Supported by Trade**

#### Share of Jobs Tied to Trade

**Increased 108 percent from 1992 to 2014**



#### Jobs Tied to Trade Top Sectors, 2014

Retail	480,500
Professional, Scientific, Tech. Services	414,800
Management, Admin. Services	373,100
Real Estate, Rental Services	272,700
Finance, Insurance	223,100

## California Businesses Grow with Exports



### Overview

California exported an estimated \$169.6 billion in goods and \$118.2 billion in services in 2014. Between 2009 and 2014, California goods exports have increased by 44 percent and services exports by 41 percent. Large companies now account for 55 percent of the value of California's goods exports, with the rest provided by small- and medium-sized enterprises (SMEs).

### Small & Large Employers Partner to Export

In addition to exporting directly themselves, thousands of American SMEs export indirectly when they sell goods and services to large U.S. exporters. Based on their direct and indirect export activity combined, SMEs represent more than 40 percent of the value of U.S. exports.

### Top California Exports

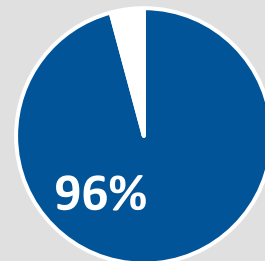
- California ranks among the top five state exporters in 74 industries, including first in fruits & tree nuts (\$10.7 billion), communications equipment (\$10.6 billion), navigational & measuring instruments (\$9.7 billion), and pharmaceuticals & medicines (\$7.1 billion).
- California is America's largest exporter of agricultural products. It is the largest exporter of tree nuts, vegetables and melons, miscellaneous noncitrus fruits, and grapes.
- California is the largest U.S. exporter of services. It is the top state exporter of travel services, film & television distribution, management & consulting services, and R&D and testing services.
- One of California's fastest growing export categories is dairy products, which have increased by 25 percent per year since 2004. In 2014, exports of these products reached \$2.7 billion.

### By the Numbers

**75,175**

**Number of California Businesses  
that Exported in 2013**

**Share of California Exporters that are  
Small- & Medium-Sized Businesses**



### Top California Exports, 2014

#### Goods

Aerospace Products & Parts	\$11.1 billion
Fruits & Tree Nuts	\$10.7 billion
Communications Equipment	\$10.6 billion
Computer Equipment	\$9.9 billion
Navigational & Meas. Instruments	\$9.7 billion

#### Services

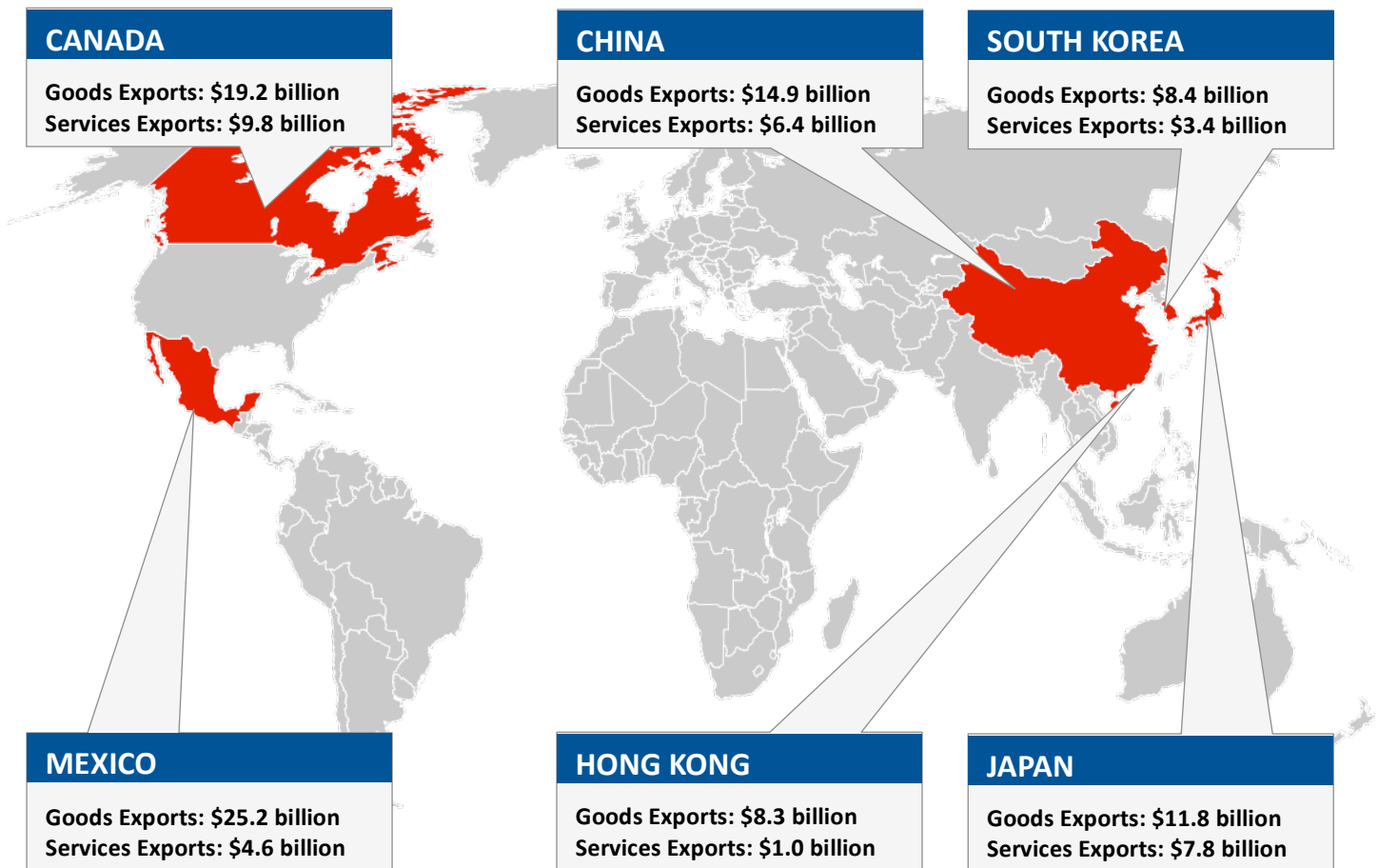
Travel	\$21.7 billion
Film & Television Distribution	\$11.4 billion
Computer Software	\$11.0 billion

## California Companies Export throughout the World



**In 2014, California companies sold their products in 227 countries and territories.**

**Top export markets include:**



### Fast Facts: How Exports Help the California Economy Grow

- Goods exports accounted for 7.4 percent of California's state GDP in 2014.
- California's goods exports have grown more than 40 percent faster than state GDP since 2004. The average annual export growth during this period was 5.1 percent, while the average annual state GDP growth was 3.5 percent.
- California's top export markets for goods are Mexico, Canada, and China. Its top market for services is the United Kingdom.
- California's goods exports to Chile have grown by 37 percent per year since 2004. Exports to India grew by 20 percent per year, while exports to Switzerland grew by 14 percent per year.

## California Companies & Workers Use Imports to Make Products and Compete in International Markets



### Overview

In 2014, 60 percent (\$1.3 trillion) of the products imported into the United States were inputs and components used by American producers. Lower cost inputs keep U.S. manufacturing competitive in international markets. Imports frequently contain components (like cotton or semiconductors) and services inputs (like design) provided by U.S. companies and farmers, including companies and farmers in California.

- Services, especially transportation from California's ports, finance and insurance, marketing and legal services are needed to bring imported goods to American manufacturers and households.
- In 2013, about 75 percent of identified U.S. importers were very small businesses with less than 20 employees.
- Trade and investment liberalization policies save the average California family of four more than \$10,000 per year.
- Imports help keep prices down for California families while increasing their choices for goods and services. Prices for imported consumer goods tend to drop year after year.

**In 2013, about 184,000 U.S. companies (including 57,258 in California) imported products...**

**And roughly three-quarters of U.S. importers were very small businesses with less than 20 employees.**

### Imports Decrease Prices for Goods & Services



**-87.0%**

Decrease in the Price of Televisions Between 2004 and 2014.



**-69.2%**

Decrease in the Price of Computers Between 2004 and 2014.



**-42.9%**

Decrease in the Price of Toys Between 2004 and 2014.

### Imports Increase Choices for Goods & Services



### Overview

The United States has some of the lowest trade barriers in the world. Overall U.S. trade with our free trade agreement (FTA) partner countries supports more than 17.7 million American jobs. Trade agreements level the playing field by lowering other nations' trade barriers, opening up foreign markets to U.S. exports and setting strong, enforceable rules for trade between the United States and those other countries. California has increased its exports to FTA partners following implementation of the U.S. FTAs with those countries.

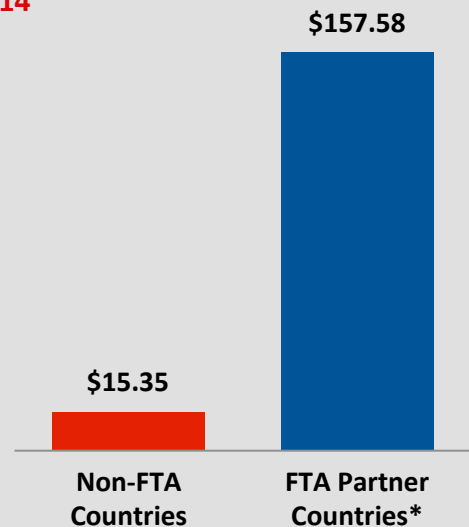
- In 2014, \$70.3 billion of California's goods exports, or 41 percent, went to FTA partners.
- Since 2004 California's goods exports to countries with FTAs in effect with the United States in 2014 have increased by 59 percent.
- California's exports to Canada and Mexico have increased by \$31.4 billion (243 percent) since NAFTA went into effect in 1994.
- California's exports to Chile have increased by 1,211 percent since the U.S.-Chile FTA took effect in 2004.
- California's exports to South Korea of aerospace products & parts have increased every year, from \$426 million to \$793 million, since the FTA with South Korea went into effect in 2012.
- Mexico bought 49 percent of California's exports of plastics products in 2014.
- Countries negotiating the Trans-Pacific Partnership (TPP) and Transatlantic Trade and Investment Partnership (TTIP) agreements purchased \$99.9 billion, or 59 percent, of California's goods exports in 2014.

### By the Numbers

# 59%

**Increase in California Goods Exports  
to FTA Partners Between 2004 and 2014**

### Per Capita Purchases of California Goods, 2014



*\* U.S. FTAs in effect with countries in 2014.*

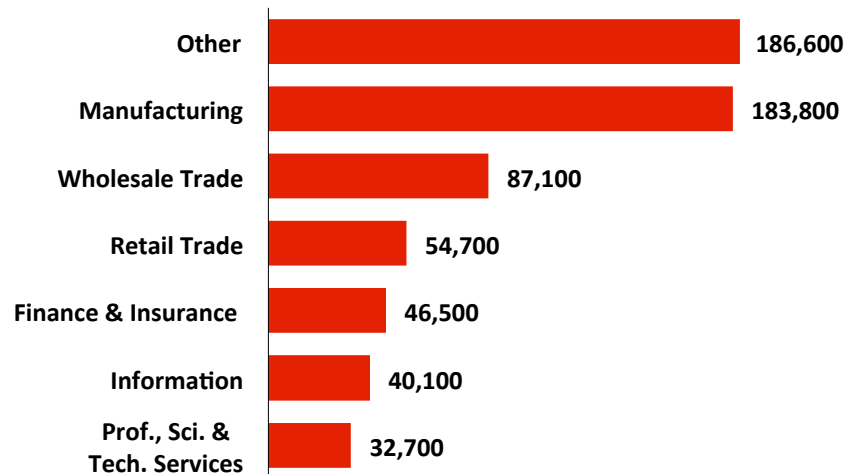
**In 2014, FTA partners purchased 10.3 times more goods per capita from California than non-FTA partners.**

### Overview

Foreign-owned companies invest significant amounts of capital to open or expand facilities in California every year. Foreign-owned companies from around the world employ hundreds of thousands of workers in California, including:

- 121,600 workers employed by companies based in Japan;
- 91,700 workers employed by companies based in the United Kingdom;
- 66,500 workers employed by companies based in Switzerland;
- 65,900 workers employed by companies based in France;
- 64,700 workers employed by companies based in Germany.

### Foreign-Owned Companies Employ 631,500 California Workers Across Many Industries



### Selected Foreign-Owned Companies Employing Workers in California

Company	Industry	Country
ABB Inc.	Electrical Equipment Manufacturing	Switzerland
Acrosser USA Inc.	Electronics Product Manufacturing	Taiwan
Burson-Marsteller	Business Services	United Kingdom
Gerdeau Reinforcing Steel West	Steel Manufacturing	Brazil
GKN Aerospace	Engineering Services	United Kingdom
Henkel Corporation	Chemical Product Manufacturing	Germany
Hyundai Motor America	Motor Vehicle Manufacturing	Korea
MDA Information Systems	Information Technology Services	Canada
PCL Construction	Construction	Canada
Schneider Electric	Electrical Equipment Manufacturing	France
Toyota Motor Company	Motor Vehicle Manufacturing	Japan
Trader Joe's	Food Retailing	Germany



### **CALIFORNIA JOBS DEPEND ON TWO-WAY TRADE**

**Jobs-Tied-to-Trade:** Baughman and Francois, “Trade and American Jobs, The Impact of Trade on U.S. and State-Level Employment: 2014 Update” (2016) (<http://businessroundtable.org/resources/trade-and-american-jobs-2016-update>)

**Exporting Firm Wages:** Riker, “Export-Intensive Industries Pay More on Average: An Update” (2015) (<https://www.usitc.gov/publications/332/ec201504a.pdf>)

**Exporting Firm Growth:** Bernard and Jensen, “Exporting and Productivity in the USA” (2004) (<http://faculty.tuck.dartmouth.edu/images/uploads/faculty/andrew-bernard/exprod.pdf>)

### **CALIFORNIA BUSINESSES GROW WITH EXPORTS**

**Small and Large Firms Partnering to Export** (for 2007, the most recent year for which data were available): U.S. International Trade Commission, *Small and Medium-Sized Enterprises: Characteristics and Performance*, November 2010, (<http://www.usitc.gov/publications/332/pub4189.pdf>)

**Exports, Rankings, and Trends:** The Trade Partnership, derived from U.S. Census Bureau (“Census”) data (<http://tradepartnership.com/data/cdxports-and-cdxjobs>)

**Exporting Company Information:** Census, “A Profile of U.S. Importing and Exporting Companies, 2012 – 2013” (<http://www.census.gov/foreign-trade/Press-Release/edb/2013>)

### **CALIFORNIA COMPANIES EXPORT THROUGHOUT THE WORLD**

**Exports, Rankings, and Trends:** The Trade Partnership (<http://tradepartnership.com/data/cdxports-and-cdxjobs>)

**Export vs. GDP Growth:** Derived from Census export data and U.S. Bureau of Economic Analysis (BEA) “GDP by State” database (<http://bea.gov/regional/index.htm>)

### **CALIFORNIA COMPANIES & WORKERS USE IMPORTS TO COMPETE IN INTERNATIONAL MARKETS**

**Importing Company Information:** Census, “A Profile of U.S. Importing and Exporting Companies, 2012 – 2013” (<http://www.census.gov/foreign-trade/Press-Release/edb/2013>)

**Imports as Components:** Derived from Census end-use import data

**Savings from Liberalization:** Bradford, Grieco, and Hufbauer, “The Payoff to America from Global Integration” (2005) (<http://www.piie.com/publications/papers/2iie3802.pdf>)

**Price Changes:** Derived from BLS Consumer Price Index database (<http://www.bls.gov/cpi/>)

### **CALIFORNIA NEEDS TRADE AGREEMENTS TO GROW**

**Exports and Trends:** The Trade Partnership (<http://tradepartnership.com/data/cdxports-and-cdxjobs>)

**Per Capita Purchases of California Goods:** Derived from The Trade Partnership (<http://tradepartnership.com/data/cdxports-and-cdxjobs>) and World Bank population estimates

**Jobs-Tied-to-FTAs:** U.S. Chamber of Commerce, “Opening Markets, Creating Jobs: Estimated U.S. Employment Effects of Trade with FTA Partners” (2010) ([http://tradepartnership.com/wp-content/uploads/2014/06/opening\\_markets\\_creating\\_jobs\\_USChamber.pdf](http://tradepartnership.com/wp-content/uploads/2014/06/opening_markets_creating_jobs_USChamber.pdf))

### **FOREIGN INVESTMENT IN CALIFORNIA CREATES JOBS**

**Employment Data:** BEA “Direct Investment & Multinational Companies” database ([http://bea.gov/iTable/index\\_MNC.cfm](http://bea.gov/iTable/index_MNC.cfm))

**Foreign Investors:** Uniworld BP database of “Foreign Firms Operating in the United States” (<http://www.uniworldbp.com>)