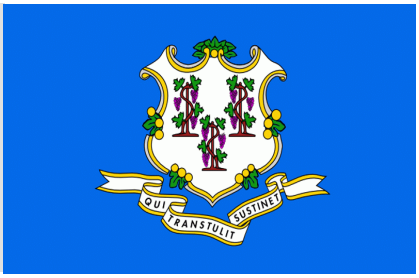
Business Roundtable

How Connecticut'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 Connecticut 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 Connecticut.

Why is International Trade & Investment Important to Connecticut?

- **International trade, including exports and imports, supports 430,700 Connecticut jobs – nearly one in five**. These trade-related jobs grew 5.6 times faster than total employment from 1992 to 2016 and are at large and small companies, on farms, in factories, and at the headquarters of Connecticut's globally engaged firms. *(See Connecticut Jobs Depend On Two-Way Trade)*

- **Connecticut exported $13.7 billion in goods and $10.6 billion in services in 2016**, including aerospace products & parts, navigational & measuring instruments, miscellaneous general purpose machinery and management & advisory services. Of Connecticut's 5,566 exporters, 89 percent are small- and medium-sized companies with less than 500 workers. (*See Connecticut Businesses Grow With Exports)*

- **Customers in 194 countries and territories buy Connecticut-made goods and services,** including billions of dollars in annual exports to top markets like Canada, France and Germany. Connecticut's goods exports have grown more than 80 percent faster than state GDP since 2006. *(See Connecticut Companies Export Throughout The World)*

- **Imports lower prices and increase choices for Connecticut companies and families.** Lower raw material and input costs help Connecticut 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 Connecticut Companies And Workers Use Imports To Compete)*

- **Free trade agreements (FTAs) have helped fuel rapid export growth from Connecticut to partner countries.** In 2016, $3.7 billion of Connecticut's goods exports, or 27 percent, went to FTA partners. *(See Connecticut Needs Trade Agreements To Grow)*

- **Foreign-owned companies invest and build facilities and employ 103,600 workers in Connecticut.** *(See Foreign Investment In Connecticut Creates Jobs)*

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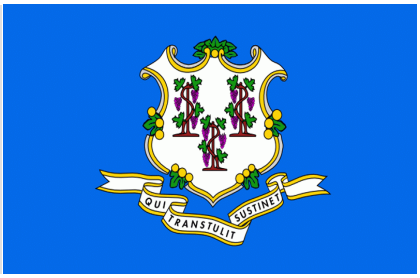
Connecticut Jobs Depend on Two-Way Trade



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 Connecticut

- Export growth increases jobs by generating new business for Connecticut's manufacturers, service providers and farmers. Imports support jobs and keep costs low, helping Connecticut businesses compete and saving Connecticut families real dollars at the cash register.
- Nearly one in five Connecticut jobs depends upon international trade.
- Connecticut's trade-related employment grew 5.6 times faster than total employment from 1992 to 2016.
- Jobs in export-dependent 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.

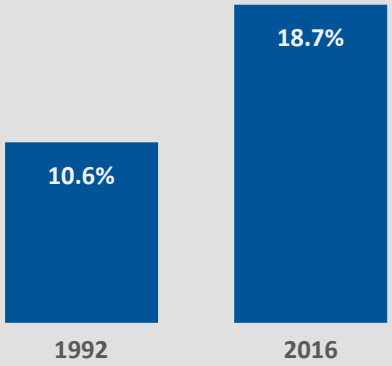
By the Numbers

430,700

Number of Jobs in Connecticut Supported by Trade

Share of Jobs Tied to Trade

Increased 76 percent from 1992 to 2016



Jobs Tied to Trade

Top Sectors, 2016

Trade & Distribution	82,200
Professional, Scientific, Tech. Services	72,800
Personal & Recreational Services	41,700
Finance, Insurance	28,100
Manufacturing	25,700

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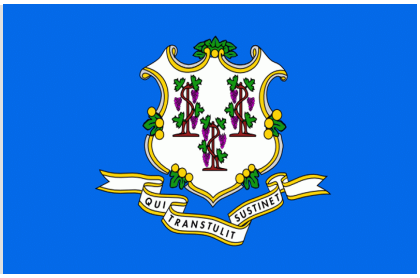
Connecticut Businesses Grow with Exports



Overview

Connecticut exported an estimated $13.7 billion in goods and $10.6 billion in services in 2016. Between 2006 and 2016, Connecticut goods exports have increased by 15 percent and services exports by 54 percent. Large companies now account for 74 percent of the value of Connecticut'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 Connecticut Exports

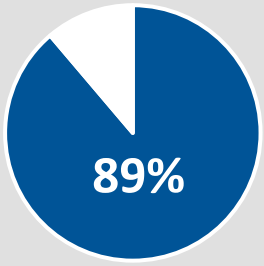
- Connecticut ranks among the top 15 state exporters in 15 industries, including sixth in aerospace products & parts ($6.1 billion), eighth in cutlery & handtools ($104 million), eighth in industrial machinery ($482 million), and 11th in tobacco products ($10 million).
- Connecticut is America's 46th largest exporter of agricultural products. It is the 20th largest exporter of aquaculture, the 28th largest exporter of fruits & tree nuts, the 35th largest exporter of poultry & eggs, and the 37th largest exporter of vegetables & melons.
- One of Connecticut's fastest growing export categories is hvac & refrigeration equipment, which have increased by 12 percent per year since 2006. In 2016, exports of these products reached $204 million.

By the Numbers

5,566

Number of Connecticut Businesses that Exported in 2015

Share of Connecticut Exporters that are Small- & Medium-Sized Businesses



Top Connecticut Exports, 2016

Goods

Aerospace Products & Parts	$6.1 billion
Navigational & Meas. Instruments	$736 million
Misc. General Purpose Machinery	$502 million
Industrial Machinery	$482 million
Misc. Fabricated Metal Products	$467 million

Services

Mgmt. & Advisory Services	$3.2 billion
Travel	$1.2 billion
R&D & Testing Services	$712 million

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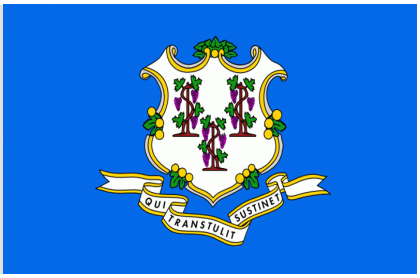
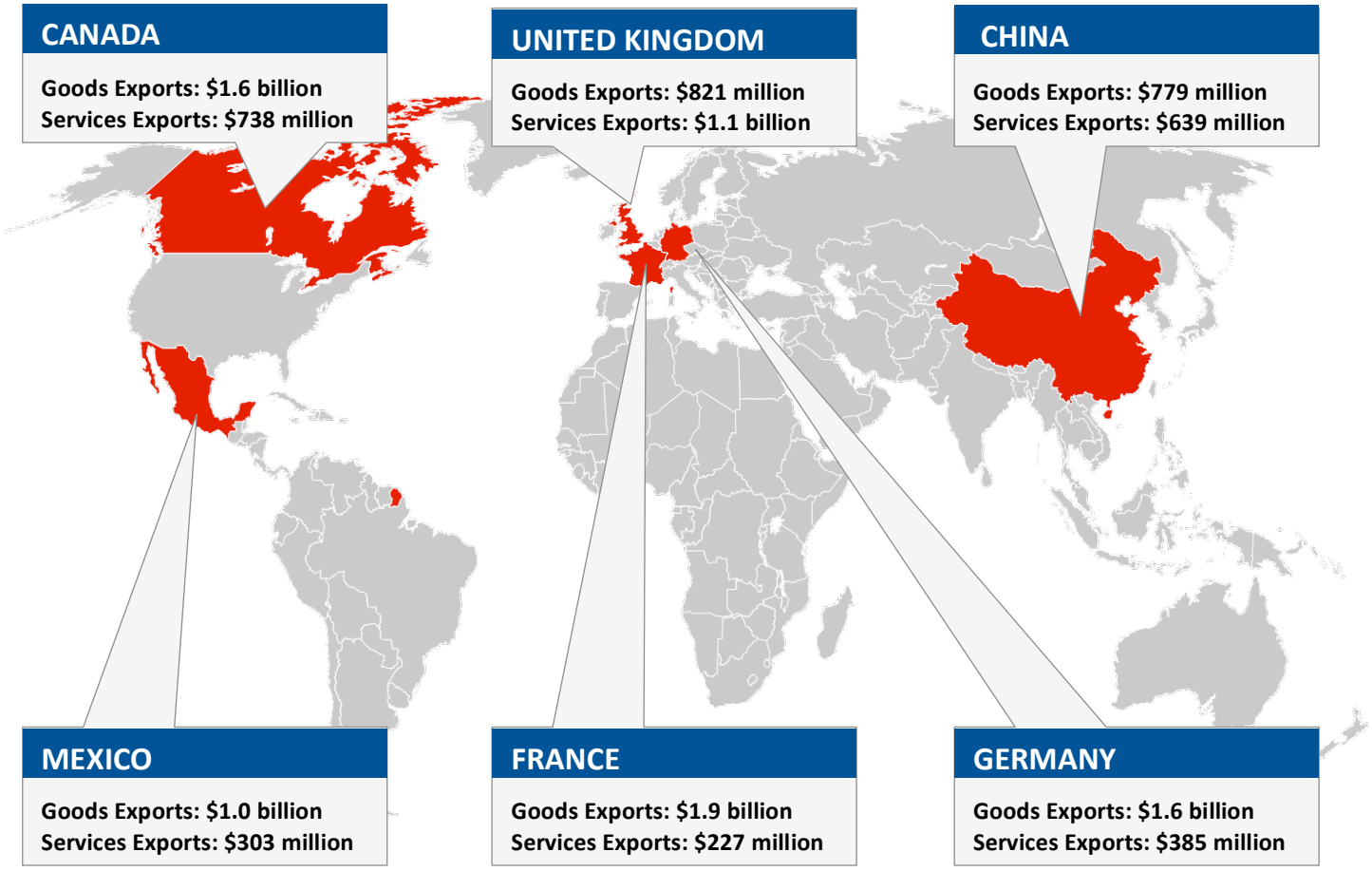
Connecticut Companies Export throughout the World



In 2016, Connecticut companies sold their products in 194 countries and territories.

Top export markets include:



CANADA
Goods Exports: $1.6 billion
Services Exports: $738 million

UNITED KINGDOM
Goods Exports: $821 million
Services Exports: $1.1 billion

CHINA
Goods Exports: $779 million
Services Exports: $639 million

MEXICO
Goods Exports: $1.0 billion
Services Exports: $303 million

FRANCE
Goods Exports: $1.9 billion
Services Exports: $227 million

GERMANY
Goods Exports: $1.6 billion
Services Exports: $385 million

Fast Facts: How Exports Help the Connecticut Economy Grow

- Goods and services exports accounted for 9.4 percent of Connecticut's state GDP in 2016.
- Connecticut's exports have grown more than 80 percent faster than state GDP since 2006. The average annual export growth during this period was 3.0 percent, while the average annual state GDP growth was 1.6 percent.
- Connecticut's top export markets for goods are France, Canada, and Germany. Its top market for services is the United Kingdom.
- Connecticut's goods exports to Czech Republic have grown by 15 percent per year since 2006, while Connecticut's services exports to China have grown by 17 percent per year.

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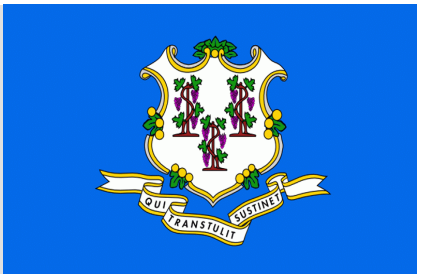
Connecticut Companies & Workers Use Imports to Make Products and Compete in International Markets



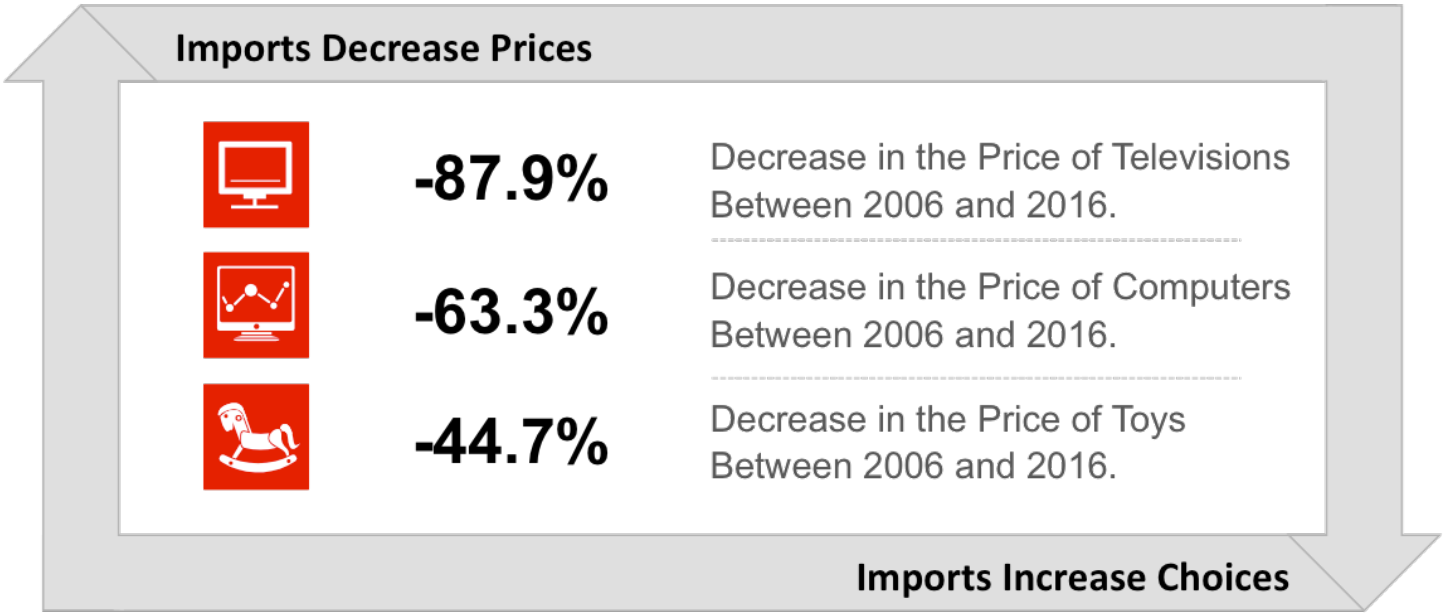
Overview

In 2016, 56 percent ($1.2 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 Connecticut.

- Services, especially transportation from Connecticut's ports, finance and insurance, marketing and legal services are needed to bring imported goods to American manufacturers and households.
- In 2015, 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 Connecticut family of four more than $10,000 per year.
- Imports help keep prices down for Connecticut families while increasing their choices for goods and services. Prices for imported consumer goods tend to drop year after year.

In 2015, about 197,000 U.S. companies (including 4,026 in Connecticut) imported products…

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



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Connecticut Needs Trade Agreements to Grow

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 millions of 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. Connecticut has increased its exports to FTA partners following implementation of the U.S. FTAs with those countries.

- In 2016, $3.7 billion of Connecticut's goods exports, or 27 percent, went to FTA partners.
- Since 2006, Connecticut's goods exports to countries with FTAs in effect with the United States in 2016 have decreased by 13 percent, due to a decline in aerospace exports.
- Connecticut's exports to Canada and Mexico have increased by $978 million (58 percent) since NAFTA went into effect in 1994.
- Connecticut's exports to the Dominican Republic have increased by 231 percent since the FTA with the Dominican Republic took effect in 2007.
- Connecticut's exports to Korea of electrical equipment have increased from $29 million to $81 million since the FTA with Korea went into effect in 2012.
- DR-CAFTA countries bought 16 percent of Connecticut's exports of medical equipment & supplies in 2016.
- In 2016, $2.2 billion of Connecticut's services exports, or 21 percent, went to FTA partners.
- Connecticut's exports to Australia of insurance services have increased from $9.1 million to $61 million, or by over 577 percent, since 2006 (earliest year available).

By the Numbers

-13%

Change in Connecticut Goods Exports to FTA Partners Between 2006 and 2016

Per Capita Purchases of Connecticut Goods, 2016

** U.S. FTAs in effect with countries in 2016.*

In 2016, FTA partners purchased 5.4 times more goods per capita from Connecticut than non-FTA partners.

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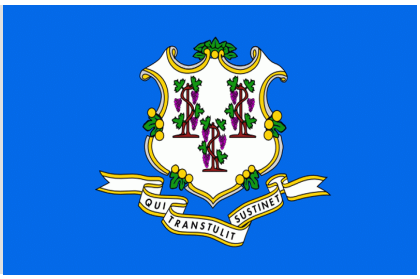
Foreign Investment in Connecticut Creates Jobs

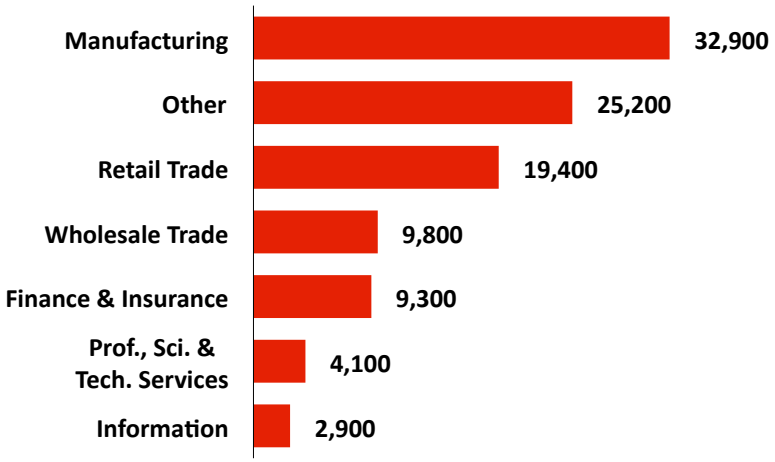


Overview

Foreign-owned companies invest significant amounts of capital to open or expand facilities in Connecticut every year. Foreign-owned companies from around the world employed more than 100,000 workers in Connecticut, including:

- 18,900 workers employed by companies based in the United Kingdom;
- 18,300 workers employed by companies based in the Netherlands;
- 12,400 workers employed by companies based in Germany;
- 7,700 workers employed by companies based in France;
- 7,400 workers employed by companies based in Switzerland.

Foreign-Owned Companies Employed 103,600 Connecticut Workers Across Many Industries, 2015



Selected Foreign-Owned Companies Employing Workers in Connecticut

Company	Industry	Country
ABB Inc.	Electrical Equipment Manufacturing	Switzerland
Acuren Group	Inspecting & Testing Services	Canada
Ernst & Young	Consulting Services	United Kingdom
Infosys Technology Ltd.	IT/Business Services	India
KPMG LLP	Consulting Services	Netherlands
Lego Systems, Inc.	Toy Manufacturing	Denmark
Nestle Waters North America	Beverages Manufacturing	France
Rexel	Electrical Equipment Manufacturing	France
Sims Metal Management	Metal Recycling Services	Australia
Solvay Chemicals	Chemicals Manufacturing	Belgium
Stantec, Inc.	Architecture, Engineering & Design Services	Canada
UBS Financial Services	Financial Services	Switzerland

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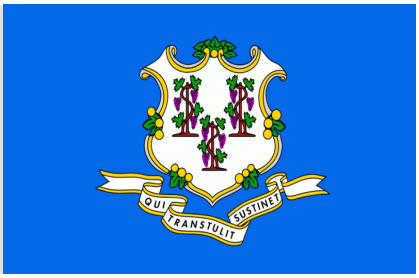
Data Sources



CONNECTICUT JOBS DEPEND ON TWO-WAY TRADE

Jobs-Tied-to-Trade: Baughman and Francois, "Terminating NAFTA: The National and State-by-State Impacts on Jobs, Exports and Output" (2018) (http://businessroundtable.org/media/news-releases/new-study-withdrawal-nafta-would-jeopardize-american-jobs-and-hurt-u.s.-economy)

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)

CONNECTICUT 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, 2014 – 2015" (https://www.census.gov/foreign-trade/Press-Release/edb/2015/)

CONNECTICUT 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)

CONNECTICUT COMPANIES & WORKERS USE IMPORTS TO COMPETE IN INTERNATIONAL MARKETS

Importing Company Information: Census, "A Profile of U.S. Importing and Exporting Companies, 2014 – 2015" (https://www.census.gov/foreign-trade/Press-Release/edb/2015/)

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/)

CONNECTICUT NEEDS TRADE AGREEMENTS TO GROW

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

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

FOREIGN INVESTMENT IN CONNECTICUT CREATES JOBS

Employment Data: BEA "Direct Investment & Multinational Companies" database (http://bea.gov/iTable/index_MNC.cfm)

Foreign Investors: Uniworld BP database of "Foreign Firms Operating in the United States" (http://www.uniworldbp.com)

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