

HOW ARIZONA'S ECONOMY BENEFITS FROM TRADE & INVESTMENT



Overview

With more than 96 percent of the world's population and 75 percent of its purchasing power outside the United States, economic recovery, jobs, and future growth for Arizona and America will depend on trade and investment. That includes reaching those customers with American goods and services through exports and expanding buying power and options for American companies and families with imports.

New Business Roundtable research, U.S. government data, and other data sources demonstrate the benefits of international trade and investment to jobs and the economy in Arizona. In 2020, the COVID-19 global pandemic has brought dual public health and economic crises. Meeting both challenges requires restoring trade and supporting trade-dependent jobs to help Arizona recover.

Trade Creates & Supports Jobs in Arizona

- **International trade, including exports and imports, supported 783,500 Arizona jobs – one in five in 2018.** These trade-related jobs grew three times faster than total employment from 1992 to 2018 and are at large and small companies, on farms, in factories, and at the headquarters of Arizona's globally engaged firms. A rebound in trade will help restore trade-related jobs lost during the pandemic in Arizona. *(See Arizona Jobs Depend On Two-Way Trade)*
- **Arizona exported \$22.1 billion in goods and \$13.2 billion in services in 2018,** including semiconductors and components, aerospace products and parts, metal ores and travel services. Of Arizona's 7,771 exporters, 87 percent are small- and medium-sized companies with less than 500 workers. *(See Arizona Businesses Grow With Exports)*
- **Customers in 202 countries and territories buy Arizona-made goods and services,** including billions of dollars in annual exports to top markets like Mexico, Canada and China. Arizona's goods exports have grown more than 40 percent faster than state GDP since 2009. Policies that help Arizona businesses, workers, and farmers once again reach the growing number of customers around the world can help lead an economic and jobs recovery. *(See Arizona Companies Export Throughout The World)*
- **Imports lower prices and increase choices for Arizona companies and families.** Lower raw material and input costs help Arizona 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 Arizona Companies and Families Benefit from Imports)*
- **Free trade agreements (FTAs) have helped fuel rapid export growth from Arizona to partner countries.** In 2018, \$11.8 billion of Arizona's goods exports, or 53 percent, went to FTA partners. This represents an increase of 58 percent since 2009. *(See Arizona Needs Trade Agreements To Grow)*
- **Foreign-owned companies invest and build facilities and employ 113,600 workers in Arizona.** *(See Foreign Investment In Arizona Creates Jobs)*



ARIZONA JOBS DEPEND ON TWO-WAY TRADE



Overview

Creating and preserving quality U.S. jobs is a goal shared by all Americans. With more than 96 percent of the world's population and 75 percent of the world's purchasing power outside of the United States, future American economic growth and job creation depend on open markets abroad. At the beginning of 2020, the COVID-19 global pandemic dramatically decreased trade, stopped economic growth and ended millions of jobs across America, including in Arizona. Policies that expand trade can create new job opportunities in Arizona and help it recover faster.

Trade Creates & Supports Jobs in Arizona

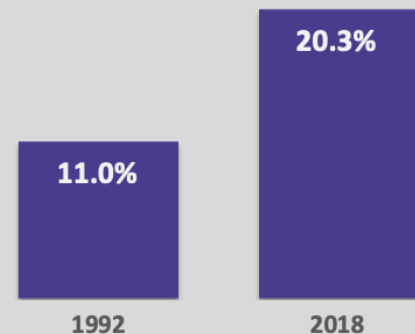
- Export growth increases jobs by generating new business for Arizona's manufacturers, services providers and farmers. Imports support jobs and keep costs low, helping Arizona businesses compete and saving Arizona families real dollars at the cash register.
- One in five Arizona jobs depends upon international trade.
- Arizona's trade-related employment grew three times faster than total employment from 1992 to 2018.
- 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

783,500

Number of Jobs in Arizona
Supported by Trade

Share of Jobs Tied to Trade
Increased 85 percent from 1992 to 2018



Jobs Tied to Trade Top Sectors, 2018

Trade & Distribution	185,800
Prof., Scient. & Tech. Services	144,300
Personal & Rec. Services	50,800
Construction	37,000
Finance	31,300



ARIZONA BUSINESSES GROW WITH EXPORTS



Overview

Arizona exported an estimated \$22.1 billion in goods and \$13.2 billion in services in 2018. Between 2009 and 2018, Arizona goods exports have increased by 60 percent and services exports by 71 percent. Large companies now account for 73 percent of the value of Arizona'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 Arizona Exports

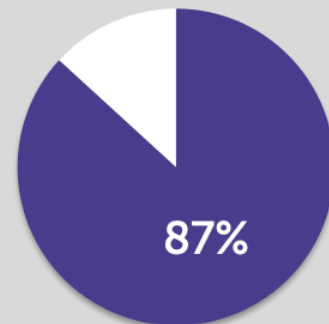
- Arizona ranks among the top five state exporters in six industries, including second in metal ores (\$1.3 billion), second in vegetables and melons (\$376 million), fourth in semiconductors and components (\$3.8 billion), and fourth in electrical equipment (\$871 million).
- Arizona is America's 21st largest exporter of agricultural products. It is the second largest exporter of vegetables and melons, the fifth largest exporter of fruits and tree nuts, the 10th largest exporter of miscellaneous crops, and the 11th largest exporter of greenhouse and nursery products.
- One of Arizona's fastest growing export categories is electrical equipment, which increased by 12 percent since 2009. In 2018, exports of these products reached \$871 million.

By the Numbers

7,771

Number of Arizona Businesses that Exported in 2018

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



Top Arizona Exports, 2018

Goods

Semiconductors & Components	\$3.8 billion
Aerospace Products & Parts	\$3.3 billion
Metal Ores	\$1.3 billion
Electrical Equipment & Components	\$1.2 billion
Navigational & Meas. Instruments	\$992 million

Services

Travel	\$4.1 billion
Passenger Fares	\$1.4 billion
Mgmt. & Consulting Services	\$1.2 billion

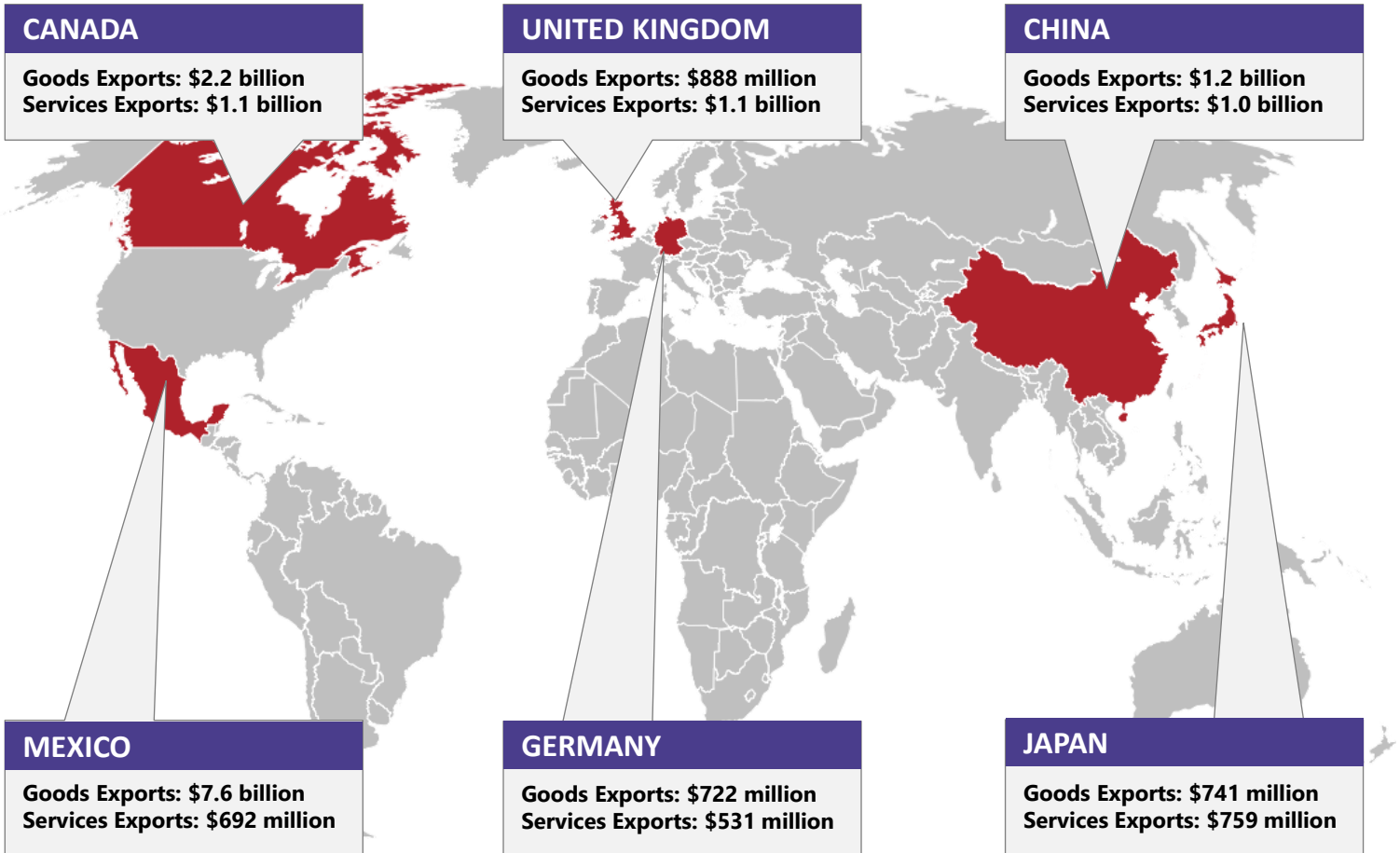


ARIZONA COMPANIES EXPORT THROUGHOUT THE WORLD



In 2018, Arizona companies sold their products in 202 countries and territories.

Top export markets include:



Fast Facts: How Exports Help the Arizona Economy Grow

- Goods and services exports accounted for 10.1 percent of Arizona's state GDP in 2018.
- Arizona's exports have grown more than 40 percent faster than state GDP since 2009. The average annual export growth during this period was 5.8 percent, while the average annual state GDP growth was 4.0 percent.
- Arizona's top export markets for goods are Mexico, Canada, and China. Its top market for services is the United Kingdom.
- Arizona's goods exports to Saudi Arabia have grown by 30 percent per year since 2009, while Arizona's services exports to China have grown by 16 percent per year.
- Restoring trade can help lead a jobs recovery when supported by policies that help Arizona businesses, workers, and farmers reach the growing number of customers around the world.



ARIZONA COMPANIES AND FAMILIES BENEFIT FROM IMPORTS



Overview

Imports provide a variety of benefits for Arizona companies and families. Imported consumer goods help keep prices down for Arizona families while increasing choices for foods and other products that are not available locally. Imported inputs help Arizona manufacturers compete in both the United States and international markets, while exported goods (e.g., components) and services (e.g., design) often return to the United States as imports. To best meet the COVID-19 challenges, trade policies should ensure that American families and businesses retain access to both domestic and international inputs, supplies and services they need at prices they can afford.

Arizona Families Benefit from Imports

- In 2018, 29 percent of Arizona's imports were consumer goods. Prices for imported consumer goods tend to drop year after year, leaving Arizona families more money to spend on locally provided goods and services, such as housing, education, and health care.
- Trade and investment liberalization policies save the average Arizona family of four more than \$10,000 per year through lower prices and increased specialization.

2008-2018 Price Decrease



-88% for Televisions



-63% for Computers



-45% for Toys

Most Importers are Small Businesses

- In 2018, 5,849 Arizona companies imported goods from 176 countries around the world.
- Nationally, 77 percent of importers were very small businesses with less than 20 employees, while less than 3 percent had over 500 employees.

Arizona Exports and Imports are Linked Through Global Value Chains

- In 2018, 71 percent of Arizona goods imports were raw materials, components and parts that are used by U.S. manufacturers to stay competitive.
- Many of Arizona's top imports are critical components for Arizona exports. Conversely, Arizona exports of raw materials and parts may return to the United States in imported finished goods.



Imports:
Jet engines and parts
(\$686M in 2018)



Exports:
Aerospace products
(\$2.5B in 2018)



ARIZONA NEEDS TRADE AGREEMENTS TO GROW



Overview

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. Arizona businesses, workers and farmers benefit from market-opening agreements, and would be harmed from new barriers to trade that limit exports, competitiveness, and jobs in Arizona and the United States.

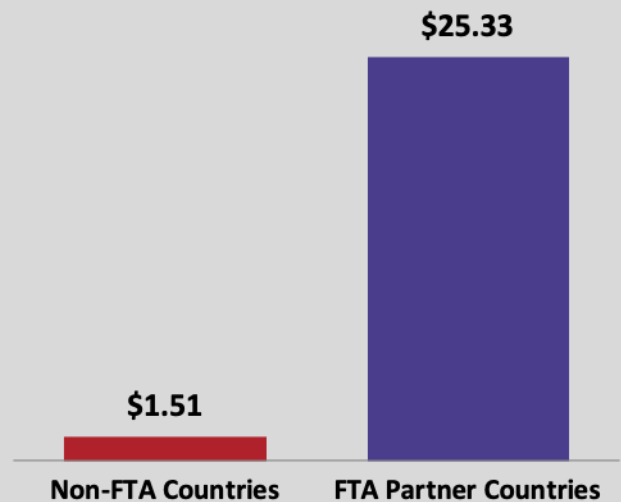
- In 2018, \$11.8 billion of Arizona's goods exports, or 53 percent, went to FTA partners.
- Since 2009, Arizona's goods exports to countries with FTAs in effect with the United States in 2018 have increased by 58 percent.
- Arizona's exports to Canada and Mexico have increased by \$7.4 billion (306 percent) since NAFTA went into effect in 1994.
- Arizona's exports to Panama have increased by 151 percent – from \$10 million to \$26 million – since the FTA with Panama took effect in 2012.
- Arizona's exports of navigational and measuring instruments to Singapore have increased from \$11 million to \$59 million since the FTA with Singapore went into effect in 2004.
- Mexico bought 96 percent of Arizona's exports of converted paper products in 2018.
- In 2018, \$3.4 billion of Arizona's services exports, or 26 percent, went to FTA partners.
- Arizona's exports to Korea of travel services have increased from \$87 million to \$172 million, or by 98 percent, since 2011.

By the Numbers

58%

Increase in Arizona Goods Exports to FTA Partners Between 2009 and 2018

Per Capita Purchases of Arizona Goods, 2018



* U.S. FTAs in effect with countries in 2018.

In 2018, FTA partners purchased 16.7 times more goods per capita from Arizona than non-FTA partners.



FOREIGN INVESTMENT IN ARIZONA CREATES JOBS



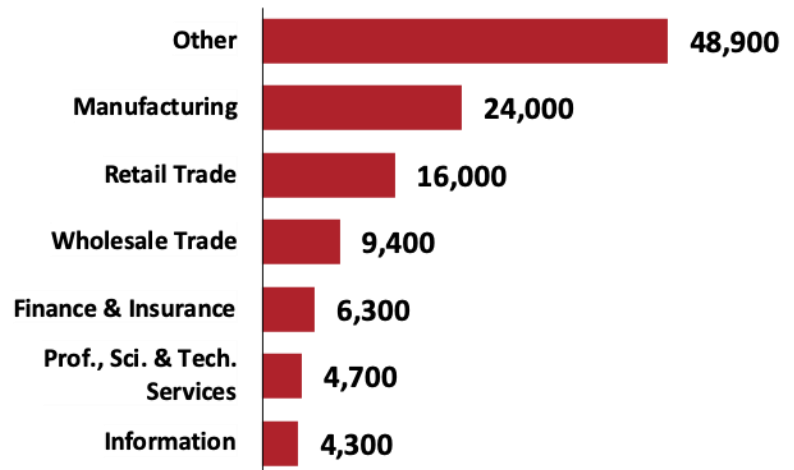
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Foreign-owned companies help grow the U.S. economy and jobs. In 2017, foreign-owned companies added over \$1 trillion to U.S. GDP, including goods exports of \$380 billion and R&D spending of over \$60 billion. They employed 7.4 million workers in the United States, including 2 million workers – or 1 out of every 6 – in the manufacturing sector.

Arizona is no exception. Foreign-owned companies make significant investments in Arizona to open or expand facilities every year and are important customers for local goods and services providers. Subsidiaries of foreign-owned companies alone employed more than 110,000 workers in Arizona in 2017, including:

- 18,200 workers employed by companies based in Canada;
- 17,600 workers employed by companies based in the United Kingdom;
- 11,300 workers employed by companies based in France;
- 10,100 workers employed by companies based in Japan;
- 9,500 workers employed by companies based in Germany.

Foreign-Owned Companies Employed 113,600 Arizona Workers Across Many Industries, 2017



Selected Foreign-Owned Companies Employing Workers in Arizona

Company	Industry	Country
BAE Systems Inc.	Defense/Security/Aerospace Services	United Kingdom
Cemex	Construction Materials Manufacturing	Mexico
Finetech Inc.	Industrial Equipment Manufacturing	Germany
Fujifilm Electronic Materials	Electronic Components Manufacturing	Japan
Novus Glass	Automotive Parts Manufacturing	Canada
Soitec Phoenix Labs	Semiconductor Manufacturing	France
Solvay Chemicals	Chemicals Manufacturing	Belgium
Toyota Motor Corporation	Research Services	Japan



DATA SOURCES



ARIZONA JOBS DEPEND ON TWO-WAY TRADE

Population and Purchasing Power: Derived from World Bank population and GDP estimates

Jobs-Tied-to-Trade: Baughman and Francois, "Trade and American Jobs: The Impact of Trade on U.S. and State-Level Employment" (2020) (https://s3.amazonaws.com/brt.org/Trade_and_American_Jobs_2020.pdf)

Exporting Firm Wages: Riker, "Export-Intensive Industries Pay More on Average: An Update" (2015) (<https://www.usitc.gov/publications/332/ec201704a.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>)

ARIZONA BUSINESSES GROW WITH EXPORTS

Small and Large Firms Partnering to Export (for 2006, 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, 2017 – 2018" (<https://www.census.gov/foreign-trade/Press-Release/edb/2018/>)

ARIZONA 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>)

ARIZONA COMPANIES USE IMPORTS TO MAKE COMPETITIVE PRODUCTS

Importing Company Information: Census, "A Profile of U.S. Importing and Exporting Companies, 2017 – 2018" (<https://www.census.gov/foreign-trade/Press-Release/edb/2018/>)

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/>)

ARIZONA NEEDS TRADE AGREEMENTS TO GROW

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

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

FOREIGN INVESTMENT IN ARIZONA 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>)

