

HOW CALIFORNIA'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 California 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 California. 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 California recover.

Trade Creates & Supports Jobs in California

- **International trade, including exports and imports, supported 4,874,300 California jobs – one in five in 2018.** These trade-related jobs grew four 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 California's globally engaged firms. A rebound in trade will help restore trade-related jobs lost during the pandemic in California. *(See California Jobs Depend On Two-Way Trade)*
- **California exported \$174 billion in goods and \$153 billion in services in 2018,** including semiconductors and components, computer equipment, fruits and tree nuts and travel services. Of California's 71,325 exporters, 95 percent are small- and medium-sized companies with less than 500 workers. *(See California Businesses Grow With Exports)*
- **Customers in 228 countries and territories buy California-made goods and services,** including billions of dollars in annual exports to top markets like Mexico, Canada and China. California's goods exports have grown about 10 percent faster than state GDP since 2009. Policies that help California businesses, workers, and farmers once again reach the growing number of customers around the world can help lead an economic and jobs recovery. *(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 Families Benefit from Imports)*
- **Free trade agreements (FTAs) have helped fuel rapid export growth from California to partner countries.** In 2018, \$72.7 billion of California's goods exports, or 42 percent, went to FTA partners. This represents an increase of 51 percent since 2009. *(See California Needs Trade Agreements To Grow)*
- **Foreign-owned companies invest and build facilities and employ 802,800 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 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 California. Policies that expand trade can create new job opportunities in California and help it recover faster.

Trade Creates & Supports Jobs in California

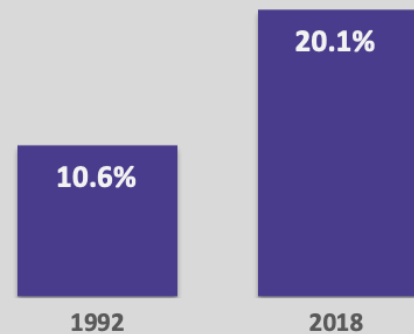
- Export growth increases jobs by generating new business for California's manufacturers, services providers and farmers. Imports support jobs and keep costs low, helping California businesses compete and saving California families real dollars at the cash register.
- One in five California jobs depends upon international trade.
- California's trade-related employment grew four 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

4,874,300

Number of Jobs in California Supported by Trade

Share of Jobs Tied to Trade Increased 90 percent from 1992 to 2018



Jobs Tied to Trade Top Sectors, 2018

Trade & Distribution	1,087,700
Prof., Scient. & Tech. Services	893,700
Personal & Rec. Services	396,600
Construction	205,000
Transportation & Warehousing	190,500



CALIFORNIA BUSINESSES GROW WITH EXPORTS



Overview

California exported an estimated \$174 billion in goods and \$153 billion in services in 2018. Between 2009 and 2018, California goods exports have increased by 48 percent and services exports by 80 percent. Large companies now account for 58 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

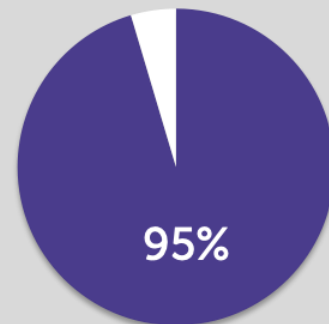
- California ranks among the top state exporters in 27 industries, including first in fruits and tree nuts (\$10.1 billion), in navigational and measuring instruments (\$9.5 billion), in communications equipment (\$8.8 billion), and in industrial machinery (\$8.1 billion).
- California is America's largest exporter of agricultural products. It is the largest exporter of fruits and tree nuts, the largest exporter of vegetables and melons, the second largest exporter of miscellaneous crops, and the second largest exporter of greenhouse and nursery products.
- One of California's fastest growing export categories is industrial machinery, which increased by 19 percent since 2009. In 2018, exports of these products reached \$8.1 billion.

By the Numbers

71,325

Number of California Businesses that Exported in 2018

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



Top California Exports, 2018

Goods

Semiconductors & Components	\$12.7 billion
Computer Equipment	\$10.7 billion
Fruits & Tree Nuts	\$10.1 billion
Misc. Manufactured Commodities	\$9.9 billion
Navigational & Meas. Instruments	\$9.5 billion

Services

Travel	\$28.2 billion
R&D & Testing Services	\$12.4 billion
Computer Software	\$11.6 billion

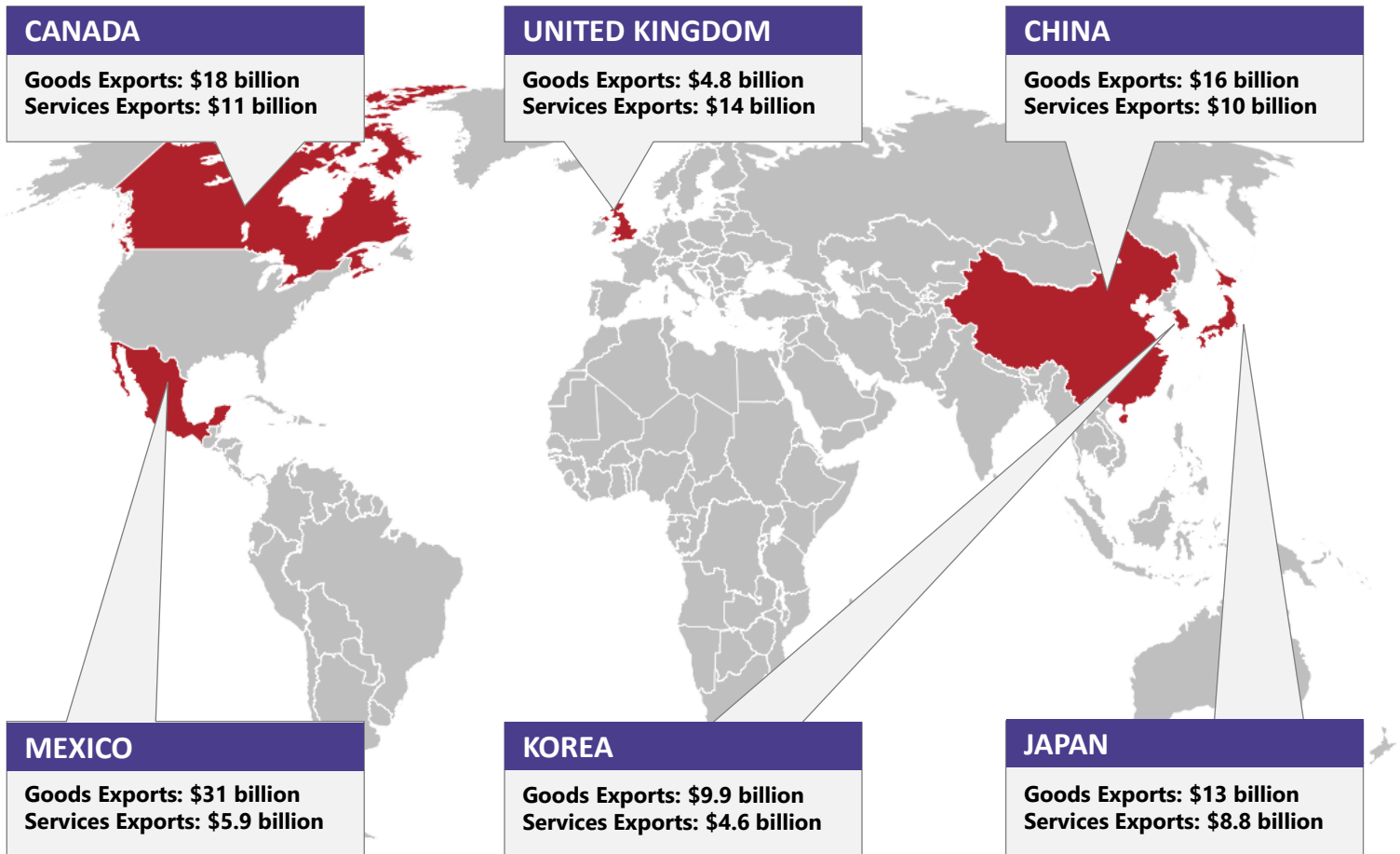


CALIFORNIA COMPANIES EXPORT THROUGHOUT THE WORLD



In 2018, California companies sold their products in 228 countries and territories.

Top export markets include:



Fast Facts: How Exports Help the California Economy Grow

- Goods and services exports accounted for 10.9 percent of California's state GDP in 2018.
- California's exports have grown about 10 percent faster than state GDP since 2009. The average annual export growth during this period was 5.6 percent, while the average annual state GDP growth was 5.1 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 Norway have grown by 22 percent per year since 2009, while California's services exports to China have grown by 15 percent per year.
- Restoring trade can help lead a jobs recovery when supported by policies that help California businesses, workers, and farmers reach the growing number of customers around the world.



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CALIFORNIA COMPANIES AND FAMILIES BENEFIT FROM IMPORTS



Overview

Imports provide a variety of benefits for California companies and families. Imported consumer goods help keep prices down for California families while increasing choices for foods and other products that are not available locally. Imported inputs help California 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.

California Families Benefit from Imports

- In 2018, 40 percent of California's imports were consumer goods. Prices for imported consumer goods tend to drop year after year, leaving California 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 California 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, 71,125 California companies imported goods from 223 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.

California Exports and Imports are Linked Through Global Value Chains

- In 2018, 60 percent of California goods imports were raw materials, components and parts that are used by U.S. manufacturers to stay competitive.
- Many of California's top imports are critical components for California exports. Conversely, California exports of raw materials and parts may return to the United States in imported finished goods.



Exports:
Semiconductor mfg. machinery
(\$7.5B in 2018)



Imports:
Integrated circuits
(\$13.8B in 2018)



CALIFORNIA 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. California 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 California and the United States.

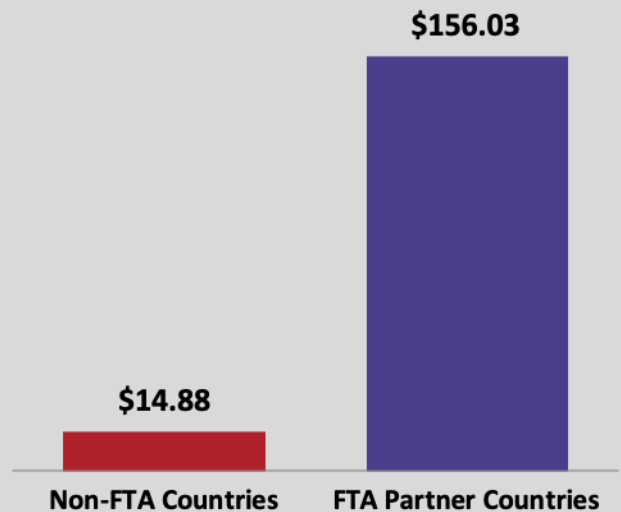
- In 2018, \$72.7 billion of California's goods exports, or 42 percent, went to FTA partners.
- Since 2009, California's goods exports to countries with FTAs in effect with the United States in 2018 have increased by 51 percent.
- California's exports to Canada and Mexico have increased by \$35.2 billion (273 percent) since NAFTA went into effect in 1994.
- California's exports to Nicaragua have increased by nearly 1,100 percent – from \$30 million to \$361 million – since the FTA with Nicaragua took effect in 2006.
- California's exports to Singapore of industrial machinery have increased from \$91 million to \$721 million since the FTA with Singapore went into effect in 2004.
- Of California's \$8.1 billion in industrial machinery exports to the world in 2018, Korea bought \$2.3 billion (28 percent).
- In 2018, \$36.2 billion of California's services exports, or 24 percent, went to FTA partners.
- California's exports to Australia of travel services have increased from \$425 million to \$1.25 billion, or by over 197 percent, since 2006 (earliest year available).

By the Numbers

51%

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

Per Capita Purchases of California Goods, 2018



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

In 2018, FTA partners purchased 10.5 times more goods per capita from California than non-FTA partners.



FOREIGN INVESTMENT IN CALIFORNIA CREATES JOBS



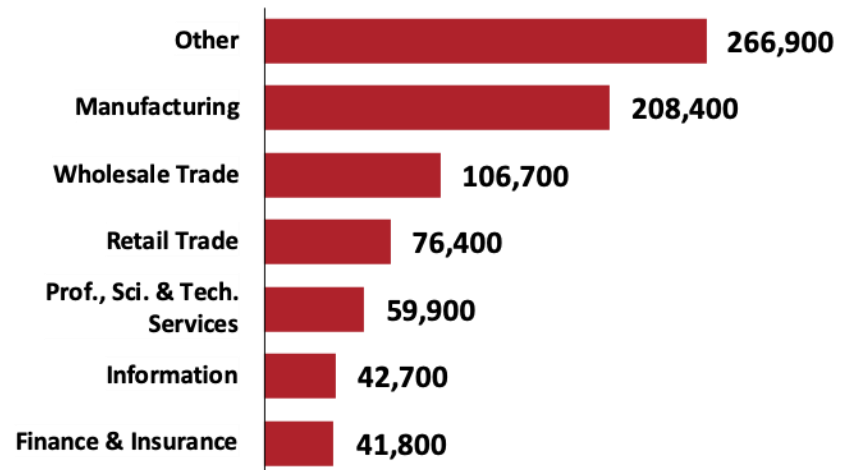
Overview

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.

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

- 118,600 workers employed by companies based in Japan;
- 112,900 workers employed by companies based in the United Kingdom;
- 90,100 workers employed by companies based in France;
- 79,400 workers employed by companies based in Germany;
- 61,300 workers employed by companies based in Canada.

Foreign-Owned Companies Employed 802,800 California Workers Across Many Industries, 2017



Selected Foreign-Owned Companies Employing Workers in California

Company	Industry	Country
ABB Inc.	Electrical Equipment Manufacturing	Switzerland
Airbus SE	Aerospace Manufacturing	France
Ernst & Young	Consulting Services	United Kingdom
Gerdau Ameristeel	Steel Manufacturing	Brazil
Henkel Corporation	Chemical Product Manufacturing	Germany
Solvay Chemicals	Chemicals Manufacturing	Belgium
Toyota Motor Company	Motor Vehicle Manufacturing	Japan
Trader Joe's	Food Retailing	Germany



DATA SOURCES



CALIFORNIA 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>)

CALIFORNIA 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/>)

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 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/>)

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

FOREIGN INVESTMENT IN CALIFORNIA 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>)

