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. As the United States and the world continue efforts to defeat the COVID-19 pandemic and create jobs and economic opportunity – restoring trade and supporting trade-dependent jobs can help California recover as well.

Trade Creates & Supports Jobs in California

- **International trade, including exports and imports, supported 5,082,600 California jobs – more than one in five in 2019.** These trade-related jobs grew four times faster than total employment from 1992 to 2019 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 $169 billion in goods and $162 billion in services in 2019**, including semiconductors and components, fruits and tree nuts, navigational and measurement instruments and personal travel and tourism services. Of California's 68,987 exporters, 95 percent are small- and medium-sized companies with less than 500 workers. (*See California Businesses Grow With Exports*)

- **Customers in 224 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 exports have grown 0.7 percent per year since 2010. 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 2019, $68 billion of California's goods exports, or 40 percent, went to FTA partners. This represents an increase of 20 percent since 2010. (*See California Needs Trade Agreements To Grow*)

- **Foreign-owned companies invest and build facilities and employ 843,900 workers in California.** (*See Foreign Investment In California Creates Jobs*)

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www.brt.org/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, disrupted communities and economies, and ended millions of jobs across America, including in California. As the U.S. economy recovers and more Americans seek opportunities to work, policies that expand trade can create new jobs 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.
- More than one in five California jobs depends upon international trade.
- California’s trade-related employment grew four times faster than total employment from 1992 to 2019.
- 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 supports more than 28 million U.S. jobs that provide middle class incomes.

About Trade & Jobs

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 not typically associated with “exports and imports.”

By the Numbers

5,082,600
Number of Jobs in California Supported by Trade

Share of Jobs Tied to Trade
Increased 95 percent from 1992 to 2019

<table>
<thead>
<tr>
<th>Year</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>10.6%</td>
</tr>
<tr>
<td>2019</td>
<td>20.7%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Industry</th>
<th>Jobs Tied to Trade</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business and professional services</td>
<td>1,154,500</td>
</tr>
<tr>
<td>Personal and recreational services</td>
<td>1,056,500</td>
</tr>
<tr>
<td>Education and health services</td>
<td>729,600</td>
</tr>
<tr>
<td>Wholesale and retail trade</td>
<td>582,500</td>
</tr>
<tr>
<td>Transportation and utilities</td>
<td>301,700</td>
</tr>
</tbody>
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Overview

California exported an estimated $169 billion in goods and $162 billion in services in 2019. Between 2010 and 2019, California goods exports have increased by 20 percent and services exports by 65 percent. Large companies now account for 59 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 is the top state exporter for 26 industries, including navigational and measurement instruments ($9.8 billion), communications equipment ($7.5 billion), industrial machinery ($6.8 billion), medical equipment and supplies ($6.0 billion), and numerous others.
- California is the top state exporter of agricultural products. It is the largest exporter of fruits and tree nuts and vegetables and melons and the second largest exporter of miscellaneous crops and greenhouse and nursery products.
- California is the top state exporter of about two-thirds of services sectors, including personal travel and tourism ($18.8 billion), R&D and testing services ($14.4 billion), business management and consulting services ($12.8 billion), and audio/visual services ($12.1 billion).
- One of California’s fastest growing export categories is magnetic and optical media, which increased by 857 percent since 2010. In 2019, exports of these products reached $1.4 billion.

By the Numbers

68,987
Number of California Businesses that Exported in 2018

95%
Share of California Exporters that Are Small- & Medium-Sized Businesses

Top California Exports, 2019

<table>
<thead>
<tr>
<th>Goods</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Semiconductors &amp; Components</td>
<td>$10.8 billion</td>
</tr>
<tr>
<td>Fruits &amp; Tree Nuts</td>
<td>$10.5 billion</td>
</tr>
<tr>
<td>Navigational &amp; Meas. Instruments</td>
<td>$9.8 billion</td>
</tr>
<tr>
<td>Misc. Manufactured Commodities</td>
<td>$9.5 billion</td>
</tr>
<tr>
<td>Aerospace Products &amp; Parts</td>
<td>$9.2 billion</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Services</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Travel &amp; Tourism</td>
<td>$18.8 billion</td>
</tr>
<tr>
<td>R&amp;D &amp; Testing Services</td>
<td>$14.4 billion</td>
</tr>
<tr>
<td>Business Mgmt. &amp; Consulting Services</td>
<td>$12.8 billion</td>
</tr>
</tbody>
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In 2019, California companies sold their products in 224 countries and territories.

Top export markets include:

- **Canada**: Goods Exports: $16.5 billion, Services Exports: $11.6 billion
- **United Kingdom**: Goods Exports: $4.6 billion, Services Exports: $14.6 billion
- **China**: Goods Exports: $15.4 billion, Services Exports: $10.2 billion
- **Mexico**: Goods Exports: $27.9 billion, Services Exports: $5.6 billion
- **Ireland**: Goods Exports: $1.0 billion, Services Exports: $14.1 billion
- **Japan**: Goods Exports: $11.7 billion, Services Exports: $10.0 billion

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

- Goods and services exports accounted for 10.6 percent of California's state GDP in 2019.
- California's annual exports grew 0.7 percent per year since 2010.
- 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 Belgium have grown by 18 percent per year since 2010, while California's services exports to Switzerland have grown by 12 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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Overview
Imports provide a variety of benefit 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 2019, 41 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.

Most Importers are Small Businesses
- In 2019, 71,311 California companies imported goods from 226 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 2019, 59 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.

2010-2019 Price Decrease
- -85% for Televisions
- -52% for Computers
- -51% for Toys

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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 United States.

- In 2019, $68 billion of California's goods exports, or 40 percent, went to FTA partners.
- Since 2010, California's goods exports to countries with FTAs in effect with the United States in 2019 have increased by 20 percent.
- California's exports to Canada and Mexico have increased by $31 billion (243 percent) since NAFTA went into effect in 1994.
- California's exports to Nicaragua have increased by 900 percent – from $30 million to $304 million – since the FTA with Nicaragua took effect in 2006.
- California's exports to Korea of navigational and measuring instruments have increased from $318 million to $650 million since the FTA with Korea went into effect in 2012.
- Mexico bought 70 percent – $2.0 billion out of $2.9 billion – of California's exports of motor vehicle parts in 2019.
- In 2019, $37.1 billion of California's services exports, or 23 percent, went to FTA partners.
- California's exports to Singapore of R&D and testing services have increased from $40 million to $2.0 billion, or by nearly 50 times, since 2006 (earliest year available).

By the Numbers

- 20% Increase in California Goods Exports to FTA Partners Between 2010 and 2019

Per Capita Purchases of California Goods, 2019

- $144.61
- $14.78

Non-FTA Countries  FTA Partner Countries

* U.S. FTAs in effect with countries in 2019.

In 2019, FTA partners purchased 9.8 times more goods per capita from California than non-FTA partners.

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Overview

Foreign-owned companies help grow the U.S. economy and jobs. In 2019, 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 2019, including:

- 126,000 workers employed by companies based in the United Kingdom;
- 124,700 workers employed by companies based in Japan;
- 86,100 workers employed by companies based in France;
- 85,300 workers employed by companies based in Germany;
- 73,100 workers employed by companies based in Canada.

Selected Foreign-Owned Companies Employing Workers in California

<table>
<thead>
<tr>
<th>Company</th>
<th>Industry</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>BASF Enzymes</td>
<td>Chemicals manufacturing</td>
<td>Germany</td>
</tr>
<tr>
<td>Infineon Technologies North America Corp.</td>
<td>Semiconductor manufacturing</td>
<td>Germany</td>
</tr>
<tr>
<td>Oldcastle Infrastructure</td>
<td>Building materials manufacturing</td>
<td>Ireland</td>
</tr>
<tr>
<td>Safran Cabin</td>
<td>Aircraft parts manufacturing</td>
<td>France</td>
</tr>
<tr>
<td>Solvay Cytec Engineered Materials, Inc.</td>
<td>Aerospace materials manufacturing</td>
<td>Belgium</td>
</tr>
<tr>
<td>Sony Pictures Entertainment</td>
<td>Motion picture and video production</td>
<td>Japan</td>
</tr>
<tr>
<td>Toyota Auto Body Company, Inc.</td>
<td>Auto parts and components manufacturing</td>
<td>Japan</td>
</tr>
<tr>
<td>Trader Joe’s</td>
<td>Food retailing</td>
<td>Germany</td>
</tr>
</tbody>
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CALIFORNIA JOBS DEPEND ON TWO-WAY TRADE

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


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)


CALIFORNIA COMPANIES EXPORT THROUGHOUT THE WORLD


CALIFORNIA COMPANIES USE IMPORTS TO MAKE COMPETITIVE PRODUCTS


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


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

CALIFORNIA NEEDS TRADE AGREEMENTS TO GROW


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)

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