

# HOW CONNECTICUT'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 Connecticut 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 Connecticut. 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 Connecticut recover.

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## Trade Creates & Supports Jobs in Connecticut

- **International trade, including exports and imports, supported 473,100 Connecticut jobs – one in five in 2018.** These trade-related jobs grew six 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 Connecticut's globally engaged firms. A rebound in trade will help restore trade-related jobs lost during the pandemic in Connecticut. *(See Connecticut Jobs Depend On Two-Way Trade)*
- **Connecticut exported \$16.4 billion in goods and \$10.7 billion in services in 2018,** including aerospace products and parts, navigational and measuring instruments, industrial machinery and management and advisory services. Of Connecticut's 5,736 exporters, 88 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 France, Canada and Germany. Connecticut's goods exports have grown nearly 90 percent faster than state GDP since 2009. Policies that help Connecticut businesses, workers, and farmers once again reach the growing number of customers around the world can help lead an economic and jobs recovery. *(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 Families Benefit from Imports)*
- **Free trade agreements (FTAs) have helped fuel rapid export growth from Connecticut to partner countries.** In 2018, \$4.3 billion of Connecticut's goods exports, or 26 percent, went to FTA partners. This represents an increase of 16 percent since 2009. *(See Connecticut Needs Trade Agreements To Grow)*
- **Foreign-owned companies invest and build facilities and employ 108,600 workers in Connecticut.** *(See Foreign Investment In Connecticut Creates Jobs)*



# 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 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 Connecticut. Policies that expand trade can create new job opportunities in Connecticut and help it recover faster.

## Trade Creates & Supports Jobs in Connecticut

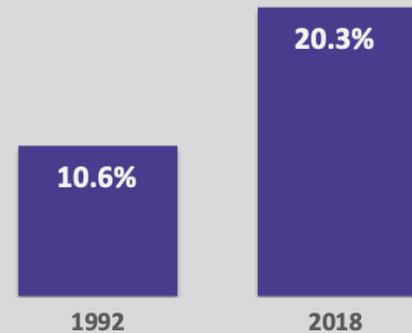
- Export growth increases jobs by generating new business for Connecticut's manufacturers, services providers and farmers. Imports support jobs and keep costs low, helping Connecticut businesses compete and saving Connecticut families real dollars at the cash register.
- One in five Connecticut jobs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

# 473,100

Number of Jobs in Connecticut Supported by Trade

**Share of Jobs Tied to Trade Increased 91 percent from 1992 to 2018**



## Jobs Tied to Trade Top Sectors, 2018

Trade & Distribution	98,300
Prof., Scient. & Tech. Services	78,300
Personal & Rec. Services	32,900
Finance	21,700
Construction	19,600



# CONNECTICUT BUSINESSES GROW WITH EXPORTS



## Overview

Connecticut exported an estimated \$16.4 billion in goods and \$10.7 billion in services in 2018. Between 2009 and 2018, Connecticut goods exports have increased by 30 percent and services exports by 34 percent. Large companies now account for 58 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

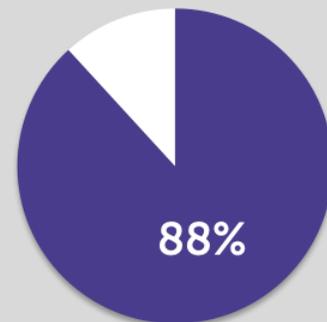
- Connecticut ranks among the top 15 state exporters in 13 industries, including seventh in aerospace products and parts (\$7.4 billion), seventh in industrial machinery (\$668 million), eighth in crowns, closures and seals (\$25 million), and ninth in HVAC and refrigeration equipment (\$306 million).
- Connecticut is America's 41st largest exporter of agricultural products. It is the 17th largest exporter of miscellaneous crops, the 19th largest exporter of poultry and eggs, the 23rd largest exporter of swine, and the 26th largest exporter of fruits and tree nuts.
- One of Connecticut's fastest growing export categories is industrial machinery, which increased by 26 percent since 2009. In 2018, exports of these products reached \$668 million.

## By the Numbers

5,736

Number of Connecticut Businesses that Exported in 2018

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



## Top Connecticut Exports, 2018

### Goods

Aerospace Products & Parts	\$7.4 billion
Navigational & Meas. Instruments	\$850 million
Industrial Machinery	\$668 million
Misc. General Purpose Machinery	\$572 million
Misc. Fabricated Metal Products	\$561 million

### Services

Mgmt. & Advisory Services	\$3.5 billion
Travel	\$1.2 billion
R&D & Testing Services	\$740 million

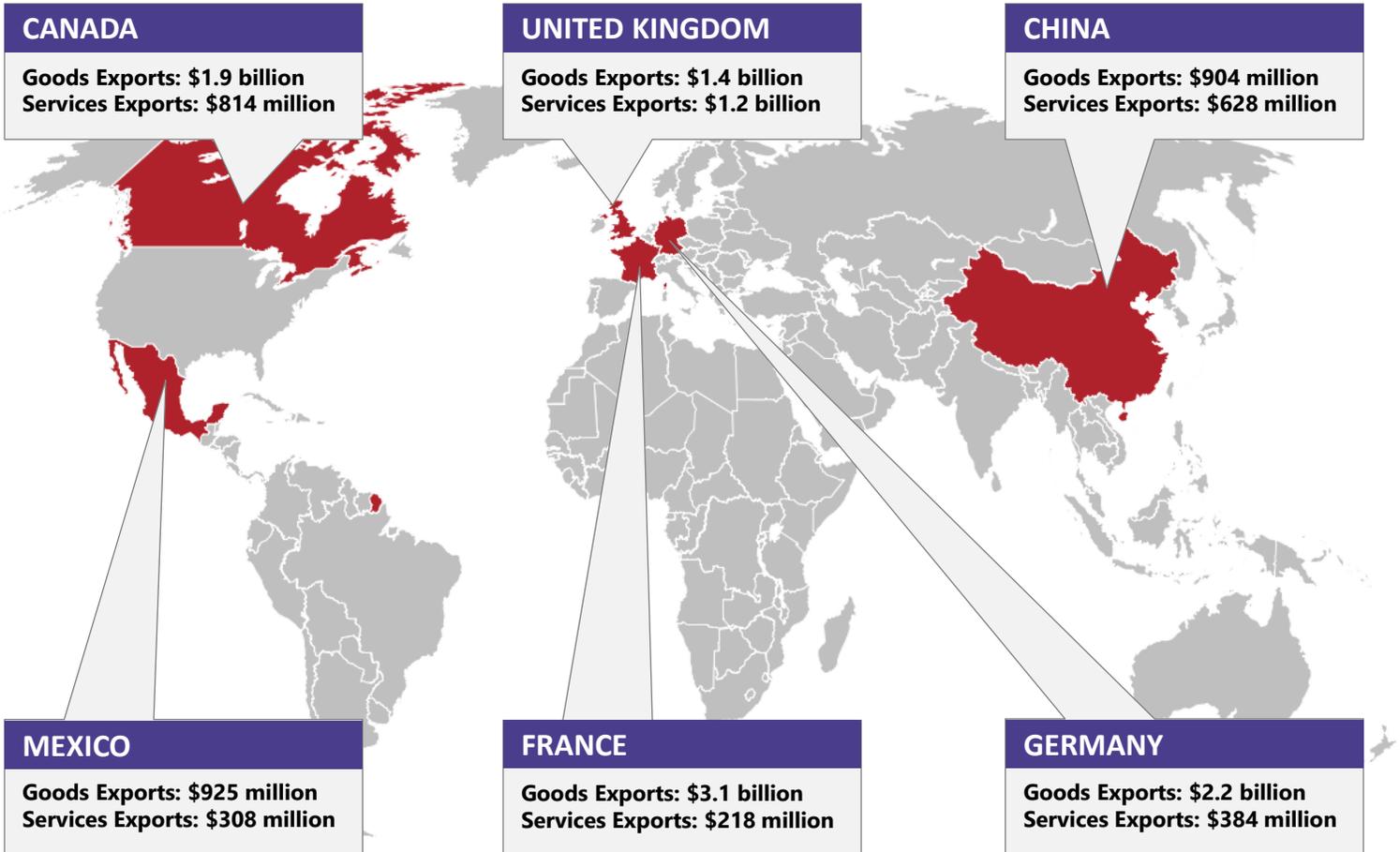


# CONNECTICUT COMPANIES EXPORT THROUGHOUT THE WORLD



In 2018, Connecticut companies sold their products in 194 countries and territories.

Top export markets include:



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

- Goods and services exports accounted for 9.8 percent of Connecticut's state GDP in 2018.
- Connecticut's exports have grown nearly 90 percent faster than state GDP since 2009. The average annual export growth during this period was 3.3 percent, while the average annual state GDP growth was 1.7 percent.
- Connecticut's top export markets for goods are France, Germany, and Canada. Its top market for services is the United Kingdom.
- Connecticut's goods exports to Israel have grown by 15 percent per year since 2009, while Connecticut's services exports to India have grown by 10 percent per year.
- Restoring trade can help lead a jobs recovery when supported by policies that help Connecticut businesses, workers, and farmers reach the growing number of customers around the world.



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# CONNECTICUT COMPANIES AND FAMILIES BENEFIT FROM IMPORTS



## Overview

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

## Connecticut Families Benefit from Imports

- In 2018, 29 percent of Connecticut's imports were consumer goods. Prices for imported consumer goods tend to drop year after year, leaving Connecticut 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 Connecticut 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, 4,383 Connecticut companies imported goods from 169 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.

## Connecticut Exports and Imports are Linked Through Global Value Chains

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



**Imports:**  
Jet engines and parts  
(\$966M in 2018)



**Exports:**  
Aerospace products  
(\$7B in 2018)



# CONNECTICUT 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. Connecticut 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 Connecticut and the United States.

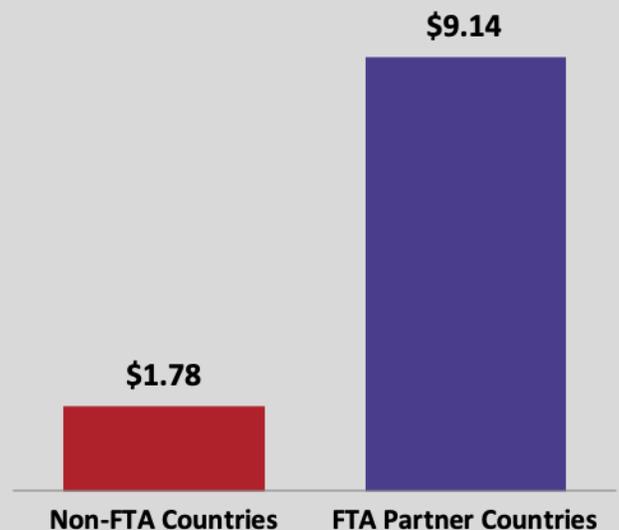
- In 2018, \$4.3 billion of Connecticut's goods exports, or 26 percent, went to FTA partners.
- Since 2009, Connecticut's goods exports to countries with FTAs in effect with the United States in 2018 have increased by 16 percent.
- Connecticut's exports to Canada and Mexico have increased by \$1.2 billion (69 percent) since NAFTA went into effect in 1994.
- Connecticut's exports to Chile have increased by 214 percent – from \$17 million to \$54 million – since the FTA with Chile took effect in 2004.
- Connecticut's exports to the Dominican Republic of medical equipment and supplies have increased from \$5 million to \$26 million since the FTA with the Dominican Republic went into effect in 2007.
- Canada bought 98 percent of Connecticut's exports of animal foods in 2018.
- In 2018, \$2.3 billion of Connecticut's services exports, or 22 percent, went to FTA partners.
- Connecticut's exports to Australia of financial management and advisory services have increased from \$43 million to \$109 million since 2006 (earliest year available).

## By the Numbers

16%

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

## Per Capita Purchases of Connecticut Goods, 2018



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

**In 2018, FTA partners purchased 5.1 times more goods per capita from Connecticut than non-FTA partners.**



# FOREIGN INVESTMENT IN CONNECTICUT CREATES JOBS



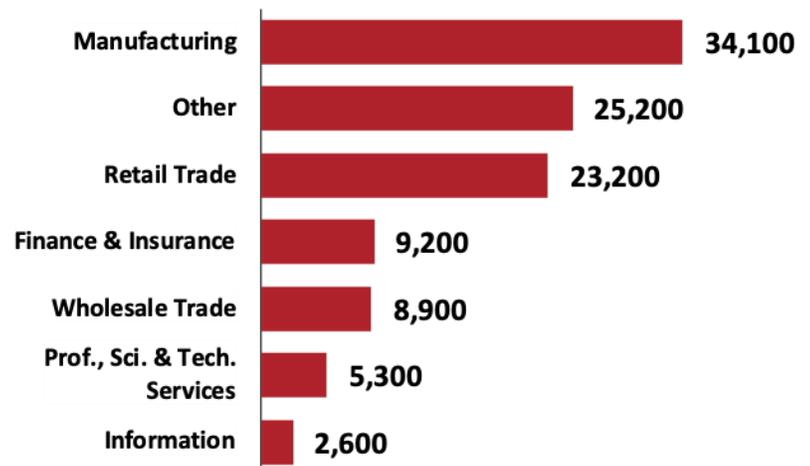
## Overview

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.

Connecticut is no exception. Foreign-owned companies make significant investments in Connecticut 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 100,000 workers in Connecticut in 2017, including:

- 20,000 workers employed by companies based in the United Kingdom;
- 17,900 workers employed by companies based in the Netherlands;
- 13,500 workers employed by companies based in Germany;
- 7,900 workers employed by companies based in Japan;
- 7,600 workers employed by companies based in France.

## Foreign-Owned Companies Employed 108,600 Connecticut Workers Across Many Industries, 2017



## Selected Foreign-Owned Companies Employing Workers in Connecticut

Company	Industry	Country
ABB Inc.	Electrical Equipment Manufacturing	Switzerland
Ernst & Young	Consulting Services	United Kingdom
Infosys Technology Ltd.	IT/Business Services	India
KPMG LLP	Consulting Services	Netherlands
Lego Systems, Inc.	Toy Manufacturing	Denmark
Solvay Chemicals	Chemicals Manufacturing	Belgium
Stantec, Inc.	Architecture, Engineering & Design Services	Canada
UBS Financial Services	Financial Services	Switzerland



# DATA SOURCES



## CONNECTICUT 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](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>)

## CONNECTICUT 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/>)

## 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 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/>)

## 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](http://bea.gov/iTable/index_MNC.cfm))

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

