HOW HAWAII’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 Hawaii 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 Hawaii. 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 Hawaii recover.

Trade Creates & Supports Jobs in Hawaii

• **International trade, including exports and imports, supported 200,900 Hawaii jobs – more than 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 Hawaii’s globally engaged firms. A rebound in trade will help restore trade-related jobs lost during the pandemic in Hawaii. *(See Hawaii Jobs Depend On Two-Way Trade)*

• **Hawaii exported $622 million in goods and $4.3 billion in services in 2018,** including petroleum and coal products, scrap products, aerospace products and parts and travel services. Of Hawaii’s 791 exporters, 87 percent are small- and medium-sized companies with less than 500 workers. *(See Hawaii Businesses Grow With Exports)*

• **Customers in 94 countries and territories buy Hawaii-made goods and services,** including billions of dollars in annual exports to top markets like China, Canada and Japan. Hawaii’s goods exports have grown nearly 50 percent faster than state GDP since 2009. Policies that help Hawaii businesses, workers, and farmers once again reach the growing number of customers around the world can help lead an economic and jobs recovery. *(See Hawaii Companies Export Throughout The World)*

• **Imports lower prices and increase choices for Hawaii companies and families.** Lower raw material and input costs help Hawaii 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 Hawaii Companies and Families Benefit from Imports)*

• **Free trade agreements (FTAs) have helped fuel rapid export growth from Hawaii to partner countries.** In 2018, $328 million of Hawaii’s goods exports, or 53 percent, went to FTA partners. This represents an increase of 30 percent since 2009. *(See Hawaii Needs Trade Agreements To Grow)*

• **Foreign-owned companies invest and build facilities and employ 37,300 workers in Hawaii.** *(See Foreign Investment In Hawaii Creates Jobs)*

Contact: Paul DeLaney, Business Roundtable: pdelaney@brt.org
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, stopped economic growth and ended millions of jobs across America, including in Hawaii. Policies that expand trade can create new job opportunities in Hawaii and help it recover faster.

Trade Creates & Supports Jobs in Hawaii

- Export growth increases jobs by generating new business for Hawaii’s manufacturers, services providers and farmers. Imports support jobs and keep costs low, helping Hawaii businesses compete and saving Hawaii families real dollars at the cash register.

- More than one in five Hawaii jobs depends upon international trade.

- Hawaii’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

200,900
Number of Jobs in Hawaii Supported by Trade

Share of Jobs Tied to Trade
Increased 89 percent from 1992 to 2018

Jobs Tied to Trade
Top Sectors, 2018

<table>
<thead>
<tr>
<th>Sector</th>
<th>Jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade &amp; Distribution</td>
<td>51,900</td>
</tr>
<tr>
<td>Prof., Scient. &amp; Tech. Services</td>
<td>28,900</td>
</tr>
<tr>
<td>Personal &amp; Rec. Services</td>
<td>12,900</td>
</tr>
<tr>
<td>Construction</td>
<td>8,300</td>
</tr>
<tr>
<td>Transportation &amp; Warehousing</td>
<td>6,700</td>
</tr>
</tbody>
</table>

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Overview
Hawaii exported an estimated $622 million in goods and $4.3 billion in services in 2018. Between 2009 and 2018, Hawaii goods exports have increased by 13 percent and services exports by 65 percent. Large companies now account for 34 percent of the value of Hawaii’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 Hawaii Exports
- Hawaii ranks among the top half of state exporters in five industries, including eighth in aquaculture ($2.5 million), 13th in fruits and tree nuts ($25 million), 14th in petroleum and coal products ($303 million), and 14th in marine products ($28 million).
- Hawaii is America’s 43rd largest exporter of agricultural products. It is the eighth largest exporter of aquaculture, the 13th largest exporter of fruits and tree nuts, the 24th largest exporter of miscellaneous animal products, and the 32nd largest exporter of greenhouse and nursery products.
- One of Hawaii’s fastest growing export categories is preserves and specialty foods, which increased by 24 percent since 2009. In 2018, exports of these products reached $7.1 million.

By the Numbers
791
Number of Hawaii Businesses that Exported in 2018

86%
Share of Hawaii Exporters that are Small- & Medium-Sized Businesses

Top Hawaii Exports, 2018
Goods
- Petroleum & Coal Products: $303 million
- Scrap Products: $79 million
- Aerospace Products & Parts: $50 million
- Marine Products: $28 million
- Fruits & Tree Nuts: $25 million

Services
- Travel: $2.4 billion
- Passenger Fares: $1.1 billion
- Air Freight & Port Services: $126 million

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In 2018, Hawaii companies sold their products in 94 countries and territories.

Top export markets include:

**CANADA**
- Goods Exports: $17 million
- Services Exports: $406 million

**UNITED KINGDOM**
- Goods Exports: $8.7 million
- Services Exports: $298 million

**CHINA**
- Goods Exports: $35 million
- Services Exports: $429 million

**MEXICO**
- Goods Exports: $0.8 million
- Services Exports: $337 million

**KOREA**
- Goods Exports: $233 million
- Services Exports: $129 million

**JAPAN**
- Goods Exports: $53 million
- Services Exports: $355 million

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

- Goods and services exports accounted for 5.2 percent of Hawaii’s state GDP in 2018.
- Hawaii’s exports have grown nearly 50 percent faster than state GDP since 2009. The average annual export growth during this period was 5.9 percent, while the average annual state GDP growth was 4.0 percent.
- Hawaii’s top export markets for goods are Korea, Singapore, and Malaysia. Its top market for services is China.
- Hawaii’s goods exports to Korea have grown by 88 percent per year since 2009, while Hawaii’s services exports to Argentina have grown by 13 percent per year.
- Restoring trade can help lead a jobs recovery when supported by policies that help Hawaii businesses, workers, and farmers reach the growing number of customers around the world.

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HAWAII COMPANIES AND FAMILIES BENEFIT FROM IMPORTS

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

Hawaii Families Benefit from Imports

- In 2018, 15 percent of Hawaii's imports were consumer goods. Prices for imported consumer goods tend to drop year after year, leaving Hawaii 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 Hawaii family of four more than $10,000 per year through lower prices and increased specialization.

Most Importers are Small Businesses

- In 2018, 2,447 Hawaii companies imported goods from 127 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.

Hawaii Exports and Imports are Linked Through Global Value Chains

- In 2018, 85 percent of Hawaii goods imports were raw materials, components and parts that are used by U.S. manufacturers to stay competitive.
- Many of Hawaii's top imports are critical components for Hawaii exports. Conversely, Hawaii exports of raw materials and parts may return to the United States in imported finished goods.

2008-2018 Price Decrease

-88% for Televisions
-63% for Computers
-45% for Toys

Imports:
Plastic bottles
($4.5M in 2018)

Exports:
Bottled water
($15M in 2018)

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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. Hawaii 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 Hawaii and the United States.

- In 2018, $328 million of Hawaii’s goods exports, or 53 percent, went to FTA partners.
- Since 2009, Hawaii’s goods exports to countries with FTAs in effect with the United States in 2018 have increased by 30 percent.
- Hawaii’s exports to Korea have increased by 144 percent – from $95 million to $233 million – since the FTA with Korea took effect in 2012.
- Hawaii exported no meat products to Korea before the FTA took effect in 2012, but has exported over $50 million in meat products since, including $12 million in 2018.
- In 2018, $1.3 billion of Hawaii’s services exports, or 32 percent, went to FTA partners.
- Hawaii’s exports to Australia of travel services have increased from $42 million to $106 million, or by 150 percent, since 2006 (earliest year available).

By the Numbers

30%
Increase in Hawaii Goods Exports to FTA Partners Between 2009 and 2018

Per Capita Purchases of Hawaii Goods, 2018

<table>
<thead>
<tr>
<th></th>
<th>Non-FTA Countries</th>
<th>FTA Partner Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount</td>
<td>$0.04</td>
<td>$0.70</td>
</tr>
</tbody>
</table>

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

In 2018, FTA partners purchased 16.3 times more goods per capita from Hawaii than non-FTA partners.

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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.

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

• 17,000 workers employed by companies based in Japan;
• 5,600 workers employed by companies based in France;
• 2,900 workers employed by companies based in the United Kingdom;
• 1,400 workers employed by companies based in Canada;
• 1,100 workers employed by companies based in Germany.

Selected Foreign-Owned Companies Employing Workers in Hawaii

<table>
<thead>
<tr>
<th>Company</th>
<th>Industry</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>7-Eleven Inc.</td>
<td>Retail Services</td>
<td>Japan</td>
</tr>
<tr>
<td>Adecco Staffing</td>
<td>Employment Services</td>
<td>Switzerland</td>
</tr>
<tr>
<td>First Hawaiian Bank</td>
<td>Financial Services</td>
<td>France</td>
</tr>
<tr>
<td>Four Seasons Resorts</td>
<td>Hotel Services</td>
<td>Canada</td>
</tr>
<tr>
<td>KPMG LLP</td>
<td>Consulting Services</td>
<td>Netherlands</td>
</tr>
<tr>
<td>Stantec, Inc.</td>
<td>Architecture, Engineering &amp; Design Services</td>
<td>Canada</td>
</tr>
<tr>
<td>Siemens Industry</td>
<td>Engineering Services</td>
<td>Germany</td>
</tr>
<tr>
<td>Willis North America</td>
<td>Insurance Services</td>
<td>United Kingdom</td>
</tr>
</tbody>
</table>

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DATA SOURCES

HAWAII JOBS DEPEND ON TWO-WAY TRADE

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


HAWAII 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)


HAWAII COMPANIES EXPORT THROUGHOUT THE WORLD


HAWAII 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/)

HAWAII NEEDS TRADE AGREEMENTS TO GROW


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

FOREIGN INVESTMENT IN HAWAII 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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