

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)*



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

Trade Creates & Supports Jobs in Hawaii

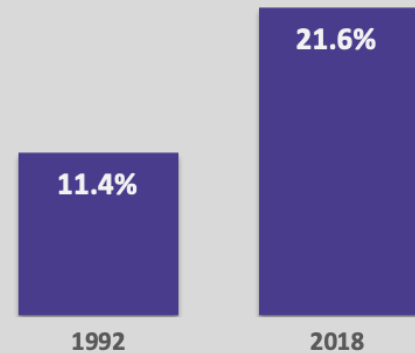
- Export growth increases jobs by generating new business for Hawaii's manufacturers, services providers and farmers. Imports support jobs and keep costs low, helping Hawaii businesses compete and saving Hawaii families real dollars at the cash register.
- More than one in five Hawaii jobs depends upon 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

Trade & Distribution	51,900
Prof., Scient. & Tech. Services	28,900
Personal & Rec. Services	12,900
Construction	8,300
Transportation & Warehousing	6,700



HAWAII BUSINESSES GROW WITH EXPORTS



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

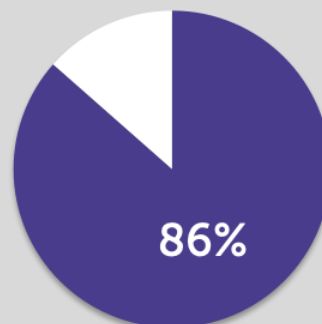
- Hawaii ranks among the top half of state exporters in five industries, including eighth in aquaculture (\$2.5 million), 13th in fruits and tree nuts (\$25 million), 14th in petroleum and coal products (\$303 million), and 14th in marine products (\$28 million).
- Hawaii is America's 43rd largest exporter 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

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

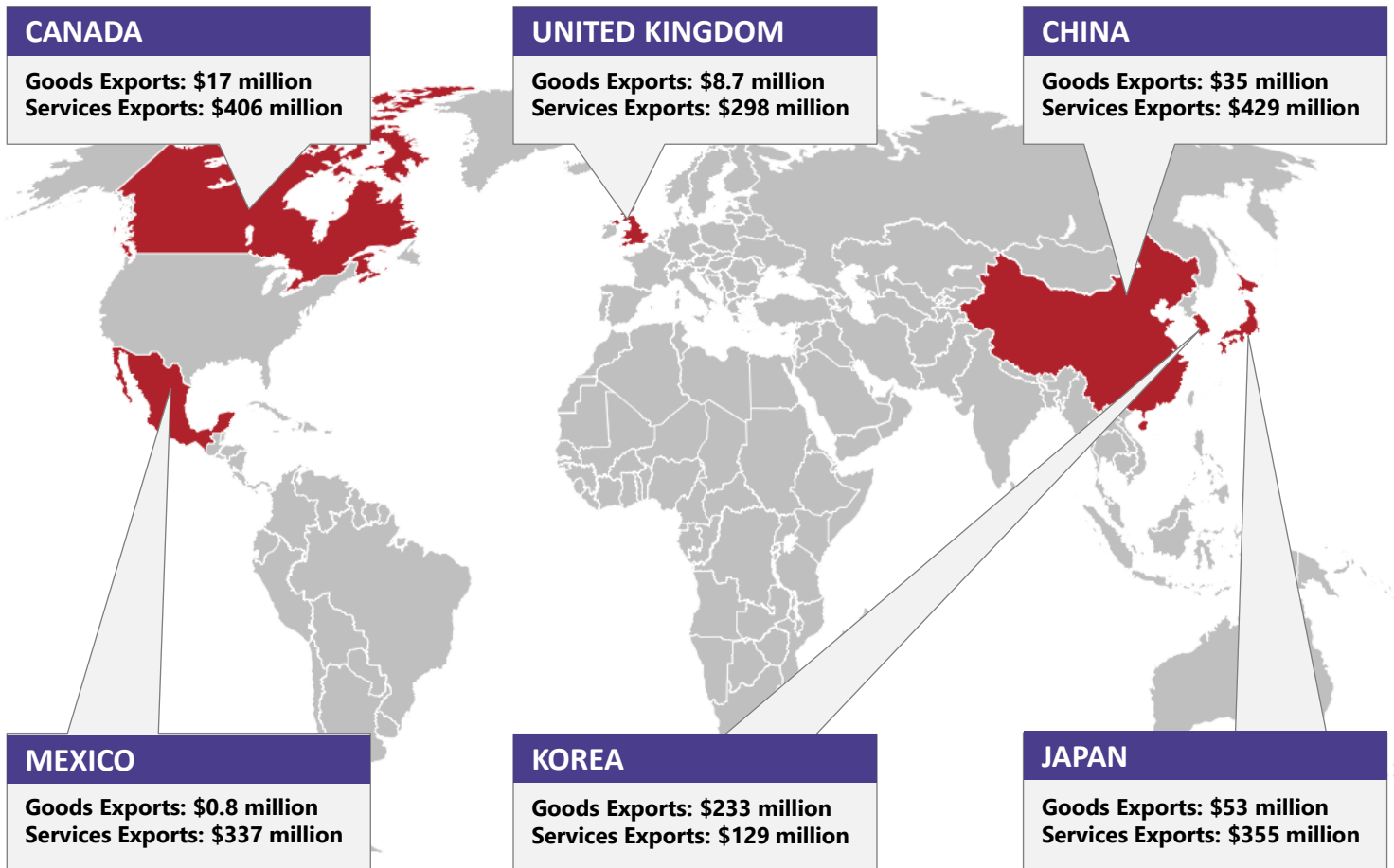


HAWAII COMPANIES EXPORT THROUGHOUT THE WORLD



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

Top export markets include:



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.



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.

2008-2018 Price Decrease



-88% for Televisions



-63% for Computers



-45% for Toys

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.



Imports:
Plastic bottles
(\$4.5M in 2018)



Exports:
Bottled water
(\$15M in 2018)



HAWAII 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. 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.
- Singapore bought 37 percent of Hawaii's exports of aerospace products and parts in 2018. Combined, FTA partners purchased over 60 percent - \$30 million out of \$50 million – of Hawaii's aerospace exports 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



FOREIGN INVESTMENT IN HAWAII CREATES JOBS



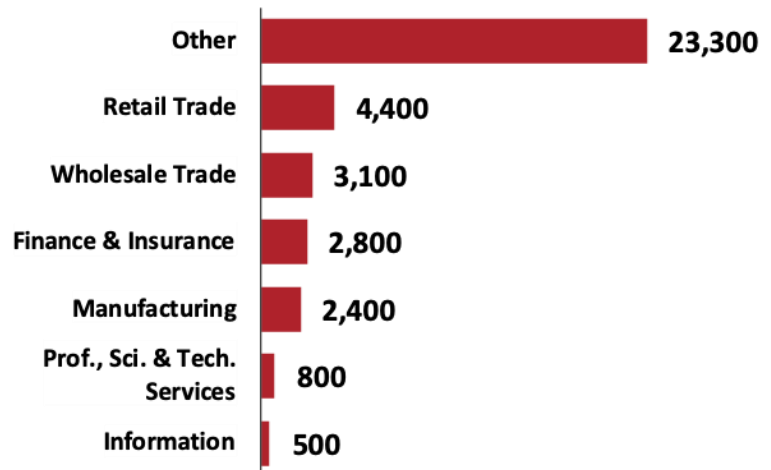
Overview

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.

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.

Foreign-Owned Companies Employed 37,300 Hawaii Workers Across Many Industries, 2017



Selected Foreign-Owned Companies Employing Workers in Hawaii

Company	Industry	Country
7-Eleven Inc.	Retail Services	Japan
Adecco Staffing	Employment Services	Switzerland
First Hawaiian Bank	Financial Services	France
Four Seasons Resorts	Hotel Services	Canada
KPMG LLP	Consulting Services	Netherlands
Stantec, Inc.	Architecture, Engineering & Design Services	Canada
Siemens Industry	Engineering Services	Germany
Willis North America	Insurance Services	United Kingdom



DATA SOURCES



HAWAII 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>)

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>)

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/>)

HAWAII 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>)

HAWAII 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/>)

HAWAII NEEDS TRADE AGREEMENTS TO GROW

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

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>)

