HOW MASSACHUSETTS' 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 Massachusetts 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 Massachusetts. 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 Massachusetts recover as well.

Trade Creates & Supports Jobs in Massachusetts

- **International trade, including exports and imports, supported 1,046,200 Massachusetts jobs – more than one in five in 2019.** These trade-related jobs grew five 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 Massachusetts’ globally engaged firms. A rebound in trade will help restore trade-related jobs lost during the pandemic in Massachusetts. (See Massachusetts Jobs Depend On Two-Way Trade)

- **Massachusetts exported $25.8 billion in goods and $35.3 billion in services in 2019,** including navigational and measurement instruments, nonferrous metal products, medical equipment and supplies and financial management and advisory services. Of Massachusetts’ 10,089 exporters, 88 percent are small- and medium-sized companies with less than 500 workers. (See Massachusetts Businesses Grow With Exports)

- **Customers in 205 countries and territories buy Massachusetts-made goods and services,** including billions of dollars in annual exports to top markets like United Kingdom, Canada and China. Massachusetts' exports have grown 0.6 percent per year since 2010. Policies that help Massachusetts businesses, workers, and farmers once again reach the growing number of customers around the world can help lead an economic and jobs recovery. (See Massachusetts Companies Export Throughout The World)

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

- **Free trade agreements (FTAs) have helped fuel rapid export growth from Massachusetts to partner countries.** In 2019, $7.5 billion of Massachusetts’ goods exports, or 29 percent, went to FTA partners. This represents an increase of 8 percent since 2010. (See Massachusetts Needs Trade Agreements To Grow)

- **Foreign-owned companies invest and build facilities and employ 234,100 workers in Massachusetts.** (See Foreign Investment In Massachusetts 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 Massachusetts. As the U.S. economy recovers and more Americans seek opportunities to work, policies that expand trade can create new jobs in Massachusetts and help it recover faster.

Trade Creates & Supports Jobs in MA

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

1,046,200
Number of Jobs in Massachusetts Supported by Trade

Share of Jobs Tied to Trade
Increased 110 percent from 1992 to 2019

Jobs Tied to Trade
Top Sectors, 2019

<table>
<thead>
<tr>
<th>Sector</th>
<th>Jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business and professional services</td>
<td>233,800</td>
</tr>
<tr>
<td>Education and health services</td>
<td>210,300</td>
</tr>
<tr>
<td>Personal and recreational services</td>
<td>188,500</td>
</tr>
<tr>
<td>Wholesale and retail trade</td>
<td>115,200</td>
</tr>
<tr>
<td>Finance and insurance</td>
<td>61,600</td>
</tr>
</tbody>
</table>

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Overview

Massachusetts exported an estimated $25.8 billion in goods and $35.3 billion in services in 2019. Between 2010 and 2019, Massachusetts goods exports have decreased by 1 percent, while services exports increased by 52 percent. Large companies now account for 62 percent of the value of Massachusetts’ 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 Massachusetts Exports

- Massachusetts ranks among the top 10 state exporters in 18 industries, including third in navigational and measurement instruments ($3.6 billion) and fourth in medical equipment and supplies ($2.5 billion), industrial machinery ($1.4 billion), and marine products ($337 million).
- Massachusetts ranks among the top 5 state exporters in numerous services sectors including third in financial management and advisory services ($5.8 billion), software distribution royalties ($3.8 billion), R&D and testing services ($3.8 billion), and education ($3.2 billion).
- One of Massachusetts' fastest growing export categories is electrical equipment and components, which increased by 146 percent since 2010. In 2019, exports of these products reached $807 million.

By the Numbers

10,089
Number of Massachusetts Businesses that Exported in 2018

Share of Massachusetts Exporters that Are Small- & Medium-Sized Businesses

88%

Top Massachusetts Exports, 2019

**Goods**

- Navigational & Meas. Instruments: $3.6 billion
- Nonferrous Metal Products: $2.7 billion
- Medical Equipment & Supplies: $2.5 billion
- Pharmaceuticals & Medicines: $1.8 billion
- Semiconductors & Components: $1.6 billion

**Services**

- Financial Mgmt. & Advisory Services: $5.8 billion
- Software Distribution Royalties: $3.8 billion
- R&D & Testing Services: $3.8 billion

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In 2019, Massachusetts companies sold their products in 205 countries and territories.

Top export markets include:

**Canada**
- Goods Exports: $2.9 billion
- Services Exports: $2.3 billion

**United Kingdom**
- Goods Exports: $2.7 billion
- Services Exports: $2.8 billion

**China**
- Goods Exports: $2.4 billion
- Services Exports: $2.4 billion

**Ireland**
- Goods Exports: $709 million
- Services Exports: $3.4 billion

**Switzerland**
- Goods Exports: $1.1 billion
- Services Exports: $2.2 billion

**Japan**
- Goods Exports: $1.5 billion
- Services Exports: $1.9 billion

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

- Goods and services exports accounted for 10.2 percent of Massachusetts' state GDP in 2019.
- Massachusetts' annual exports grew 0.6 percent per year since 2010.
- Massachusetts' top export markets for goods are Canada, the United Kingdom, and China. Its top market for services is Ireland.
- Massachusetts' goods exports to Austria have grown by 16 percent per year since 2010, while Massachusetts' services exports to China have grown by 13 percent per year.
- Restoring trade can help lead a jobs recovery when supported by policies that help Massachusetts businesses, workers, and farmers reach the growing number of customers around the world.

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

Massachusetts Families Benefit from Imports

- In 2019, 40 percent of Massachusetts’ imports were consumer goods. Prices for imported consumer goods tend to drop year after year, leaving Massachusetts 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 Massachusetts family of four more than $10,000 per year through lower prices and increased specialization.

Massachusetts Exports and Imports are Linked Through Global Value Chains

- In 2019, 60 percent of Massachusetts goods imports were raw materials, components and parts that are used by U.S. manufacturers to stay competitive.
- Many of Massachusetts’ top imports are critical components for Massachusetts exports. Conversely, Massachusetts exports of raw materials and parts may return to the United States in imported finished goods.

Most Importers are Small Businesses

- In 2019, 9,290 Massachusetts companies imported goods from 185 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.

2010-2019 Price Decrease

-85% for Televisions
-52% for Computers
-51% for Toys

Exports: Semiconductor mfg. machinery ($1.3B in 2019)
Imports: Integrated circuits ($1.6B in 2019)

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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. Massachusetts 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 Massachusetts and United States.

By the Numbers

In 2019, FTA partners purchased 5.9 times more goods per capita from Massachusetts than non-FTA partners.

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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.

Massachusetts is no exception. Foreign-owned companies make significant investments in Massachusetts 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 Massachusetts in 2019, including:

- 40,600 workers employed by companies based in the United Kingdom;
- 36,100 workers employed by companies based in the Netherlands;
- 28,200 workers employed by companies based in France;
- 25,600 workers employed by companies based in Japan;
- 23,500 workers employed by companies based in Canada.

Selected Foreign-Owned Companies Employing Workers in Massachusetts

<table>
<thead>
<tr>
<th>Company</th>
<th>Industry</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>BAE Systems, Inc.</td>
<td>Research and development services</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>Hancock Natural Resource Group (HQ)</td>
<td>Financial services</td>
<td>Canada</td>
</tr>
<tr>
<td>Oldcastle Infrastructure</td>
<td>Building materials manufacturing</td>
<td>Ireland</td>
</tr>
<tr>
<td>Rousselot Inc.</td>
<td>Food products manufacturing</td>
<td>Netherlands</td>
</tr>
<tr>
<td>Sanofi (HQ)</td>
<td>Pharmaceutical manufacturing</td>
<td>France</td>
</tr>
<tr>
<td>TD Bank</td>
<td>Financial services</td>
<td>Canada</td>
</tr>
<tr>
<td>The Hanover Insurance Group, Inc. (HQ)</td>
<td>Insurance services</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>Trader Joe's</td>
<td>Food retailing</td>
<td>Germany</td>
</tr>
</tbody>
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MASSACHUSETTS JOBS DEPEND ON TWO-WAY TRADE

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


MASSACHUSETTS 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)


MASSACHUSETTS COMPANIES EXPORT THROUGHOUT THE WORLD


MASSACHUSETTS 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/)

MASSACHUSETTS NEEDS TRADE AGREEMENTS TO GROW


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

FOREIGN INVESTMENT IN MASSACHUSETTS 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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