

HOW PENNSYLVANIA'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 Pennsylvania 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 Pennsylvania. 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 Pennsylvania recover.

Trade Creates & Supports Jobs in Pennsylvania

- **International trade, including exports and imports, supported 1,577,900 Pennsylvania 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 Pennsylvania's globally engaged firms. A rebound in trade will help restore trade-related jobs lost during the pandemic in Pennsylvania. *(See Pennsylvania Jobs Depend On Two-Way Trade)*
- **Pennsylvania exported \$41.0 billion in goods and \$22.9 billion in services in 2018,** including pharmaceuticals and medicines, coal and petroleum gases, basic chemicals and travel services. Of Pennsylvania's 15,762 exporters, 89 percent are small- and medium-sized companies with less than 500 workers. *(See Pennsylvania Businesses Grow With Exports)*
- **Customers in 219 countries and territories buy Pennsylvania-made goods and services,** including billions of dollars in annual exports to top markets like Canada, Mexico and the United Kingdom. Pennsylvania's goods exports have grown more than 30 percent faster than state GDP since 2009. Policies that help Pennsylvania businesses, workers, and farmers once again reach the growing number of customers around the world can help lead an economic and jobs recovery. *(See Pennsylvania Companies Export Throughout The World)*
- **Imports lower prices and increase choices for Pennsylvania companies and families.** Lower raw material and input costs help Pennsylvania 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 Pennsylvania Companies and Families Benefit from Imports)*
- **Free trade agreements (FTAs) have helped fuel rapid export growth from Pennsylvania to partner countries.** In 2018, \$18.6 billion of Pennsylvania's goods exports, or 45 percent, went to FTA partners. This represents an increase of 39 percent since 2009. *(See Pennsylvania Needs Trade Agreements To Grow)*
- **Foreign-owned companies invest and build facilities and employ 309,200 workers in Pennsylvania.** *(See Foreign Investment In Pennsylvania Creates Jobs)*



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

Trade Creates & Supports Jobs in Pennsylvania

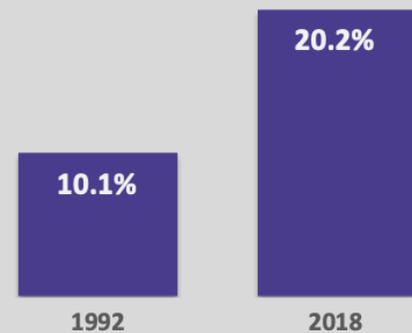
- Export growth increases jobs by generating new business for Pennsylvania's manufacturers, services providers and farmers. Imports support jobs and keep costs low, helping Pennsylvania businesses compete and saving Pennsylvania families real dollars at the cash register.
- One in five Pennsylvania jobs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

1,577,900

Number of Jobs in Pennsylvania Supported by Trade

Share of Jobs Tied to Trade Increased 100 percent from 1992 to 2018



Jobs Tied to Trade Top Sectors, 2018

Trade & Distribution	347,200
Prof., Scient. & Tech. Services	243,000
Personal & Rec. Services	94,500
Construction	67,800
Transportation & Warehousing	59,200



PENNSYLVANIA BUSINESSES GROW WITH EXPORTS



Overview

Pennsylvania exported an estimated \$41.0 billion in goods and \$22.9 billion in services in 2018. Between 2009 and 2018, Pennsylvania goods exports have increased by 46 percent and services exports by 46 percent. Large companies now account for 66 percent of the value of Pennsylvania'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 Pennsylvania Exports

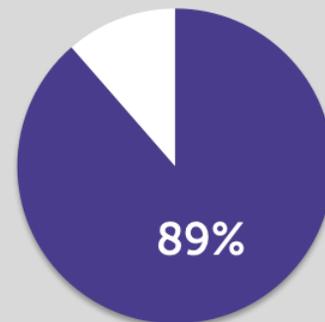
- Pennsylvania ranks among the top state exporters in five industries, including first in miscellaneous transportation equipment (\$892 million), in sugar and confectionery products (\$599 million), in sawmill and wood products (\$374 million), and in foundry products (\$149 million).
- Pennsylvania is America's 31st largest exporter of agricultural products. It is the fifth largest exporter of cattle, the sixth largest exporter of greenhouse and nursery products, the ninth largest exporter of poultry and eggs, and the 10th largest exporter of miscellaneous animal products.
- One of Pennsylvania's fastest growing export categories is electrical equipment and components, which increased by 9 percent since 2009. In 2018, exports of these products reached \$1.2 billion.

By the Numbers

15,762

Number of Pennsylvania Businesses that Exported in 2018

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



Top Pennsylvania Exports, 2018

Goods

Pharmaceuticals & Medicines	\$3.8 billion
Coal & Petroleum Gases	\$2.8 billion
Basic Chemicals	\$2.5 billion
Nonferrous Metal Products	\$1.9 billion
Navigational & Meas. Instruments	\$1.6 billion

Services

Travel	\$4.0 billion
Mgmt. & Advisory Services	\$3.8 billion
Education	\$2.1 billion

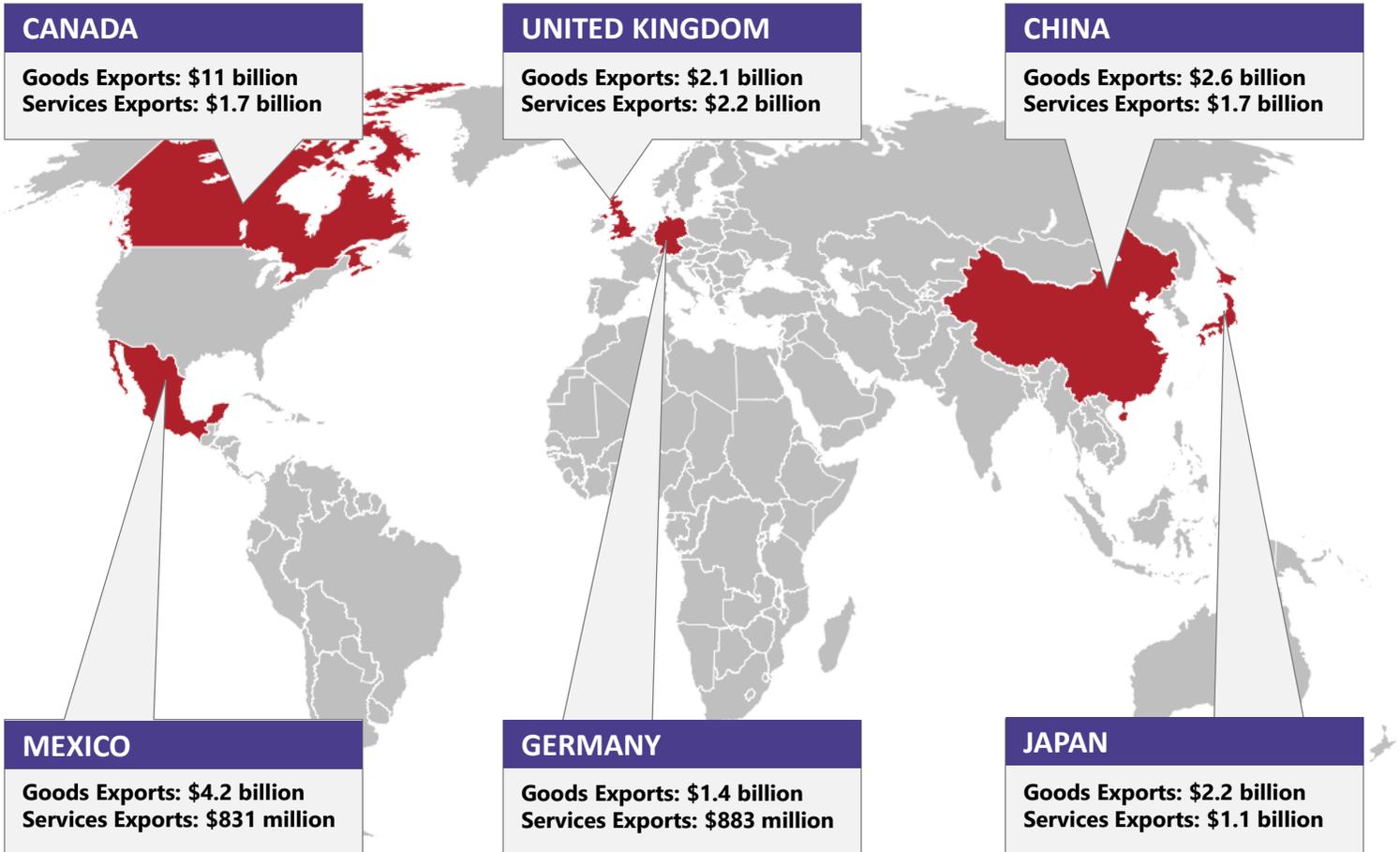


PENNSYLVANIA COMPANIES EXPORT THROUGHOUT THE WORLD



In 2018, Pennsylvania companies sold their products in 219 countries and territories.

Top export markets include:



Fast Facts: How Exports Help the Pennsylvania Economy Grow

- Goods and services exports accounted for 8.2 percent of Pennsylvania's state GDP in 2018.
- Pennsylvania's exports have grown more than 30 percent faster than state GDP since 2009. The average annual export growth during this period was 4.6 percent, while the average annual state GDP growth was 3.4 percent.
- Pennsylvania's top export markets for goods are Canada, Mexico, and China. Its top market for services is the United Kingdom.
- Pennsylvania's goods exports to Mexico have grown by 9 percent per year since 2009, while Pennsylvania's services exports to China have grown by 15 percent per year.
- Restoring trade can help lead a jobs recovery when supported by policies that help Pennsylvania businesses, workers, and farmers reach the growing number of customers around the world.



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PENNSYLVANIA COMPANIES AND FAMILIES BENEFIT FROM IMPORTS



Overview

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

Pennsylvania Families Benefit from Imports

- In 2018, 40 percent of Pennsylvania's imports were consumer goods. Prices for imported consumer goods tend to drop year after year, leaving Pennsylvania 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 Pennsylvania 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, 11,865 Pennsylvania companies imported goods from 193 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.

Pennsylvania Exports and Imports are Linked Through Global Value Chains

- In 2018, 60 percent of Pennsylvania goods imports were raw materials, components and parts that are used by U.S. manufacturers to stay competitive.
- Many of Pennsylvania's top imports are critical components for Pennsylvania exports. Conversely, Pennsylvania exports of raw materials and parts may return to the United States in imported finished goods.



Imports:
Motorcycle parts
(\$54M in 2018)



Exports:
Motorcycles
(\$518M in 2018)



PENNSYLVANIA 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. Pennsylvania 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 Pennsylvania and the United States.

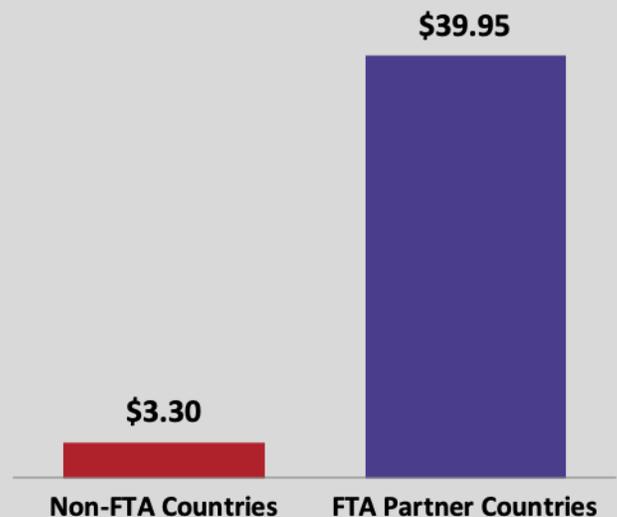
- In 2018, \$18.6 billion of Pennsylvania's goods exports, or 45 percent, went to FTA partners.
- Since 2009, Pennsylvania's goods exports to countries with FTAs in effect with the United States in 2018 have increased by 39 percent.
- Pennsylvania's exports to Canada and Mexico have increased by \$10.8 billion (253 percent) since NAFTA went into effect in 1994.
- Pennsylvania's exports to the Dominican Republic have increased by 126 percent – from \$128 million to \$290 million – since the FTA with the Dominican Republic took effect in 2007.
- Pennsylvania's exports to Singapore of navigational and measuring instruments have increased from \$10 million to \$54 million since the FTA with Singapore went into effect in 2004.
- Canada bought 86 percent – \$73 million out of \$84 million – of Pennsylvania's exports of preserves and specialty foods in 2018.
- In 2018, \$5.3 billion of Pennsylvania's services exports, or 23 percent, went to FTA partners.
- Pennsylvania's exports to Singapore of royalties from industrial processes have increased from \$11 million to \$64 million, or nearly six-fold, since 2006 (earliest year available).

By the Numbers

39%

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

Per Capita Purchases of Pennsylvania Goods, 2018



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

In 2018, FTA partners purchased 12.1 times more goods per capita from Pennsylvania than non-FTA partners.



FOREIGN INVESTMENT IN PENNSYLVANIA CREATES JOBS



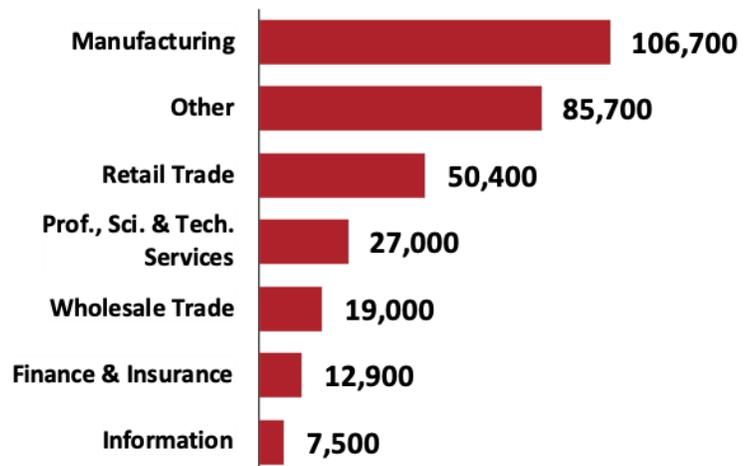
Overview

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.

Pennsylvania is no exception. Foreign-owned companies make significant investments in Pennsylvania 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 Pennsylvania in 2017, including:

- 57,200 workers employed by companies based in the United Kingdom;
- 44,000 workers employed by companies based in the Netherlands;
- 38,400 workers employed by companies based in Germany;
- 28,500 workers employed by companies based in France;
- 24,200 workers employed by companies based in Canada.

Foreign-Owned Companies Employed 309,200 Pennsylvania Workers Across Many Industries, 2017



Selected Foreign-Owned Companies Employing Workers in Pennsylvania

Company	Industry	Country
Akzo Nobel Coatings Inc.	Chemicals Manufacturing	Netherlands
Arcelormittal USA	Steel Manufacturing	Luxembourg
BAE Systems Inc.	Defense/Security/Aerospace Services	United Kingdom
Domtar Paper Company LLC	Paper Manufacturing	Canada
Giant Food Stores, Inc.	Retailing	Netherlands
Olympus	Optics Manufacturing	Japan
SAP America Inc.	Software Development	Germany
UBS Financial Services	Financial Services	Switzerland



DATA SOURCES



PENNSYLVANIA 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>)

PENNSYLVANIA 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/>)

PENNSYLVANIA 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>)

PENNSYLVANIA 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/>)

PENNSYLVANIA NEEDS TRADE AGREEMENTS TO GROW

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

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

FOREIGN INVESTMENT IN PENNSYLVANIA 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>)

