

HOW TEXAS' 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 Texas 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 Texas. 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 Texas recover.

Trade Creates & Supports Jobs in Texas

- **International trade, including exports and imports, supported 3,539,600 Texas jobs – one in five in 2018.** These trade-related jobs grew three 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 Texas' globally engaged firms. A rebound in trade will help restore trade-related jobs lost during the pandemic in Texas. *(See Texas Jobs Depend On Two-Way Trade)*
- **Texas exported \$313 billion in goods and \$62.5 billion in services in 2018,** including oil and gas, petroleum and coal products, basic chemicals and travel services. Of Texas' 40,932 exporters, 93 percent are small- and medium-sized companies with less than 500 workers. *(See Texas Businesses Grow With Exports)*
- **Customers in 225 countries and territories buy Texas-made goods and services,** including billions of dollars in annual exports to top markets like Mexico, Canada and China. Texas' goods exports have grown nearly 60 percent faster than state GDP since 2009. Policies that help Texas businesses, workers, and farmers once again reach the growing number of customers around the world can help lead an economic and jobs recovery. *(See Texas Companies Export Throughout The World)*
- **Imports lower prices and increase choices for Texas companies and families.** Lower raw material and input costs help Texas 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 Texas Companies and Families Benefit from Imports)*
- **Free trade agreements (FTAs) have helped fuel rapid export growth from Texas to partner countries.** In 2018, \$181 billion of Texas' goods exports, or 58 percent, went to FTA partners. This represents an increase of 96 percent since 2009. *(See Texas Needs Trade Agreements To Grow)*
- **Foreign-owned companies invest and build facilities and employ 622,700 workers in Texas.** *(See Foreign Investment In Texas Creates Jobs)*



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

Trade Creates & Supports Jobs in Texas

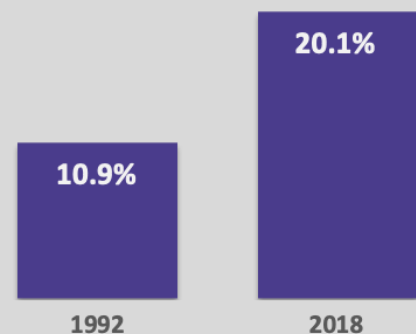
- Export growth increases jobs by generating new business for Texas' manufacturers, services providers and farmers. Imports support jobs and keep costs low, helping Texas businesses compete and saving Texas families real dollars at the cash register.
- One in five Texas jobs depends upon international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

3,539,600

Number of Jobs in Texas
Supported by Trade

Share of Jobs Tied to Trade
Increased 85 percent from 1992 to 2018



Jobs Tied to Trade Top Sectors, 2018

Trade & Distribution	838,300
Prof., Scient. & Tech. Services	589,900
Personal & Rec. Services	214,100
Construction	202,900
Transportation & Warehousing	135,000



TEXAS BUSINESSES GROW WITH EXPORTS



Overview

Texas exported an estimated \$313 billion in goods and \$62.5 billion in services in 2018. Between 2009 and 2018, Texas goods exports have increased by 95 percent and services exports by 67 percent. Large companies now account for 64 percent of the value of Texas' 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 Texas Exports

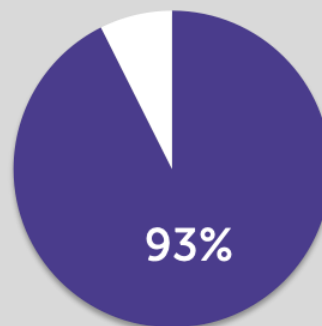
- Texas is the top state exporter in 30 industries, including oil and gas (\$57.1 billion), petroleum and coal products (\$56.3 billion), basic chemicals (\$23.9 billion), computer equipment (\$17.2 billion), synthetic resins and fibers (\$15.7 billion), and semiconductors and parts (\$13.8 billion).
- Texas is America's third largest exporter of agricultural products. It is the largest exporter of miscellaneous crops, the third largest exporter of fruits and tree nuts, the fourth largest exporter of miscellaneous animal products, and the fifth largest exporter of vegetables and melons.
- One of Texas' fastest growing export categories is electrical equipment and components, which increased by 12 percent since 2009. In 2018, exports of these products reached \$6.7 billion.

By the Numbers

40,932

Number of Texas Businesses
that Exported in 2018

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



Top Texas Exports, 2018

Goods

Oil & Gas	\$57.1 billion
Petroleum & Coal Products	\$56.3 billion
Basic Chemicals	\$23.9 billion
Computer Equipment	\$17.2 billion
Resins & Synthetic Fibers	\$15.7 billion

Services

Travel	\$11.8 billion
Mgmt. & Consulting Services	\$7.4 billion
Royalties from Industrial Processes	\$6.7 billion

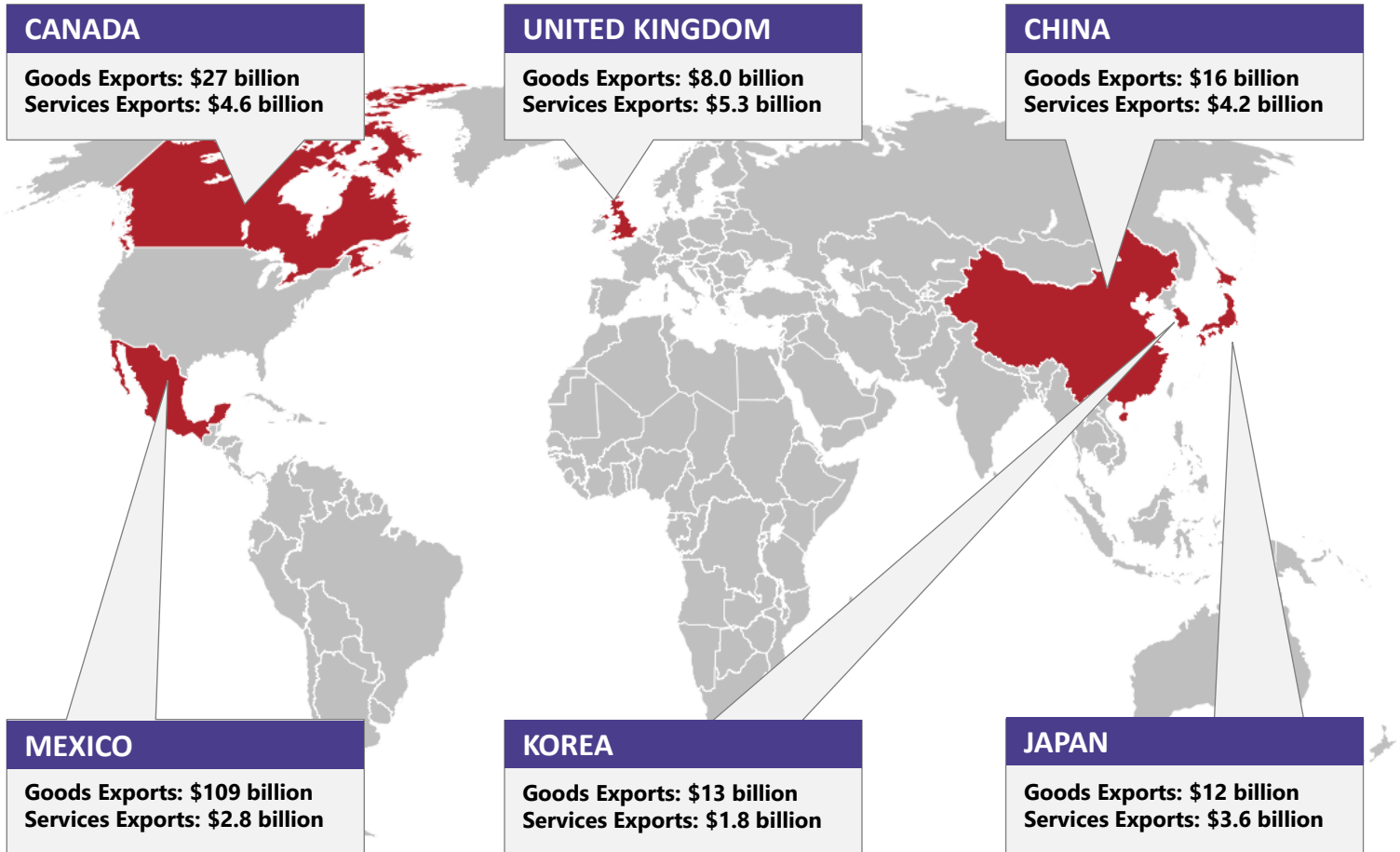


TEXAS COMPANIES EXPORT THROUGHOUT THE WORLD



In 2018, Texas companies sold their products in 225 countries and territories.

Top export markets include:



Fast Facts: How Exports Help the Texas Economy Grow

- Goods and services exports accounted for 20.8 percent of Texas' state GDP in 2018.
- Texas' exports have grown nearly 60 percent faster than state GDP since 2009. The average annual export growth during this period was 7.9 percent, while the average annual state GDP growth was 5.0 percent.
- Texas' top export markets for goods are Mexico, Canada, and China. Its top market for services is the United Kingdom.
- Texas' goods exports to Italy have grown by 20 percent per year since 2009, while Texas' services exports to Switzerland have grown by 10 percent per year.
- Restoring trade can help lead a jobs recovery when supported by policies that help Texas businesses, workers, and farmers reach the growing number of customers around the world.



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TEXAS COMPANIES AND FAMILIES BENEFIT FROM IMPORTS



Overview

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

Texas Families Benefit from Imports

- In 2018, 23 percent of Texas' imports were consumer goods. Prices for imported consumer goods tend to drop year after year, leaving Texas 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 Texas 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, 28,962 Texas companies imported goods from 216 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.

Texas Exports and Imports are Linked Through Global Value Chains

- In 2018, 77 percent of Texas goods imports were raw materials, components and parts that are used by U.S. manufacturers to stay competitive.
- Many of Texas' top imports are critical components for Texas exports. Conversely, Texas exports of raw materials and parts may return to the United States in imported finished goods.



Imports:
Crude oil
(\$38.4B in 2018)



Exports:
Refined petroleum
products
(\$53.4B in 2018)



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TEXAS 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. Texas 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 Texas and the United States.

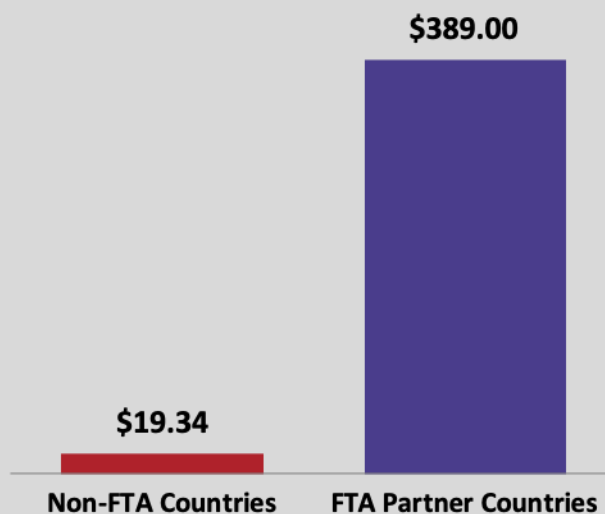
- In 2018, \$181 billion of Texas' goods exports, or 58 percent, went to FTA partners.
- Since 2009, Texas' goods exports to countries with FTAs in effect with the United States in 2018 have nearly doubled.
- Texas' exports to Canada and Mexico have increased by \$114 billion (494 percent) since NAFTA went into effect in 1994.
- Texas' exports to Chile have increased by 1,272 percent – from \$333 million to \$4.6 billion – since the FTA with Chile took effect in 2004.
- Texas' exports to Peru of petroleum and coal products have increased from \$439 million to \$2.3 billion since the FTA with Peru went into effect in 2009.
- Mexico bought most – \$13.9 billion out of \$17.2 billion – of Texas' exports of computer equipment in 2018.
- In 2018, \$15.2 billion of Texas' services exports, or 24 percent, went to FTA partners.
- Texas' exports to Singapore of royalties from industrial processes have increased from \$60 million to \$405 million, or by 575 percent, since 2006 (earliest year available).

By the Numbers

96%

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

Per Capita Purchases of Texas Goods, 2018



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

In 2018, FTA partners purchased 20.1 times more goods per capita from Texas than non-FTA partners.



FOREIGN INVESTMENT IN TEXAS CREATES JOBS



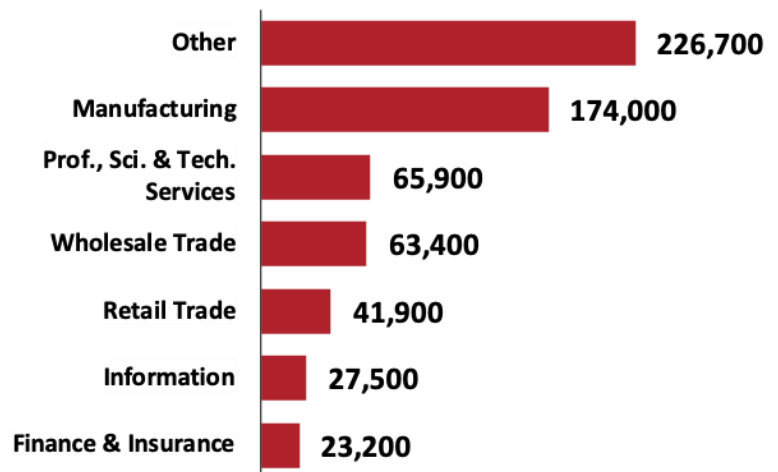
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Foreign-owned companies help grow the U.S. economy and jobs. In 2017, foreign-owned companies added over \$1 trillion to U.S. GDP, including goods exports of \$380 billion and R&D spending of over \$60 billion. They employed 7.4 million workers in the United States, including 2 million workers – or 1 out of every 6 – in the manufacturing sector.

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

- 118,300 workers employed by companies based in the United Kingdom;
- 61,300 workers employed by companies based in France;
- 60,500 workers employed by companies based in Japan;
- 51,100 workers employed by companies based in Canada;
- 48,300 workers employed by companies based in Germany.

Foreign-Owned Companies Employed 622,700 Texas Workers Across Many Industries, 2017



Selected Foreign-Owned Companies Employing Workers in Texas

Company	Industry	Country
ABB Inc.	Electrical Equipment Manufacturing	Switzerland
BAE Systems Inc.	Defense/Security/Aerospace Services	United Kingdom
BASF Corp.	Chemicals Manufacturing	Germany
Ericsson Inc.	Communications Equipment Manuf.	Sweden
Shell Oil Company	Energy Production	Netherlands
SK Hynix America Inc.	Semiconductor Manufacturing	Korea
Toyota Motor Manufacturing	Motor Vehicle Manufacturing	Japan
Trader Joe's	Food Retailing	Germany



DATA SOURCES



TEXAS 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>)

TEXAS 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/>)

TEXAS 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>)

TEXAS 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/>)

TEXAS NEEDS TRADE AGREEMENTS TO GROW

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

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

FOREIGN INVESTMENT IN TEXAS 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>)

