HOW VIRGINIA'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 Virginia 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 Virginia. 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 Virginia recover as well.

Trade Creates & Supports Jobs in Virginia

• International trade, including exports and imports, supported 1,140,900 Virginia jobs – more than one in five in 2019. These trade-related jobs grew four 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 Virginia’s globally engaged firms. A rebound in trade will help restore trade-related jobs lost during the pandemic in Virginia. (See Virginia Jobs Depend On Two-Way Trade)

• Virginia exported $17.4 billion in goods and $20.1 billion in services in 2019, including coal and petroleum gases, resins and synthetic fibers, semiconductors and components and business management and consulting services. Of Virginia's 7,192 exporters, 85 percent are small- and medium-sized companies with less than 500 workers. (See Virginia Businesses Grow With Exports)

• Customers in 211 countries and territories buy Virginia-made goods and services, including billions of dollars in annual exports to top markets like Canada, Mexico and China. Virginia’s exports have grown 0.8 percent per year since 2010. Policies that help Virginia businesses, workers, and farmers once again reach the growing number of customers around the world can help lead an economic and jobs recovery. (See Virginia Companies Export Throughout The World)

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

• Free trade agreements (FTAs) have helped fuel rapid export growth from Virginia to partner countries. In 2019, $6.5 billion of Virginia’s goods exports, or 37 percent, went to FTA partners. This represents an increase of 2 percent since 2010. (See Virginia Needs Trade Agreements To Grow)

• Foreign-owned companies invest and build facilities and employ 210,900 workers in Virginia. (See Foreign Investment In Virginia Creates Jobs)

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VIRGINIA 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, disrupted communities and economies, and ended millions of jobs across America, including in Virginia. As the U.S. economy recovers and more Americans seek opportunities to work, policies that expand trade can create new jobs in Virginia and help it recover faster.

Trade Creates & Supports Jobs in Virginia

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

• More than one in five Virginia jobs depends upon international trade.

• Virginia’s trade-related employment grew four 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.”

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Overview

Virginia exported an estimated $17.4 billion in goods and $20.1 billion in services in 2019. Between 2010 and 2019, Virginia goods exports have increased by 7 percent and services exports by 45 percent. Large companies now account for 74 percent of the value of Virginia'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 Virginia Exports

- Virginia ranks among the top 10 state exporters in 16 industries, including first in furniture related products ($42 million), third in coal and petroleum gases ($2.0 billion), fifth in clay and refractory products ($149 million), and sixth in fabrics ($376 million).
- Virginia is America’s 27th largest exporter of agricultural products. It is the seventh largest exporter of aquaculture, the ninth largest exporter of miscellaneous crops, the ninth largest exporter of cattle, and the 20th largest exporter of fruits and tree nuts.
- Virginia ranks among the top 10 state exporters in multiple services sectors, including second in computer software ($2.5 billion) and fifth in credit-related services ($1.7 billion), ocean freight and port services ($1.2 billion), miscellaneous computer services ($336 million), and cloud computing and data storage ($300 million).
- One of Virginia's fastest growing export categories is medical equipment and supplies, which increased by 129 percent since 2010. In 2019, exports of these products reached $363 million.

By the Numbers

- **7,192**
  Number of Virginia Businesses that Exported in 2018

- **85%**
  Share of Virginia Exporters that are Small- & Medium-Sized Businesses

**Top Virginia Exports, 2019**

**Goods**
- Coal & Petroleum Gases: $2.0 billion
- Resins & Synthetic Fibers: $1.0 billion
- Semiconductors & Components: $936 million
- Aerospace Products & Parts: $876 million
- Pulp & Paperboard Mill Products: $667 million

**Services**
- Business Mgmt. & Consulting Services: $3.6 billion
- Computer Software Services: $2.5 billion
- Personal Travel & Tourism: $1.9 billion

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VIRGINIA COMPANIES EXPORT THROUGHOUT THE WORLD

In 2019, Virginia companies sold their products in 211 countries and territories.

Top export markets include:

- **Canada**: Goods Exports: $3.1 billion, Services Exports: $1.6 billion
- **United Kingdom**: Goods Exports: $926 million, Services Exports: $1.9 billion
- **China**: Goods Exports: $1.1 billion, Services Exports: $1.1 billion
- **Mexico**: Goods Exports: $1.0 billion, Services Exports: $751 million
- **Germany**: Goods Exports: $697 million, Services Exports: $1.1 billion
- **Japan**: Goods Exports: $469 million, Services Exports: $1.2 billion

Fast Facts: How Exports Help the Virginia Economy Grow

- Goods and services exports accounted for 6.7 percent of Virginia's state GDP in 2019.
- Virginia's annual exports grew 0.8 percent per year since 2010.
- Virginia's top export markets for goods are Canada, China, and Mexico. Its top market for services is the United Kingdom.
- Virginia's goods exports to India have grown by 12 percent per year since 2010, while Virginia's services exports to Denmark have grown by 12 percent per year.
- Restoring trade can help lead a jobs recovery when supported by policies that help Virginia businesses, workers, and farmers reach the growing number of customers around the world.

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Overview

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

Virginia Families Benefit from Imports

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

2010-2019 Price Decrease

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

Most Importers are Small Businesses

- In 2019, 7,318 Virginia companies imported goods from 183 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.

Virginia Exports and Imports are Linked Through Global Value Chains

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

Imports: Auto parts ($548M in 2019)

Exports: Tractor trailers ($505M in 2019)

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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. Virginia 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 Virginia and United States.

- In 2019, $6.5 billion of Virginia's goods exports, or 37 percent, went to FTA partners.
- Since 2010, Virginia's goods exports to countries with FTAs in effect with the United States in 2019 have increased by 2 percent.
- Virginia's exports to Canada and Mexico have increased by $2.9 billion (234 percent) since NAFTA went into effect in 1994.
- Virginia's exports to Singapore have increased by 411 percent – from $114 million to $584 million – since the FTA with Singapore took effect in 2004.
- Virginia's exports to Korea of meat products have increased from $22 million to $67 million since the FTA with Korea went into effect in 2012.
- In 2019, $4.7 billion of Virginia's services exports, or 24 percent, went to FTA partners.
- Virginia's exports to Australia of computer software services have increased from $19 million to $128 million, or by 564 percent, since 2006 (earliest year available).

By the Numbers

2%
Increase in Virginia Goods Exports to FTA Partners Between 2010 and 2019

Per Capita Purchases of Virginia Goods, 2019

<table>
<thead>
<tr>
<th>Non-FTA Countries</th>
<th>FTA Partner Countries</th>
</tr>
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<tbody>
<tr>
<td>$1.59</td>
<td>$13.74</td>
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</tbody>
</table>

*U.S. FTAs in effect with countries in 2019.

In 2019, FTA partners purchased 8.6 times more goods per capita from Virginia than non-FTA partners.

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FOREIGN INVESTMENT IN VIRGINIA
CREATES JOBS

Overview

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.

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

- 39,600 workers employed by companies based in the United Kingdom;
- 31,400 workers employed by companies based in the Netherlands;
- 23,100 workers employed by companies based in Germany;
- 20,100 workers employed by companies based in France;
- 16,800 workers employed by companies based in Canada.

Selected Foreign-Owned Companies Employing Workers in Virginia

<table>
<thead>
<tr>
<th>Company</th>
<th>Industry</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABB Inc.</td>
<td>Machinery manufacturing</td>
<td>Switzerland</td>
</tr>
<tr>
<td>BAE Systems, Inc. (HQ)</td>
<td>Business services</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>CGI Group Inc.</td>
<td>IT services</td>
<td>Canada</td>
</tr>
<tr>
<td>Evonik Corporation</td>
<td>R&amp;D services</td>
<td>Germany</td>
</tr>
<tr>
<td>KPMG LLP</td>
<td>Business services</td>
<td>Netherlands</td>
</tr>
<tr>
<td>Metalsa</td>
<td>Motor vehicle parts manufacturing</td>
<td>Mexico</td>
</tr>
<tr>
<td>Northrop Grumman Corporation (UK)</td>
<td>Aerospace services</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>Smithfield Foods, Inc. (HQ)</td>
<td>Food product manufacturing</td>
<td>Hong Kong</td>
</tr>
</tbody>
</table>

Foreign-Owned Companies Employed 210,900 Virginia Workers Across Many Industries, 2019

- Other: 60,700
- Manufacturing: 53,600
- Retail Trade: 41,200
- Prof., Sci. & Tech. Services: 19,700
- Wholesale Trade: 19,400
- Information: 13,000
- Finance & Insurance: 3,100

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


VIRGINIA 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)


VIRGINIA COMPANIES EXPORT THROUGHOUT THE WORLD


VIRGINIA 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/)

VIRGINIA NEEDS TRADE AGREEMENTS TO GROW


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

FOREIGN INVESTMENT IN VIRGINIA 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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