



Massachusetts

Benefits From Exports

Massachusetts' export sales of merchandise in 2000 totaled \$19.7 billion, up 15.4 percent from 1999 and 70 percent above the 1993 total of \$11.6 billion. In 2000, Massachusetts posted the 11th largest export total among the 50 states.

Massachusetts exports globally to 204 foreign destinations. The state's leading markets are Canada (18 percent of 2000 exports), Japan (11 percent), and the United Kingdom (9.9 percent). Other top markets include France, Germany, Mexico, the Netherlands, Taiwan, South Korea, and Singapore.

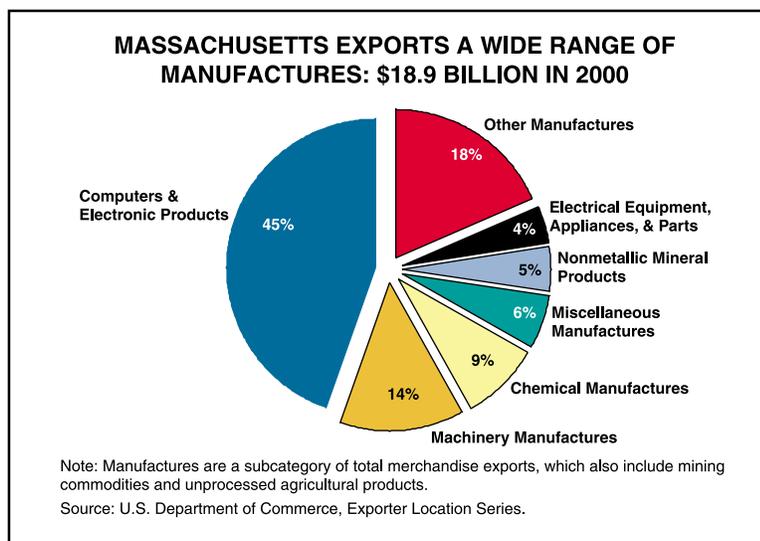
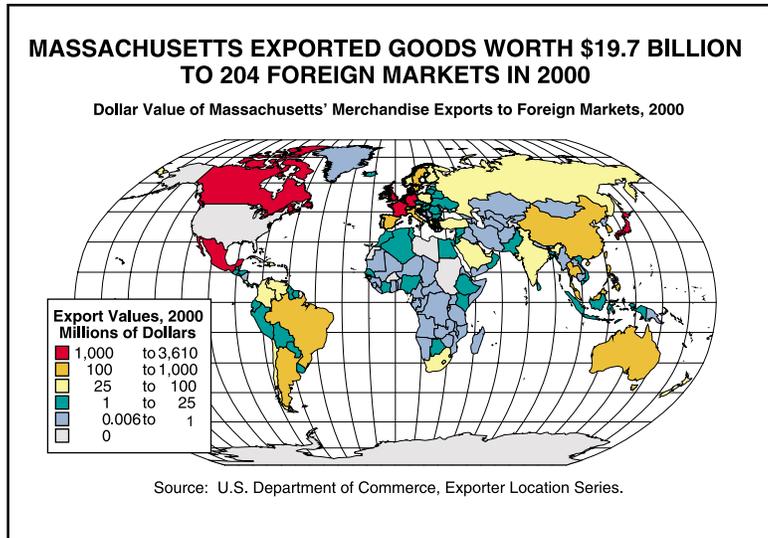
Massachusetts' biggest growth market, in both dollar and percentage terms, is Mexico. Buoyed by the North American Free Trade Agreement, exports to the Mexican market rose from \$468 million in 1997 to \$1.14 billion in 2000—an increase of 145 percent. The state's other major growth markets include France, the United Kingdom, Taiwan, China, the Netherlands, Germany, Malaysia, Japan, and Israel.

Three broad manufactured product groups account for nearly two-thirds of Massachusetts' exports. The biggest export category by far is computers and electronic products, which alone accounted for 43 percent

of 2000 exports. The other two major categories are industrial machinery (12.9 percent of 2000 exports) and chemicals (8.3 percent).

Within Massachusetts, the Boston metropolitan area posted 1999 export sales of \$10.4 billion—the most of any Massachusetts city and the 10th largest total among U.S. metropolitan areas. During 1993–99, Boston's exports grew by \$4.0 billion—the eighth biggest dollar increase of any U.S. city.

Other Massachusetts metro areas that posted sizable exports in 1999 were Lawrence, Lowell, and Worcester.



Exports Support Good Jobs

Export-related jobs tend to be good, high-paying jobs. Wages of workers in jobs supported by goods exports range 13–18 percent higher than the national average. Export-related jobs are also more secure: Exporting plants are 9 percent less likely to shut down than comparable nonexporting plants.

In 1997 (latest available data), Massachusetts depended on manufactured exports for 189,900 jobs—the 12th highest total of any state. Export-supported jobs accounted for an estimated 6.9 percent of Massachusetts' total private sector employment.

Manufactured exports supported 103,600 jobs—roughly one of every four workers—in Massachusetts’ manufacturing industries. Manufacturing sectors with the most export-related jobs were computers and electronic products, machinery, fabricated metal products, chemicals, and transportation equipment.

Exports of manufactured goods also indirectly supported 86,300 jobs in the state’s nonmanufacturing industries. These industries supply manufacturers with a wide range of inputs needed to produce goods for export.

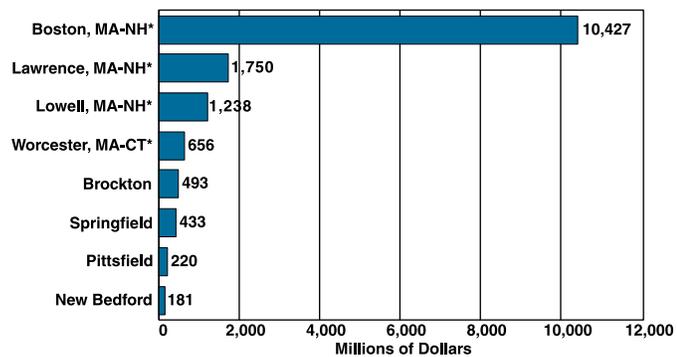
Exports Help Small Business

Exports have broadly benefited Massachusetts’ businesses—both large and small. A total of 9,507 companies exported goods from the state in 1998. More than 86 percent of these companies, accounting for about 30 percent of the state’s total merchandise exports, were small and medium-sized firms that had fewer than 500 employees. In fact, 74 percent of Massachusetts’ exporters were small firms with fewer than 100 workers.

Foreign Competitors Are Not Standing Still

While previous rounds of trade negotiations were highly successful in reducing trade barriers, much work remains to be done to level the playing field for U.S. businesses. In fact, the United States has fallen behind our trading partners in combating market barriers through free

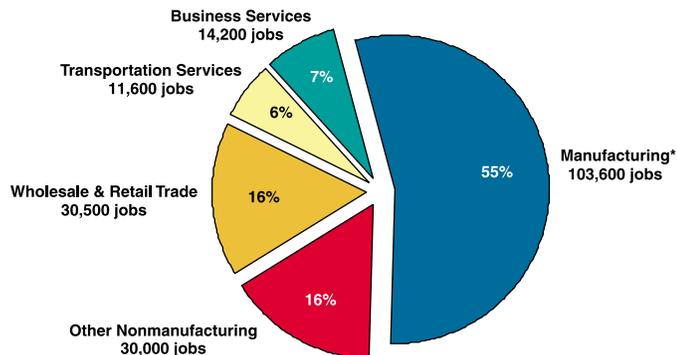
THREE MASSACHUSETTS METRO AREAS POSTED EXPORTS OF \$1 BILLION OR MORE IN 1999



*This metro area partially overlaps into an adjacent state.

Source: U.S. Department of Commerce, Exporter Location Series.

189,900 MASSACHUSETTS JOBS DEPENDED ON MANUFACTURED EXPORTS IN 1997



*Includes 300 jobs tied to exports of processed foods.

Source: U.S. Department of Commerce, Bureau of the Census, Manufacturing & Construction Division.

trade agreements. The United States is a party to just two of the estimated 130 free trade agreements in force worldwide. In comparison, the European Union has FTAs with 27 countries. Since U.S. tariffs are already low compared to those of our trading partners, the United States has a great deal to gain from future negotiations aimed at prying open foreign markets.

Massachusetts Industries Can Gain From Trade Negotiations

Massachusetts exporters still face many tariff and nontariff barriers abroad, especially in developing countries. While developing nations are among the most promising markets, they also tend to have high levels of import protection. Trade negotiations aimed at reducing these barriers will significantly benefit Massachusetts businesses across many industrial sectors.

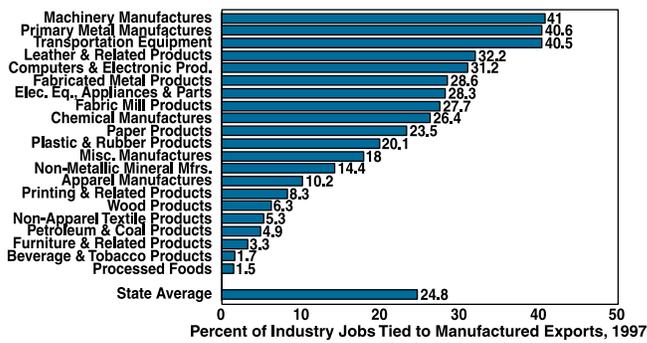
TRADE PROMOTION AUTHORITY—KEY TO OPENING WORLD MARKETS

U.S. Trade Promotion Authority (also known as TPA or “fast track”) is essentially an agreement between the President and Congress on how market-opening trade negotiations will be conducted and agreements approved.

Under TPA, the President involves Congress in trade negotiations from the start; Congress, in exchange, agrees to vote yes or no on any resulting agreement in its entirety, without amendments. The two branches set negotiating objectives and consult during trade talks while inviting public comment. This open process allows problems to be identified and resolved during negotiations, when agreement is most easily achieved.

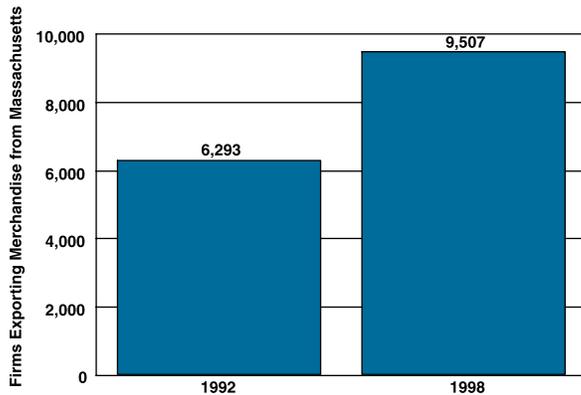
TPA preserves the ability of the United States to protect public health, safety, and the environment.

ABOUT ONE-FOURTH OF MANUFACTURING JOBS IN MASSACHUSETTS WERE TIED TO EXPORTS IN 1997



Note: In 1997, 24.8 percent of the 417,100 manufacturing jobs in Massachusetts were tied to manufactured exports—some 103,600 jobs. For any given manufacturing sector, export-related employment includes all workers producing goods for export or of inputs to the export manufacturing process. Source: U.S. Department of Commerce, Bureau of the Census, Manufacturing & Construction Division.

THE NUMBER OF COMPANIES EXPORTING FROM MASSACHUSETTS ROSE 51 PERCENT FROM 1992 TO 1998



Source: U.S. Department of Commerce, Exporter Data Base.

Information technology. Massachusetts is the home of many high-tech industries and benefits from the Information Technology Agreement. The agreement eliminates duties on the entire IT sector in major markets throughout the world, with the exception of the larger markets of Latin America. Tariffs on IT products in key Latin American markets remain as high as 30 percent.

Beyond tariffs, IT products also face such nontariff restrictions as redundant testing and certification requirements. U.S. suppliers, including those in Massachusetts, would likely see sales rise if remaining barriers on IT products were eliminated. Heavy investment in research and development, which drives IT growth and employment, can only be sustained with expanding markets that spread R&D investments over a growing sales volume. Foreign markets are thus increasingly important to any R&D-based products, given the limits of domestic demand.

Chemicals. Massachusetts exports a variety of chemical products. TPA would allow the United States to build on duty reductions established under the Uruguay Round Chemical Tariff Harmonization Agreement (CTHA), which reduced tariffs to harmonized low levels on a range of products from fertilizers to plastics. Since the end of the Uruguay Round, more advanced developing countries, most of which do not participate in the CTHA, have become increasingly important chemical producers. Tariffs in Asian countries outside the CTHA range up to 60 percent. New negotiations would offer the opportunity to address tariff disparities and the many nontariff barriers facing the chemical industry, including discriminatory product registration, testing/certification, and import licensing requirements.

Medical equipment. While Massachusetts exporters of medical equipment enjoy zero tariffs in several key markets as a result of the Uruguay Round, many developing countries continue to maintain high tariffs. The MERCOSUR nations of Latin America impose tariffs as high as 20 percent, while India and the ASEAN countries have rates as high as 40 percent. The industry also faces nontariff barriers in major Latin American and Asian markets in the form of redundant and costly registration and certification requirements. As a result, the industry is seeking adoption of international standards to improve the transparency of government procedures for product certification and approval.

MASSACHUSETTS: WHY TRADE PROMOTION AUTHORITY?

Trade Promotion Authority is critical for removing remaining barriers to exports of Massachusetts goods and services.

Massachusetts exporters still face major trade barriers in such sectors as information technology, chemicals, medical equipment, and industrial machinery.

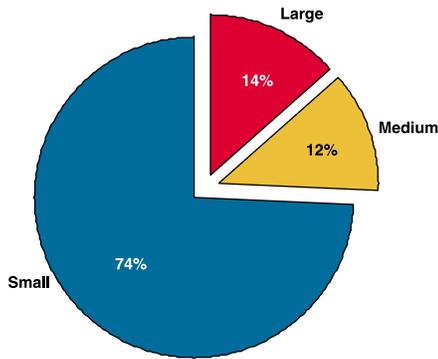
With the United States on the sidelines, foreign competitors are forging ahead and pursuing their own market-opening agreements.

Massachusetts' economy is export-dependent, with export sales of \$3,110 for every state resident.

Nearly 190,000 Massachusetts jobs depend on exports of manufactured goods.

9,507 companies—including 8,219 small and medium-sized businesses—export from Massachusetts.

86 PERCENT OF MASSACHUSETTS' 9,507 EXPORTING FIRMS IN 1998 WERE SMALL AND MEDIUM-SIZED ENTERPRISES



Small = less than 100 employees; medium = 100-499 employees; large = 500 or more employees.
Source: U.S. Department of Commerce, Exporter Data Base.

Industrial machinery. While Massachusetts' industrial machinery exporters have benefited from tariff reductions in previous trade agreements, the industry continues to face barriers in many markets throughout the world. For example, tariffs on industrial machinery are as high as 30 percent in Brazil and India. This sector also suffers from the many import restrictions maintained in potentially lucrative markets, including nontransparent and preferential government procurement practices, deficiencies in intellectual property protection, investment barriers, and the increasing use of standards as nontariff barriers to trade. In addition, restrictions on the ability to provide after-sales service greatly inhibit market access for U.S. manufacturers of complex machinery.

Agriculture. Massachusetts produces and exports agricultural products. According to the U.S. Department of Agriculture, Massachusetts' agricultural exports totaled \$44 million in 1999. Since 1991, the state's reliance on agricultural exports has risen from 7 percent to 11 percent as measured by export's share of farm cash receipts. Massachusetts' top agricultural exports include leaf tobacco, dairy products, and fruits and products. Massachusetts already benefits from past trade agreements; however, U.S. agricultural exports still face high tariffs and nontariff barriers worldwide.

Services. Services are the biggest component of the U.S. economy and now account for more than one-fourth (28 percent) of U.S. exports to the world. Service exports in 2000 totaled \$296 billion; the United States ran a surplus of nearly \$80 billion in services trade with

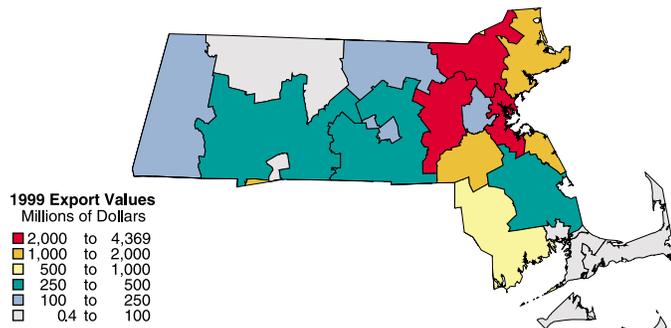
the world. Exportable services include transportation services (e.g., air freight), financial services (e.g., banking, insurance) and business services (e.g., engineering, architecture). Service industries confront a wide range of barriers abroad. Trade Promotion Authority will provide added impetus to the new round of global services trade negotiations now under way to dismantle these barriers.

Imports Also Important to Massachusetts

While exports generate clear benefits for the Massachusetts economy (jobs, wages, expanded tax base, etc.), the role of imports is less clear—especially since no import statistics are available for states on an end-user basis. Although many often equate imports with “lost” jobs, the reality is usually much more complex. For example, there is no doubt that imports supply critical inputs for many of the goods and services produced in Massachusetts, including products destined for export. Imports often play a key role in ensuring supplies of vital materials that are either scarce or simply not available domestically. More generally, imports provide consumers and businesses in Massachusetts with wider choice in the marketplace, thereby enhancing living standards and contributing to competitiveness.

EXPORTS ARE SOLD FROM ALL OVER MASSACHUSETTS

Massachusetts' Merchandise Exports by Three-Digit Zip Code, 1999



Note: Massachusetts' total merchandise exports in 1999 were \$17.1 billion.
Source: U.S. Department of Commerce, Exporter Location Series.