



Pennsylvania

Benefits From Exports

Pennsylvania's export sales of merchandise in 2000 totaled \$24.0 billion, up 23 percent from 1999 and 82 percent above the 1993 total of \$13.2 billion.

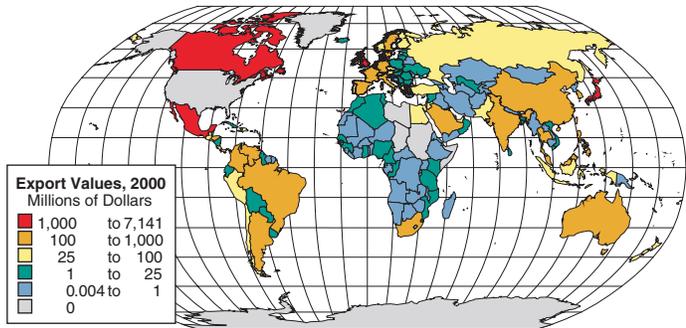
Pennsylvania's exports, buoyed by the North American Free Trade Agreement (NAFTA), have recently grown much faster than overall U.S. exports of goods. In 2000, Pennsylvania recorded the tenth largest export total among the states.

Pennsylvania exports globally to 204 foreign destinations. The state's leading markets, by far, are the NAFTA countries of Canada (30 percent of 2000 exports) and Mexico (12 percent). Other top markets include the United Kingdom, Japan, Germany, Taiwan, the Netherlands, South Korea, Brazil, and Belgium.

Pennsylvania's biggest growth markets, in dollar terms, are Mexico and Canada. From 1997 to 2000, export sales to Mexico grew from \$1.14 billion to \$2.8 billion—an increase of 147 percent. Exports to Canada jumped from \$5.6 billion to \$7.1 billion. Among the state's other important growth markets are Taiwan, Germany, Malaysia, the Netherlands, Switzerland, South Korea, Belgium, and China.

PENNSYLVANIA EXPORTED GOODS WORTH \$24.0 BILLION TO 204 FOREIGN MARKETS IN 2000

Dollar Value of Pennsylvania's Merchandise Exports to Foreign Markets, 2000

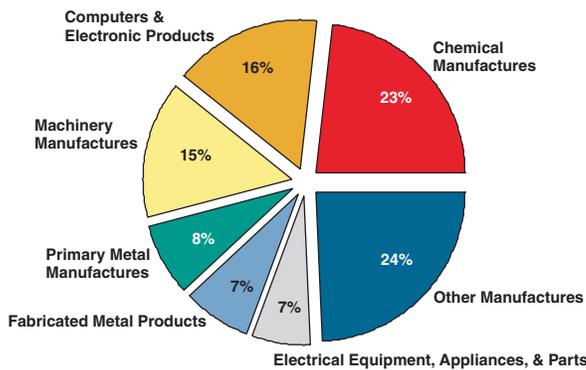


Source: U.S. Department of Commerce, Exporter Location Series.

The state's exports are highly diversified. The leading export category is chemical manufactures, which accounted for 22 percent—more than one-fifth—of Pennsylvania's total exports in 2000. Other top manufactured exports are computers and electronic products; machinery; primary metals; fabricated metal products; electrical equipment, appliances, and parts; and transportation equipment.

Within Pennsylvania, Philadelphia led all metropolitan areas with 1999 export sales of \$9.3 billion—the 13th largest total among the 253 U.S. metro areas for which statistics are available. Philadelphia was followed by Pittsburgh, Allentown-Bethlehem-Easton, York, and Harrisburg-Lebanon-Carlisle. Metro areas that posted the fastest export growth over the 1993–99 period were Harrisburg-Lebanon-Carlisle, Scranton-Wilkes-Barre-Hazleton, Altoona, and Sharon.

PENNSYLVANIA EXPORTS A WIDE RANGE OF MANUFACTURES: \$22.9 BILLION IN 2000



Note: Manufactures are a subcategory of total merchandise exports, which also include mining commodities and unprocessed agricultural products.

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

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.

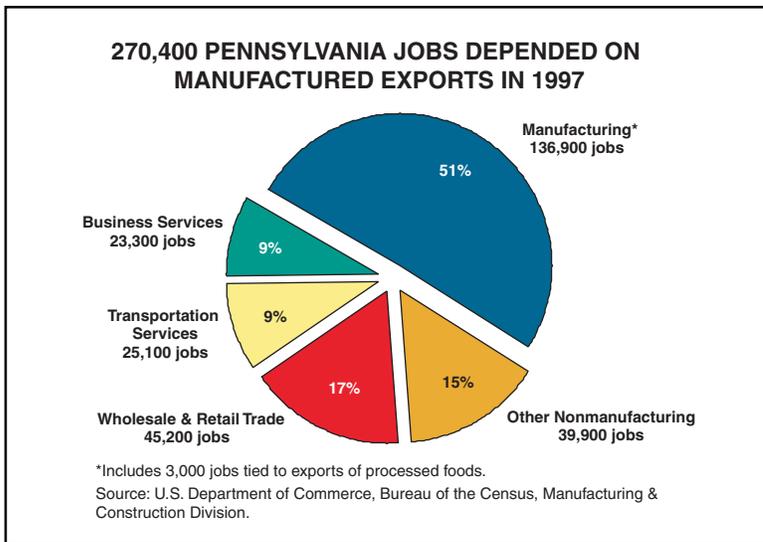
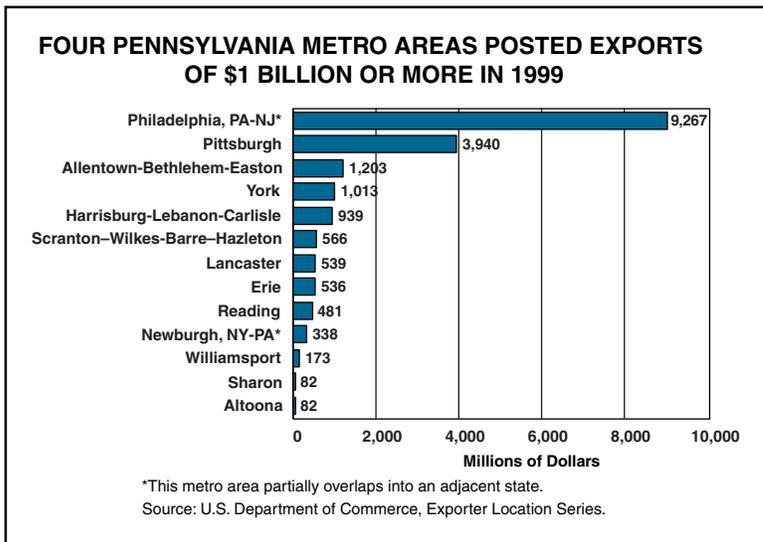
In 1997 (latest available data), Pennsylvania depended on manufactured exports for 270,400 jobs—the eighth highest total among the states. Export-supported jobs accounted for an estimated 5.6 percent of Pennsylvania’s total private sector employment.

Manufactured exports supported 136,900 jobs—one of every six workers—in Pennsylvania’s manufacturing industries. Manufacturing sectors with the most export-related jobs were machinery manufactures, primary metals, fabricated metal products, transportation equipment, and computers and electronic products.

Exports of manufactured goods also indirectly supported 133,500 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 Pennsylvania’s businesses—both large and small. A total of 11,582 companies exported goods from Pennsylvania locations in 1998. Just over 85 percent of these companies, accounting for 31 percent of the state’s total merchandise exports, were small and medium-sized firms that had fewer than 500 employees. In fact, 72 percent of Pennsylvania’s 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 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.

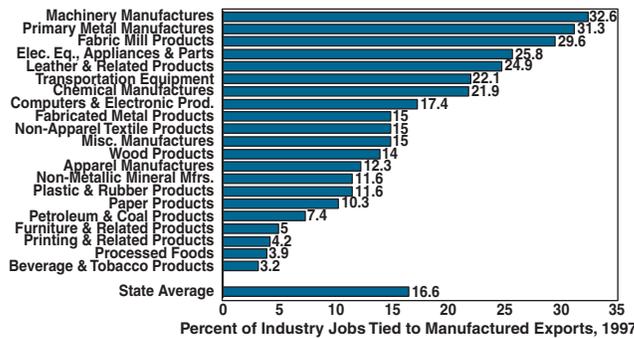
TRADE PROMOTION AUTHORITY—KEY TO OPENING WORLD MARKETS

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.

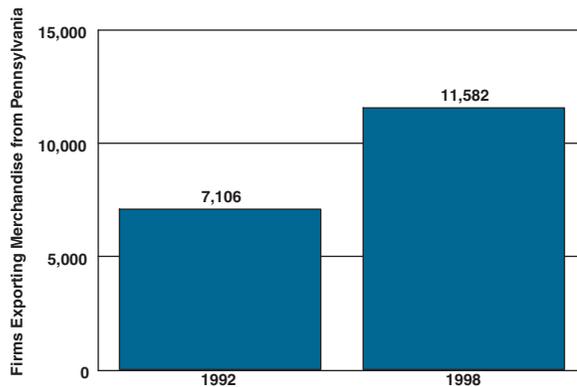
TPA preserves the ability of the United States to protect public health, safety, and the environment.

ABOUT ONE-SIXTH OF MANUFACTURING JOBS IN PENNSYLVANIA WERE TIED TO EXPORTS IN 1997



Note: In 1997, 16.6 percent of the 826,500 manufacturing jobs in Pennsylvania were tied to manufactured exports—some 136,900 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 PENNSYLVANIA ROSE 63 PERCENT FROM 1992 TO 1998



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

Pennsylvania Industries Can Gain From Trade Negotiations

Pennsylvania's 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 Pennsylvania's businesses across many industrial sectors.

Chemicals. Pennsylvania 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.

Information technology. Pennsylvania 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 Pennsylvania, would likely see sales rise if remaining barriers on IT products were eliminated.

Metals. Canada and Mexico are the largest markets for U.S. metal exports, which already benefit from duty-free access under NAFTA. However, tariff and nontariff barriers remain in other markets, such as the European Union, where the average tariff on nonferrous metals is twice as high as the average U.S. rate. Pennsylvania metal exporters also face numerous nontariff barriers, such as distribution restrictions.

PENNSYLVANIA: WHY TRADE PROMOTION AUTHORITY?

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

Pennsylvania exporters still face major trade barriers in such sectors as chemicals, information technology, metals, and pharmaceuticals.

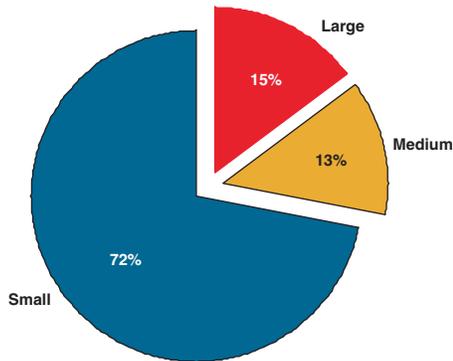
With the United States on the sidelines, foreign competitors are forging ahead and pursuing their own market-opening agreements.

Pennsylvania's economy is export-dependent, with export sales of \$1,952 for every state resident.

More than 270,000 Pennsylvania jobs depend on exports of manufactured goods.

11,582 companies—including 9,865 small and medium-sized businesses—export from Pennsylvania.

85 PERCENT OF PENNSYLVANIA'S 11,582 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.

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.

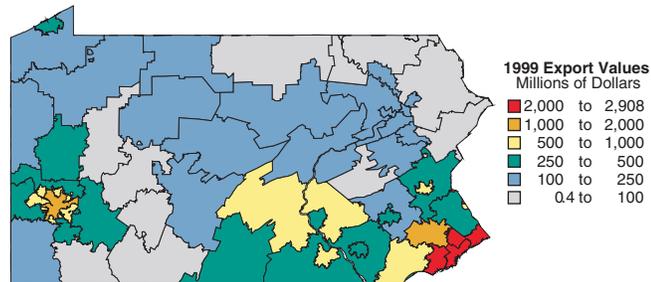
Pharmaceutical products. As a result of the Uruguay Round and two subsequent updates, nearly 7,000 pharmaceutical products are duty-free in the key countries that participate in the agreement. NAFTA, which represented a major breakthrough for the research-based pharmaceutical industry, provided leverage and incentive for Mexico to enact strong patent legislation—a first in Latin America and, to date, the most effective in the region.

Despite substantial progress in reducing barriers, significant challenges remain. Many key markets in Latin America—such as Brazil, Argentina, and Venezuela—have yet to participate in the duty elimination agreement and maintain tariffs ranging from 5 percent to 25 percent. Nontariff barriers such as inadequate intellectual property rights, restrictive government procurement practices, and administrative pricing rules also deter business in some markets.

Agriculture. Pennsylvania produces and exports agricultural products. According to the U.S. Department of Agriculture, Pennsylvania's agricultural exports totaled \$593 million in 1999. Since 1991, the state's reliance on agricultural exports has ranged from 10 percent to 16 percent as measured by export's share of farm cash receipts. Pennsylvania's top agricultural exports are live animals and red meats, feed grains and products, poultry and products, dairy products, and soybeans and products. Pennsylvania already benefits from past trade agreements; however, U.S. agricultural exports still face high tariffs and nontariff barriers worldwide.

EXPORTS ARE SOLD FROM ALL OVER PENNSYLVANIA

Pennsylvania's Merchandise Exports by Three-Digit Zip Code, 1999



Note: Pennsylvania's total merchandise exports in 1999 were \$19.5 billion.
Source: U.S. Department of Commerce, Exporter Location Series.

Imports Also Important to Pennsylvania

While exports generate clear benefits for the Pennsylvania 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 Pennsylvania, 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 Pennsylvania with wider choice in the marketplace, thereby enhancing living standards and contributing to competitiveness.