

2010

# INTERNATIONAL TRADE STUDY

Summary



# Overview

This report, compiled by The Trade Partnership for the Portland Business Alliance, Associated Oregon Industries, Oregon Business Association, Oregon Business Council, Port of Portland and the Pacific Northwest International Trade Association examines how international trade impacts job creation and the economy of Oregon and the Portland-metro area.\* A companion analysis, **A Check-up on the Portland Region's Economic Health**, identified some alarming economic challenges facing the Portland-metro region including sagging wages and incomes and, in Multnomah County, significant job losses. However, international trade stood out as an area of economic strength for both the region and the state.

This report looks at ways international trade benefits the regional and state economy. As the analysis makes clear, international trade is a significant net generator of jobs and income for Oregon workers. It is one of the few areas of the economy that, despite the recession, is growing. It is also an area where Oregon and Portland have substantial competitive advantages relative to U.S. and international competitors.

This report confirms the findings of a 2010 national analysis conducted by the Brookings Institution, which found that Portland was one of the top twenty U.S. metropolitan areas in exporting strength and one of only four metropolitan areas in the country that doubled the real value of their exports between 2003

and 2008.\*\* The rise in value of exports was led by the computer and electronics sector, but includes both manufactured goods and, increasingly, service exports.

However, our success as an international competitor is not a foregone conclusion in coming years. Other ports, states and nations are investing heavily in improved transportation facilities, making land available and implementing public policies to promote their competitiveness in attracting international trade and employment.

A thriving economy and good jobs are the foundation of our quality of life. Taxes on incomes support critical public services like schools, health care and law enforcement. As with the other studies in this series, we hope this information will start a conversation among public and private leaders to help move public policy in a direction that enhances our quality of life by improving and creating good paying jobs.

\* International Trade: A Driver of Output and Employment in Oregon and Portland/Vancouver, The Trade Partnership, December 2010. For a full copy of the report, please see [www.valueofjobs.com](http://www.valueofjobs.com). Portland-metro refers to the Portland-Vancouver-Hillsboro, OR-WA MSA.

\*\* Export Nation: How U.S. Metros Lead National Export Growth and Boost Competitiveness, Brookings Institution, Metropolitan Policy Program, July 2010. [www.brookings.edu/metro](http://www.brookings.edu/metro).

## BY THE NUMBERS:

**470,000.**

Number of Oregon jobs supported by international trade, including imports and exports.

**268,000.**

Number of jobs in the Portland-metro area supported by international trade

**113,000.**

Number of Oregon jobs associated with exporting manufactured goods.

**\$15 billion.**

Value of exports and imports of goods and services to the Portland region in 2008.

**2nd.**

Rank of Portland among all U.S. metro areas in terms of export value growth between 2003 and 2008.

**12%.**

Proportion of Oregon's Gross State Product that comes from exports, making Oregon 7th highest among all U.S. states in the value of exports as a percent of Gross State Product in 2008.

**9th.**

National ranking of Oregon in per capita value of exports in 2009.

## Key Facts

- ▶ One quarter of Oregon's total manufacturing jobs in 2008 depended on exporting. Oregon manufacturers and their workers depend on foreign customers for one in four sales dollars.
- ▶ During 2008, foreign companies in Oregon were responsible for some 44,300 jobs, one-quarter of which were in the manufacturing sector.
- ▶ With its deep-water marine terminals and international air service, the Portland-Vancouver region exported one-fifth of its economic output in 2008, ranking second among U.S. metro areas.
- ▶ A number of studies show that workers at export-oriented firms in the U.S. earn between 9 and 18 percent more than their counterparts at non-export-oriented firms.
- ▶ Most Oregon exporters are small- and medium-sized businesses. Eighty-eight percent of Oregon's exporting companies were small and medium enterprises as of 2008.
- ▶ Free Trade Agreements benefit Oregon workers. Trade with the 17 countries covered by Free Trade Agreements is a growing portion of total trade, up 24 percent between 1996 and 2009.



### DID YOU KNOW?

Intel employs more than **15,000 employees** at its seven Hillsboro facilities. Three-quarters of their manufacturing is in the U.S. but three-quarters of Intel's revenue comes from outside the U.S.

# What the numbers show

Oregon, and the Portland-metro area in particular, has traditionally been trade-oriented. Located on the Pacific Rim, Portland-metro has one of the best multi-modal transportation hubs on the West Coast for connecting domestic and international markets. Thousands of jobs in the state and the region directly depend on international trade and will continue to do so in the future. International trade is one of the few sectors of the state and regional economy that is growing jobs and economic activity. It's also raising average wages even as the recession continues to impact the overall economy.

## Jobs and Wages

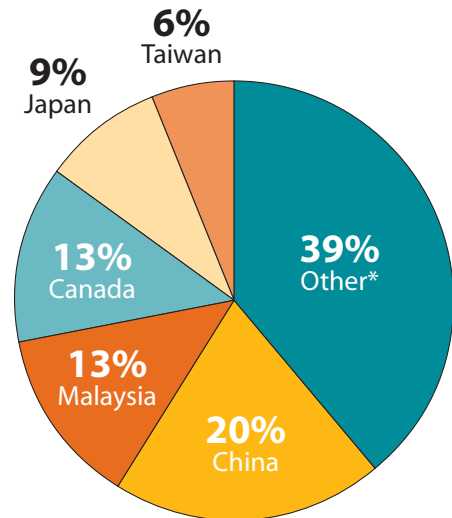
Most studies of the impact of international trade look only at imports or exports and generally only at manufactured goods. While trade of manufactured goods is - and will remain - a critical component of international trade, trade jobs and income are increasingly also associated with the export of services and the import of foreign capital investment. Our analysis estimates that **470,000 Oregon jobs** are associated with all exporting and importing activities in both the manufacturing and non-manufacturing sectors. Portland-metro accounts for **268,000** of those jobs.

“ Global demand is the most fundamental driver of our business. ”

Tamara Lundgren  
President & CEO  
Schnitzer Steel Industries

Recent studies have found that **workers in export industries and firms earned substantially more** than those in non-exporting industries and firms. One report found that the average wage of workers at exporting firms was 9-18 percent higher than non-exporting firms.

## Top Oregon Exports Markets, 2009



\* Other category includes more than 230 countries, with the largest markets including South Korea, Costa Rica, The Netherlands and Germany.

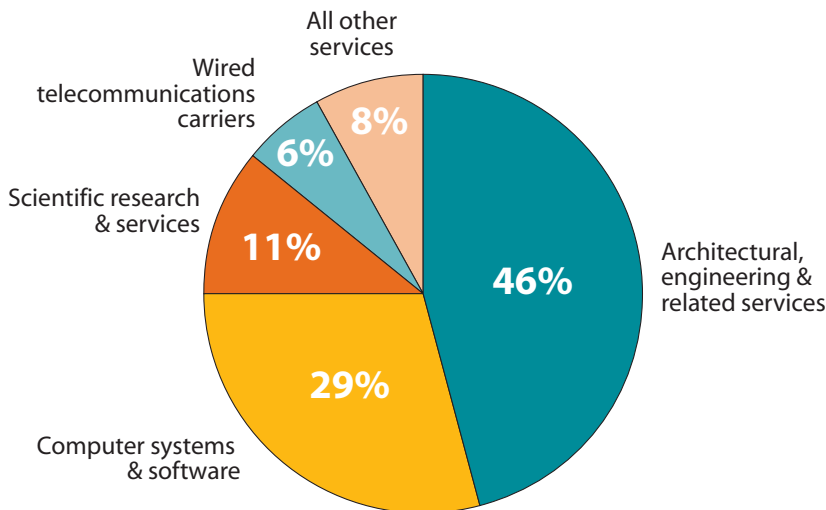
### Exports - Merchandise

Oregon and the region are strong centers for the export of goods, including manufactured goods, food, agricultural products and transportation equipment. **In 2008, Oregon's merchandise exports exceeded \$19 billion** before the global recession hit. Prior to the recession, exports of Oregon goods were rising at an average annual rate of more than 16 percent. The manufacturing sector is particularly dependent on international trade, with one in four dollars of sales and a quarter of the sector's jobs tied to foreign customers.

### Exports - Services

Exports of services to international markets make up a significant share of Oregon business sales. Architectural, engineering, computer systems, software, scientific research and telecommunications are increasingly finding markets internationally. In 2002, architectural, engineering and related services registered the largest value of Oregon's service exports to the world, and those exports accounted for over **10 percent of the industries' total revenue** that year.

**Percent of Revenue, Service Exports, 2002**



## Imports

Contrary to popular belief, most U.S. imports are not finished goods, but raw materials, components and machinery used by U.S. farmers, manufacturers and others to produce goods and services in the United States. Sixty percent of the imports into Oregon in 2008 fall into this category. Imports enable regional manufacturers or service providers and their employees to compete for sales to increasingly cost-conscious consumers in global as well as national and regional markets.

## Foreign investment

Foreign investment in Oregon also contributes to the region's economy and job base. **Majority-owned affiliates of foreign firms employed 44,300** Oregon workers, or about three percent of Oregon workers, in 2007. Twenty-six percent of those jobs were at manufacturing firms owned by subsidiaries of foreign-owned firms.

## Small Business

Small- and medium-sized firms account for the bulk of Oregon's exporters. In 2008, 88 percent of Oregon's 4,640 exporters were small- or medium-sized firms. That statistic only counts firms that are direct exporters, it does not include the many related small- and medium-size firms which indirectly exported by selling parts or components that were subsequently incorporated into an export shipment.

“The growth of Oregon Steel into what it's become simply would not have been possible without the foreign acquisition and investment by Russia's Evraz Group.”

Mike Rehwinkel  
President & CEO, Evraz Inc. NA.

## Exporting Oregon Values

Oregon's international firms are carrying the ethic and technology of sustainability across the globe. They export concepts such as sustainability and environmental stewardship with requirements in their purchasing or sales contracts or with tools that their suppliers use to identify sustainable practices. **Rejuvenation**, a manufacturer of period lighting, is working with its suppliers in China, India and Taiwan to green their supply chain by monitoring waste water and recycling. **Glumac**, an engineering consulting firm, employs more than 80 LEED accredited professionals to promote environmental practices in countries like India and China. The Oregon electronics industry helped create a program that enables buyers of computers and monitors to measure their environmental impact. **Nike** recently announced the creation of its Environmental Apparel Design Tool which allows companies to assess the footprint of their products during the design phase.

### Athletic & Outdoor Industry

While manufacturing and distribution of the goods created by Oregon athletic and outdoor companies occurs largely outside the state and country, the research, design, marketing and global management occurs in Oregon. These jobs tend to pay higher wages because they represent the value of the intellectual property associated with a brand. According to the Oregon Employment Department, the average wage in the state's athletic and outdoor industry in 2009 was \$82,700 per year, 79 percent higher than the average wage for all workers. A recent Portland Development Commission report found that 700 firms in this sector employ more than 14,000, with a combined payroll of nearly \$1.2 billion. The report estimates that another 3,200 self-employed individuals provide services to the athletic and outdoor sector, generating another \$100 million in annual revenue.

“ Open trade and markets are critical to the success of Columbia Sportswear. Our highly skilled workforce in the Portland area includes world-class designers, marketers and many other professions. ”

Peter Bragdon  
Senior Vice President of  
Legal & Corporate Affairs  
Columbia Sportswear



#### DID YOU KNOW?

Oregon receives more patents for footwear than any other state. Portland-metro contains the nation's largest concentration of athletic and outdoor companies. Nike, Columbia Sportswear, Adidas, Danner, Keen, Pendleton and Leatherman are just a few of the companies in this sector that call the Portland-metro region home.

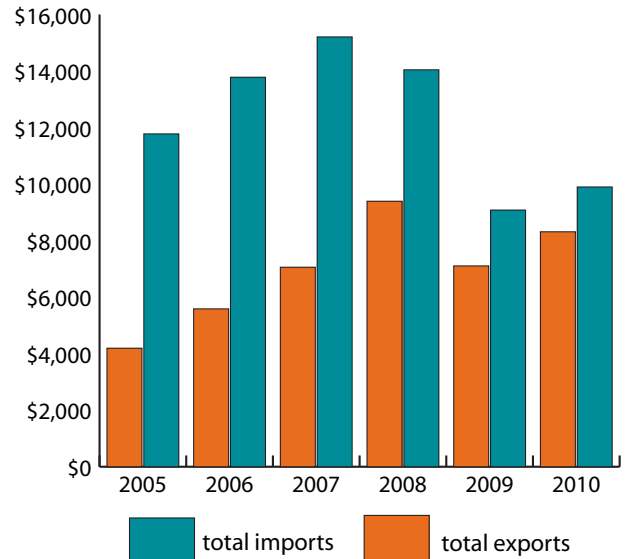
### Portland-metro

Portland-metro in particular benefits from international trade and the presence of the ports of Portland and Vancouver. The companies and workers at the two ports are operating around the clock and knit together into a network of ocean shippers, transcontinental railways, truck lines, river barging, and international airports.

Although the recession did not spare international trade, **for the first eight months of 2010, exports through the ports were up 17 percent**, driven by increases in raw materials destined for strongly growing Asian markets. In addition, the ports have recently seen a 23.4 percent increase in transportation equipment imports.

Overall, the ports have a significant impact on the regional economy. The two ports combined **directly and indirectly supported more than 34,000 jobs** in 2006.

**U.S. Trade Value Ports of Portland & Vancouver (millions)**



“ As the world has become smaller, ZGF Architects has seen a definite increase in the number of international opportunities, and our company is focusing more on those projects. ”

Nancy Fishman  
Principal  
Zimmer Gunsul Frasca Architects



## Federal Trade Agreements

The ports have also seen a noticeable increase in traffic, as U.S. Free Trade Agreements are implemented.

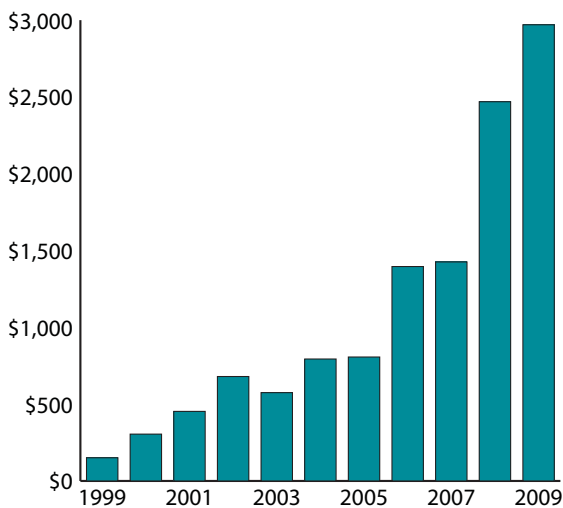
Prior to U.S. extension of Permanent Normal Trade Relations for China and their subsequent accession to the World Trade Organization, Oregon exports to China amounted to \$150 million per year. Since enactment of Permanent Normal Trade Relations with China in 2000, Oregon exports have exploded. In 2009, Oregon exported \$2.9 billion worth of goods to China; this statistic doesn't measure exports of services such as engineering and architecture, so this understates the real importance of China as a trading partner. Exports from Oregon to China through June 2010 have nearly doubled compared to 2009, putting us on pace to export \$4.5 billion in goods to China in 2010, making China Oregon's largest export market.\*

Enactment of bilateral Free Trade Agreements have also benefited Oregon exports. The proportion of non-China merchandise trade with the 17 countries the U.S. has Free Trade Agreements with increased 24 percent between 1996 and 2009. For example, since passage of the Chile Free Trade Agreement, Oregon's

exports of goods to Chile have increased 50 percent. The U.S. recently entered into a Free Trade Agreement with Singapore. As a result, Singapore is on pace to purchase \$340 million worth of Oregon goods this year, making it Oregon's 11th largest export market.

\* Source: International Trade Administration, U.S. Department of Commerce

**Total Merchandise Exports to China, 1999-2009 (millions)**



Source: International Trade Administration, U.S. Department of Commerce.

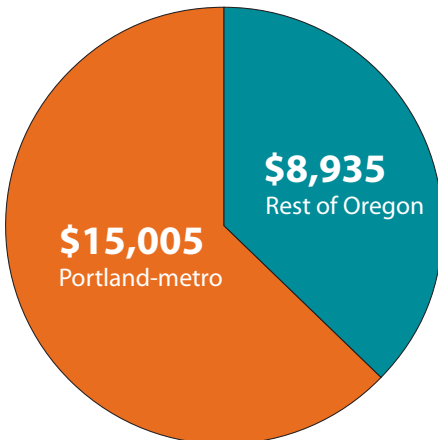
# Why this matters to the Portland region

International trade brings a wide variety of benefits to the region: jobs, higher wages and investment. These benefits are distributed across a number of industries, to workers with varying educational backgrounds, and to residents throughout the metro area and across the state. Early 2010 export figures show strong growth in trade. Therefore, an improving international trade environment will be a critical factor in economic recovery in Oregon and the Portland region. Increased international trade could play a significant role in reversing or at least slowing a loss of jobs from Multnomah County and boosting the region's lagging wages.

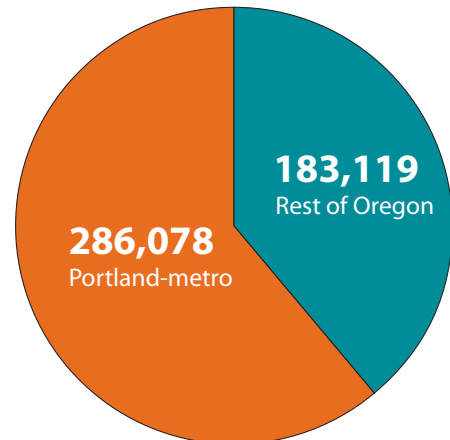
International trade throughout the world is competitive. Other states and nations are working hard to advance their international trade sectors. Continued investment in transportation facilities, reduced barriers to the development of industrial land, and supportive state and federal tax and trade policy will ensure the competitiveness of Oregon's trade-based economy and the retention and creation of family-wage, trade dependent jobs.

International trade is an important key to a healthy economy, in Oregon and in the Portland-metro region. Oregon's leaders, public and private, should focus closely on retaining and expanding policies and practices that support international trade as they strive to create and retain jobs for Oregon families.

**Economic Value of Trade, 2008  
(millions)**



**Jobs Associated with Trade, 2008**





**PNITA**

**Pacific Northwest International Trade Association**

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The mission of the Portland Business Alliance is to promote and foster an environment in the Portland region that attracts, supports and retains private sector jobs, spurs economic vitality and enables quality educational opportunities for the region's residents.