New York

International Trade Benefits New York

A goTRADE New York and Business Roundtable Report
By John L. Manzella, with Contributions from Jon Paone

New York

Fresh analysis reveals that international trade has been a vital factor in the economic growth that has occurred in New York. And now, due to global trends, international trade is even more important to the future well-being of the state.

In addition to being a primary generator of business and job growth in the Buffalo-Niagara, Rochester, Syracuse, New York City, and Long Island regions, international trade also affords consumers greater disposable income, improving their standard of living.

But due to a massive dissemination of misinformation, many believe that international trade has contributed to New York's economic difficulties. In turn, this has led to the belief that erecting trade barriers is a panacea for a variety of economic problems. Nothing could be further from the truth.

In order for New York State to prosper in the 21st century, and seize the benefits presented by globalization, it's imperative that local companies begin or expand exporting efforts. And, it's essential that elected officials establish policies designed to encourage exports, while passing trade legislation that further opens foreign markets.

The Business Roundtable
goTRADE New York

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Eleven case studies appear throughout this report in order to highlight the benefits of international trade to New York-based companies and workers.

Globalization Presents New Opportunities and Challenges

With the dawning of the 21st century, a new era is approaching at warp speed that is affecting every nation, every level of industry, every business, and virtually every individual. This new, post-Cold War era is dominated by globalization, a dynamic process that involves the integration of national markets through international trade (exports and imports), foreign direct investment (ownership and control of a company located in a foreign country), and portfolio investment (ownership of stocks, bonds, or other financial instruments).

Based on free-market capitalism and powered by advances in telecommunications (microchips, satellites, fiber optics, and the internet), transportation, and finance, globalization enables companies and individuals to establish relationships anywhere in the world.

In their book *A Future Perfect*, John Micklethwait and Adrian Wooldridge state that globalization also increases people's freedom to shape their identities and sharpen their talents. Plus, it allows consumers to buy the best the world has to offer, while giving producers the tools to find buyers and partners worldwide. As a result, companies and individuals are empowered to generate new wealth in ways undreamed of just a few years ago.

But globalization is also forcing difficult changes similar to those introduced by the industrial revolution. Shifting from an agrarian society to an industrial economy compelled workers to leave farms in search of factory jobs. Industrialization created anxiety and fear, and demanded that workers learn new skills. And so it is today, but, the skills demanded are more complex.

Slowly but gradually, globalization has created, transformed, downsized, and streamlined jobs in the United States. This has forced workers to continually improve their job skills, add greater value, and increase their productivity. After years of struggle, these changes are bearing fruit for the vast majority of Americans. Stated by Thomas

Ecology & Environment, Inc.'s Exports Help Keep the World Green

One of the most contentious issues in Congress involves entering trade agreements with developing countries that do not protect their environment. Environmental companies like Ecology and Environment, Inc. (E&E) bring new perspective to this argument.

"Our nation should not just consider trading with countries whose environmental standards meet our own. As long as other countries can match our desire for a cleaner environment, we can provide the know-how. Refusing to trade with polluted nations will only stop them from employing our nation's environmental expertise," said Roger J. Gray, Senior Vice President, E&E.

E&E has 28 offices in the United States and more than a dozen overseas. It employs 1,000 people, 400 in its headquarters in Lancaster, New York, a suburb of Buffalo.

"As a service provider, our main investment is in human capital and our main export is knowledge. We hire talented professionals with training in more than 75 disciplines, including health, biological, and social sciences; engineering; environmental and land use planning; and information technology. The more we export, the cleaner the world environment becomes, and the more well-paying jobs we create here and abroad," said Gray.

E&E is well positioned to assist countries and companies in emerging markets that confront the environmental implications of shifting from an agrarian society to an industrial economy. China is one such country, where E&E has generated average revenues of $3 million annually for the past eight years. As consultants, 90% of E&E's Chinese work is carried out by its Lancaster office employees. With recently enacted Chinese legislation that mandates new environmental protection, E&E expects its business there to flourish — further benefiting its employees and the Western New York area.

E&E has exported its services for more than twenty years, helping to achieve and maintain a clean environment in countries such as Kuwait, Saudi Arabia, and Chile. The company derives about 10% of its revenues from exports, and aims to double its exports over the next few years.

"To keep our own environment clean, we need to enact trade legislation that allows our nation's world-class environmental experts to help other countries treat local pollution before it becomes our pollution," said Gray.

For more information, go to: www.ene.com

Friedman in *The Lexus and the Olive Tree*, "The relative decline of the United States in the 1980s was part of America's preparing itself for and adjusting to the new globalization system, a process that much of the rest of the world is going through only now."

But not all Americans are able to adapt. As a result, the primary challenge of globalization is to exploit the greater upside while minimizing the lesser downside. Since no one is in control, globalization can't be turned off or slowed down. Consequently, it is essential for everyone to adapt to the best of his/her ability. To adapt more easily, individuals must pursue life-long learning, companies must nurture proactive global corporate cultures, and nations need to maintain open markets. To help achieve success, governments must encourage companies to expand internationally, and forge new trade agreements that improve access for U.S. goods and services.

Exports Provide Tremendous Benefits

Globalization enables producers of goods and services to move more easily beyond the U.S. market of 276 million people and sell to the world market of 6.1 billion. This is very good news, since exports now account for almost one-third of real U.S. economic growth — and a very large portion of New York's economic development. Consequently, the income of local workers and farmers, and the growth prospects of an increasing number of New York-based businesses are pegged to globalization.

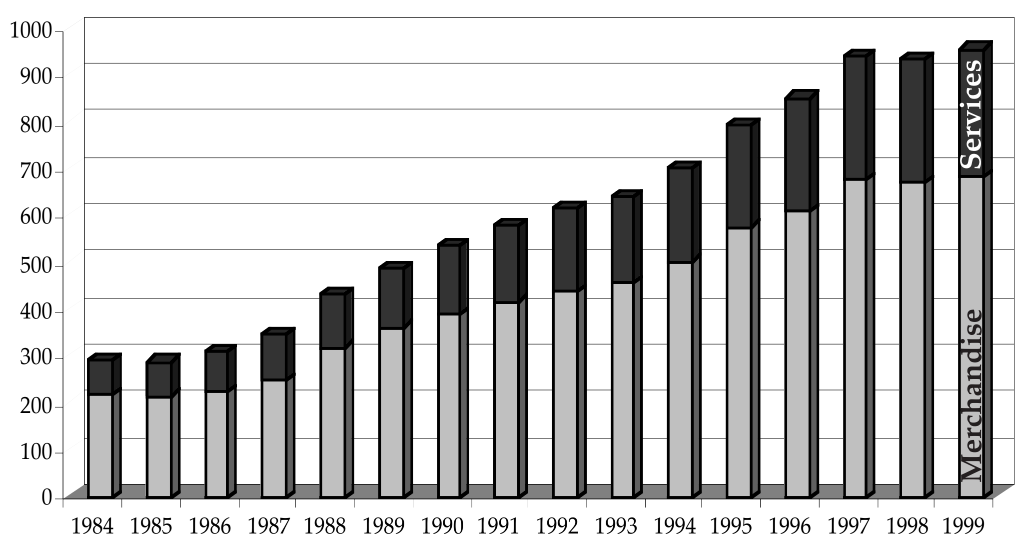
In 1999, the United States exported $684.4 billion in goods and $271.9 billion in services for a total of $956.2 billion. Since 1993, this represents an increase of 49%. Based on calculations provided by the U.S. Trade Representative ($1 billion in goods and service exports sustains 11,986 jobs), this growth supported 11.5 million jobs. And these jobs pay more than the average U.S. wage. How much more?

According to the U.S. Department of Commerce, workers in jobs supported directly by exports earn 20% more than the national average, while workers in high-technology jobs supported directly by exports receive 34% more. Combined, workers in jobs supported both directly and indirectly by exports are paid 13% more. *Why Exports Matter: More*!, a report published by the Institute for International Economics and The Manufacturers Institute, states that unskilled workers also earn more at exporting plants.

Why Exports Matter: More! indicates that worker productivity is higher and employment growth is stronger at exporting firms, as compared to non-exporting firms of the same size in the same industry. Thus, during a five-year period, it was revealed that the measure of value-added input per employee (one measure of productivity) was almost one-sixth higher in exporting plants than in comparable non-exporting plants.

Additionally, exporting firms experienced almost 20% faster employment growth than non-exporters, and were 9% less likely to go out of business. Communities where exporters reside also benefit through a more stable workforce and a strong tax base. Furthermore, the revenue generated from

U.S. Exports, in Billions of Dollars



Source: U.S. Dept. of Commerce

exports flows to local communities, through restaurants, retail stores, movie theaters, etc., and spreads risk should the domestic market enter a period of slow growth or recession.

Exports of Services Outpace Merchandise

Every year for almost three decades, the U.S. service sector has enjoyed a trade surplus that has consistently reduced the U.S. trade deficit. For example, in 1999, U.S. exports of services decreased the overall trade deficit by more than $80 billion — that's a 25% reduction. And since 1980, U.S. exports of services have grown 130% faster than exports of goods. These facts are often overlooked. But more importantly, not always realized are the tremendous benefits currently derived from — and the huge potential offered by — the service sector in terms of economic growth, personal income, employment, and exports.

According to *Recent Trends in U.S. Services Trade* published by the U.S. International Trade Commission, travel and tourism was the largest U.S. service export via cross-border trade in 1998, accounting for 29% of the total. This was followed by the exports of intangible intellectual property (reported as royalties and license fees), 15%; business, professional, and technical services, 10%; maritime and air freight transportation services (including port services), 9%; and passenger fares (airline and maritime), 8%.

In August 2000, average hourly service sector earnings in the United States were $13.72, only slightly less than hourly earnings in manufacturing, according to the Bureau of Labor Statistics.

The U.S. service sector, especially the New York service industry, is extremely advanced and internationally competitive. With the recent introduction and availability of new and inexpensive technology — led by telecommunications, computers, and the internet — millions of people and companies worldwide now have the ability to purchase services from anywhere.

As a result, it is anticipated that the export of business, professional and technical services (accounting, advertising, engineering, franchising, consulting, public relations, testing and training, in addition to many others) will increase rapidly.

Travers Tools Plans To Triple International Sales

Travers Tools' world headquarters in Flushing, New York, boasts over 100,000 products ready to be shipped worldwide the moment a phone, mail, fax or internet order is received. Not bad for a company founded in 1924 whose owner aspired only to be the supplier of choice for marine and auto shops on Long Island.

Travers Tools manufactures tools for the metalworking and industrial markets, and distributes tools made by dozens of other U.S. companies. Frank Ong, International Sales Manager, attributes their success to their well-stocked warehouse, the quality of their products, and the knowledge of their customer service staff.

"Price is important, but expertise, relationships, and the ability to deliver the right products on time are even more important. Our customers don't want to risk delaying their manufacturing or building project because they received the wrong tools, or poor-quality tools, or tools that arrived a few days late. Time is money," said Ong.

In recent years, Travers established sales and distribution offices in France, Mexico, Canada, South America, and China to fulfill the strong foreign demand for its products. Over the next five years the company intends to double its sales volume with exports leading the way — tripling Travers' international sales.

"Our customers specifically request American-made tools because they know they are the best quality. The competitive international advantage that the Japanese enjoyed in the auto industry in the 1980s is now enjoyed by the American tool industry. The international market is ours to capture," said Ong.

Even Travers' sales to major domestic corporations are driven by international trade. Typically, a procurement officer for a U.S. automobile manufacturer will order thousands of tools shipped to Detroit. But many of those tools will be used to build cars for export, and some will be sent to foreign auto factories.

NAFTA was a boon for Travers. Growing Mexican manufacturing industries often import Travers' precision manufactured tools. As a result, Travers opened sales and distribution offices in Mexico. Ong foresees export sales expanding rapidly in South America if NAFTA is expanded southward. "The quicker Congress expands open trade with South America, the quicker we can hire employees in Queens to fill new orders. As with NAFTA, which generated more than a dozen jobs at Travers and resulted in no losses, we have everything to gain from expanded trade and nothing to lose."

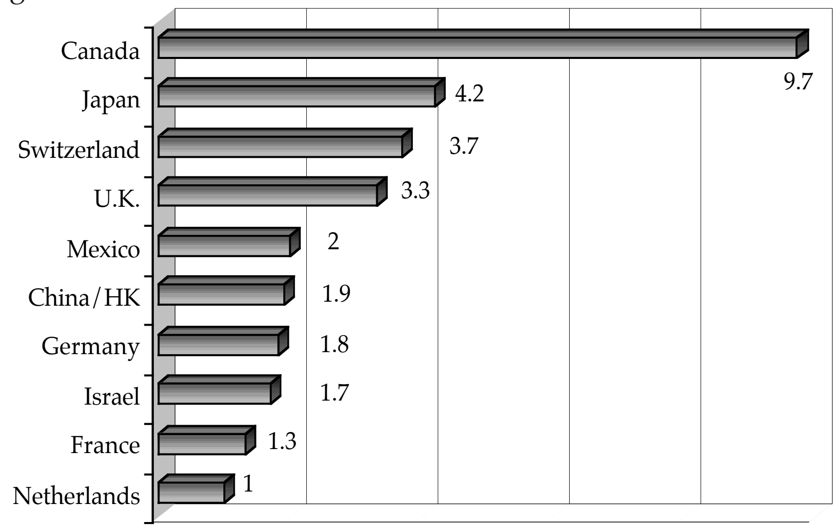
For more information, go to: www.travers.com

Exports Are Essential to New York State

New York has seized many of the challenges presented by globalization. However, in order to generate greater economic growth, much more needs to be done.

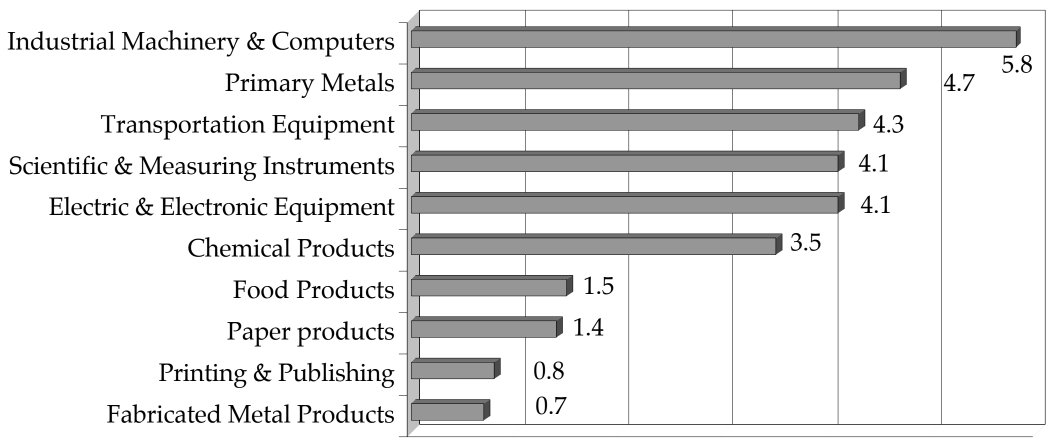
New York is the third largest merchandise exporting state in the United States. In 1999, New York exported $43.3 billion of goods worldwide — a significant source of economic growth. Based on the U.S. Trade Representative's calculation of 10,917 jobs supported by $1 billion in merchandise exports (multiplier does not include service exports), this supported 473,000 jobs in New York. And if state service export data were available from the U.S. Department of Commerce and added, total exports would be considerably higher.

New York State's 10 Leading Merchandise Export Markets, in Billions of Dollars, 1999



Export-related production is the primary source of new jobs in New York State's manufacturing sector, according to The Public Policy Institute of New York State, Inc., the research affiliate of the Business Council of New York State, Inc. This is very important since New York's exports support one out of every five manufacturing jobs, according to *Export-Related Employment and Wages Estimates for Eight States, 1992 to 1996*, a report published by the Indiana University Kelley School of Business.

New York State's 10 Leading Merchandise Export Sectors, in Billions of Dollars, 1999



Source: U.S. Dept. of Commerce

Plus, on a national basis, the average hourly earnings in manufacturing were $14.38 (August 2000, Bureau of Labor Statistics). To generate more well-paying manufacturing jobs, exports need to become a priority.

New York Exports of Services Are Growing

The services sector is probably more important to the economic health of New York than to any other state in the nation. In 1998, private service-producing industries contributed $533 billion to New York's gross state product (GSP), according to the Bureau of Economic Analysis' *Survey of Current Business*. This accounted for 75% of the total GSP, a larger percentage than any other state. How much of this was exported?

According to testimony by David Catalfamo of the Empire State Development Corporation to the New York State Assembly, based on 1997 data, "A conservative estimate would attribute about 10% of national service exports to New York State." Applied to 1999, this would translate into an additional $27.2 billion in New York State exports. Based on the U.S. Trade Representative's calculation of 14,679 jobs sustained by $1 billion in service exports, this supported approximately 400,000 jobs in New York State.

New York State's "non-merchandise exports of key industry clusters within the service sectors are at least as significant as are merchandise exports," Catalfamo said. In his testimony he stated that, in 1997, New York exports of financial services were estimated to exceed $8 billion annually, distribution services accounted for $7 billion, and communications and media services accounted for more than $2 billion.

Financial, business, professional, and technical services are each an important element of the United States' trade service surplus and extremely important to the New York economy. In 1999, U.S. financial services registered $13.9 billion in exports, compared with $3.6 billion in imports, and $24.3 billion in business, professional, and technical service exports, compared with $7.7 in imports, according to the report, *U.S. International Services: Cross-Border Trade in 1999 and Sales Through Affiliates in 1998.*

Service exports are anticipated to become a much larger generator of state economic growth — especially in the New York City region, the financial capital of the world. Trade agreements that open foreign service and financial markets will generate greater New York State employment and produce more revenue, laying the foundation for a stronger tax base.

A Look at the Dichotomy of New York's Economy

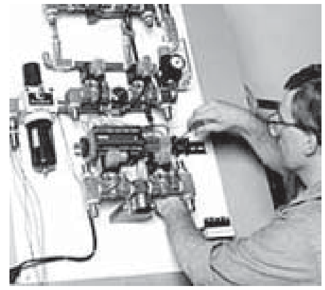
Compared to other states, New York ranks fourth from the bottom in terms of economic growth. Measured in gross state product (GSP), the average economic growth rose only 2.7% annually from 1992 through 1998, well below the nation's average annual growth rate of 3.9%, according to the U.S. Department of Commerce.

In the manufacturing sector, New York's growth registered 0.7%, significantly lower than the national rate of 4.9%. However, in New York's finance, insurance and real estate industry, average annual gains during the period of 1992 through 1998 were 4.6%, higher than the national rate of 3.6%.

Although the state as a whole has performed poorly in terms of economic growth, the downstate region has performed well. In fact, in September 2000, the New York-New Jersey Port

Oxygen Generating Systems, Inc.
Generates 70% of Revenue from Exports

Located in the outskirts of Buffalo, New York, Oxygen Generating Systems, Inc. (OGSI) is one of the leading companies in its industry. The manufacturer of oxygen generators sells its products to a variety of customers, including hospitals, fish farms and waste sites.



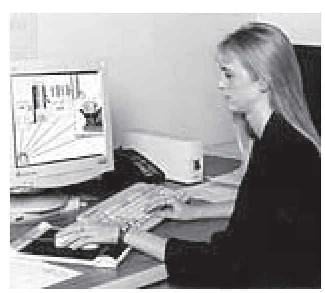
OGSI owns a 30% joint venture in China, which is overseen by the employees in the Niagara Falls office. Recently, the OGSI team manufactured an oxygen generator for a fish farm in China that pumps oxygen into the water, helping the fish to grow larger and allowing more fish to live in a smaller body of water.

The application helped the Chinese farm expand its profits by a factor of four and provided increased food and protein to countless Chinese citizens. With the Chinese government focused on feeding 1.3 billion people, OGSI expects the demand for this application to increase rapidly.

"When someone buys an oxygen generator, it is usually a matter of life and death — and could involve a patient's health, growing a food source, or cleaning the environment. Therefore, buyers seek the top quality product, not the lowest price. In this market, nothing says top quality like 'Made in the U.S.A.'," said Robert Schlehr, Vice President for Sales and Marketing at OGSI.

Just as conventional wisdom assumes you can't sell oxygen to the Chinese, it also assumes that only large companies have the ability to export. Not so. With only 15 employees, OGSI generated 70% of its revenue from export sales of $2.5 million last year. Next year, they plan to increase their exports by 60% to $4 million.

OGSI received a boost in their drive for increased exports when the U.S. Congress passed Permanent Normal Trade Relations (PNTR) with China. Under PNTR, Chinese tariffs on OGSI's generators will drop 30%.



"Because of PNTR, more Chinese companies, hospitals and environmental organizations will be able to afford our product. I believe PNTR will result in increasing employment at our Western New York headquarters," said Schlehr.

For more information, go to: www.ogsi.com

Authority said their region was "one of the world's most vibrant economies," and predicted that economic growth would continue.

Port Authority Executive Director Robert E. Boyle said, "The New York-New Jersey region closed out the 20th century with an economic boom. Not only did regional employment reach an historic high, but for the first time in nearly 20 years the region outpaced the gains of the national economy." And the agency forecasts that over the next few years, economic growth in the region will match national growth for the first time in recent memory.

From December 1998 through December 1999, the number of New York State jobs increased by 1.8%, according to the Public Policy Institute. Broken down: New York City's job count grew by 1.9%, while Long Island and northern New York City suburbs grew by 1.9% and 2.2%, respectively. However, Upstate jobs grew by only 1.6%, with the Buffalo-Niagara, Rochester, and Syracuse regions registering 0.2%, 0.7%, and 2.4% growth, respectively.

How can New York State, especially Upstate, generate additional economic growth that results in higher-paying jobs? A sound strategy is to seize opportunities presented by globalization through exports of goods and services. Since New York State is extremely competitive internationally, it makes sense to promote overseas sales to a greater extent. Since fully 96% of the world's customers for goods and services live outside the United States, and many domestic industries now are saturated, New Yorkers need to find new customers in order to maintain existing jobs and create new ones.

A Look at the Buffalo-Niagara Metropolitan Area

From 1993 through 1998, the Buffalo-Niagara metropolitan area was well within the top quarter of fastest growing and largest merchandise export metro areas in the country. Not surprisingly, the prosperity of the Buffalo-Niagara area, like other regions in New York State, is closely tied to exports. And the highest employment sectors in the Buffalo-Niagara area in 1999 were also among the state's top merchandise export industries.

As of June 2000, the electronic industry employed 11,300 workers in the Buffalo-Niagara metro area (defined by the New York State Department of Labor as Erie and Niagara counties). This represented 13% of area manufacturing workers — comprising the area's largest manufacturing sector. This high-tech industry is also very competitive internationally, and as such, is New York's fifth largest merchandise export industry. Industrial machinery, transportation equipment, and the food and kindred product sectors also are among the largest manufacturing employers in the Buffalo-Niagara metro area — and not surprisingly are New York State's top merchandise export sectors. As one can see, the export growth of these Buffalo-Niagara metro area industries is vital to local employment.

Buffalo-Niagara Metro Area Sector Rank by Employment	*New York State Merchandise Export Rank*
1 Electronic	5
2 Fabricated Metals	10
3 Industrial Machinery	1
4 Transportation Equipment	3
5 Food & Kindred Products	7

Source: U.S. Dept. of Commerce

In July 2000, the Buffalo-Niagara metro area's unemployment rate was 4.9%, higher than New York State's overall rate of 4.4% and the nation's rate of 4.2%, according to the New York State Department of Labor. And when it came to personal income, the region lagged well behind the state. From 1997 through 1998, personal income per capita rose by 4.1% in Erie County and 3.1% in Niagara County, but increased 5.2% state-wide, and 5.9% nationally, according to the Bureau of Economic Analysis.

In order to increase employment in large and higher technology manufacturing sectors (which will lead to higher revenues, benefiting local workers and companies, and the tax base) policies need to be implemented to encourage local electronic, industrial machinery, and transportation equipment manufacturers to further increase exports. Importantly, this will help the Buffalo-Niagara metro area catch up and enjoy the levels of growth achieved state-wide and nationally.

A Look at the Rochester Metropolitan Area

In 1998, the Rochester metropolitan area ranked in the top 12% of the largest merchandise export communities in the country, but 146th out of 253 in terms of merchandise export growth during the period of 1993 through 1998. (Note: export growth is likely to be slower for the largest exporting communities since significant additional growth requires exceptionally large increases in exports.)

Like the Buffalo-Niagara region, employment in the Rochester metro area (defined by the New York State Department of Labor as Genesee, Livingston, Monroe, Ontario, Orleans, and Wayne counties) is tied to the state's largest export sectors. As of June 2000, the Rochester area's scientific and measuring instruments sector was the area's largest manufacturing employer, representing 40% of area workers. This was followed by the industrial machinery and electronic sectors. Interestingly, these sectors also produce the state's top exports. It is clear that the export success of these sectors will have a direct impact on local employment.

Henry Schein, Inc. Is Known Worldwide as a Global Source

Melville, Long Island, is home to Henry Schein, Inc., the world's largest distributor of healthcare products to office-based practitioners. Growing tremendously from its roots in Queens as a drug store and soda fountain, the company now offers one-stop shopping for over 70,000 products to 400,000 customers in 125 countries.

As a result, Henry Schein is known worldwide as a premier source for healthcare products. Customers include dental practices and laboratories, physician practices, and veterinary clinics, as well as government and other institutions.

"Henry Schein depends on open trade with foreign markets to grow our international business. Foreign tariffs and quotas impede our entry into some potentially lucrative markets. If tariffs continue to drop around the world, the company will likely continue to grow sales and expand jobs on Long Island," said Jennifer Marr, Vice President for International Operations.

Despite Henry Schein's growth and worldwide reach, the company has not forgotten its local roots. Whenever possible, it purchases its products from Long Island manufacturers. And today, the number of local suppliers has grown to over 130.

This commitment by Henry Schein highlights the positive local ripple effect of exporting. When a foreign customer buys a product from Henry Schein's catalog, not only does that purchase help grow revenues and expand jobs at the company's Melville headquarters, it also increases employment for the company's suppliers and helps improve their bottom line.

The company began to focus on exporting in 1990, with revenues now totaling $20 million. Exports directly support employees in the Schein international division, and indirectly support hundreds of Melville-based jobs in other departments such as marketing, purchasing, creative services, financial, and customer service.

Henry Schein currently has sales and distribution offices in 16 countries and is poised to expand its export business through the use of a new website that will enable worldwide customers to browse the on-line catalog.

"Our catalog business is perfectly suited to expand sales through an e-commerce website. Since the internet knows no international boundaries, public policy should seek to facilitate, not hinder, the growth of international commerce," said Marr.

For more information, go to: www.henryschein.com

Rochester Metro Area	*New York State*
Industry Rank by Employment	*Merchandise Export Rank*
1 Instruments	4
2 Industrial Machinery	1
3 Electronic	5
4 Rubber & Misc. Plastics	11
5 Primary & Fabricated Metals	2

Source: U.S. Dept. of Commerce

The Rochester region's unemployment rate was 3.5% in July 2000, lower than the state and national averages, according to the New York State Department of Labor. However, the counties comprising the region all registered lower personal income growth rates on a per capita basis than the state, 5.2%, and the nation, 5.9%, during the period 1997 – 1998. According to the Bureau of Economic Analysis, Genesee County registered a 2.4% increase in personal income growth, Livingston, 2.8%, Monroe, 3.9%, Ontario, 3%, Orleans, 1.5%, and Wayne, 2.6%. Although unemployment is a bright spot, personal income can be improved. Since export-related jobs pay higher wages than the national average, more focus needs to be placed on local companies achieving export success.

A Look at the Syracuse Metropolitan Area

In 1998, the Syracuse metropolitan area ranked in the top 31% of the largest merchandise export communities in the country. Its merchandise export growth rate, however, has been poor, ranking 219th out of 253 U.S. metro areas from 1993 through 1998.

A look at the Syracuse metro area (defined by the New York State Department of Labor to include Cayuga, Madison, Onondaga, and Oswego counties) reveals a similar correlation between the largest employment sectors and top manufacturing export industries as seen in the Buffalo-Niagara and Rochester regions. As of June 2000, the industrial machinery sector was the largest regional manufacturing employer, representing 16% of manufacturing employees. This was followed by the electronic equipment, transportation equipment, and food and kindred products sectors.

Syracuse Metro Area	*New York State*
Industry Rank by Employment	*Merchandise Export Rank*
1 Industrial Machinery	1
2 Electronic	5
3 Transportation Equipment	3
4 Food and Kindred Products	7
5 Primary metals	2

Source: U.S. Dept. of Commerce

The Syracuse region's unemployment rate was 3.5% in July 2000, lower than the state and national average, according to the New York State Department of Labor. However, the region's counties registered per capita personal income growth lower than the state and nation during the period of 1997 – 1998. The county of Cayuga registered 3.3%, Madison, 4%, Onondaga, 4.7%, and Oswego, 2.8%, according to the Bureau of Economic Analysis. Like the Buffalo-Niagara and Rochester areas, to increase personal income for workers, more emphasis should be placed on the international success of local companies.

A Look at the New York City Region

The New York City metropolitan area ranked as the third largest metro merchandise exporter out of 253 U.S. metro areas in 1998. If unavailable local service export data were included, the New York City region likely would rank as the largest U.S. metro area exporter.

The employment composition in the New York City metro area is somewhat different than the rest of the state due to the high concentration of service industries and the international level of competitiveness it maintains. According to the New York State Labor Department, the New York metro area includes the Bronx, Kings, New York (Manhattan), Queens, and Richmond counties.

As of June 2000, the New York metro area's third (chemicals), fourth (food and kindred products), and fifth (electronic) largest manufacturing employment sectors ranked among the state's top seven export categories. However, the area's largest manufacturing employment sector, printing and publishing, represented 30% of area manufacturing workers. This sector was followed by apparel products, which represented 25% of manufacturing workers.

New York City Metro Area Industry Rank by Employment	*New York State Merch. Export Rank*
1 Printing and Publishing	9
2 Apparel	12
3 Chemicals	6
4 Food and Kindred Products	7
5 Electronic	5

Source: U.S. Dept. of Commerce

As a center for the nation's leading book and magazine publishers, as well as the entertainment industry, New York City benefits significantly from royalties and license fees, categorized under service exports, not merchandise. For example, AOL Time Warner's New York City headquarters employs 12,700 people, ranking sixth among the city's top employers, according to *Crain's New York Business*. The company owns the rights to tens of thousands of movies, television shows, magazines, and books. In 1999, this contributed to U.S. royalties and licensing fees, which accounted for U.S. exports of $36.5 billion and imports of $13.2 billion, according to *U.S. International Services: Cross-Border Trade in 1999 and Sales Through Affiliates in 1998.*

Newtex Industries Plans To Double Its Size Over the Next Four Years

Twenty-five years ago, as evidence mounted that asbestos posed severe health risks, engineer Bal Dixit began to experiment in order to find a better way to safeguard industries and workers. In 1978, he founded Newtex Industries, a manufacturer of a safe alternative to asbestos that protects people.

As an innovator of a unique and vital product, Newtex found a strong demand for its product internationally. In fact, the company now exports to 70 countries, incorporating their Zetex® and ZetexPlus® heat-protective materials into fabrics, tapes, ropes, gloves, blankets, and curtains.

In 1999, Newtex's exports increased by 36% — driving the company's growth. The North American Free Trade Agreement (NAFTA) has significantly contributed to the firm's international success, with exports to Mexico doubling since 1993. As a result, Newtex plans to double its size over the next four years.

In October 2000, Newtex broke ground on a 50,000 square foot expansion of their headquarters outside of Rochester, New York, to help meet the growing demand for its products worldwide.

"The expansion of our headquarters is a prelude to an increase in our workforce. Because of strong international sales, Newtex plans to grow from 90 to 135 employees in Victor, New York, over the next few years," said Bal Dixit, President of Newtex Industries. "And these are quality jobs in manufacturing, R&D, accounting, sales, and marketing. Trade grows jobs and we are the proof."

Although most of Newtex's core products are geared towards protecting factory workers, the company also incorporates its innovations into domestic applications. Newtex's wall coverings are installed in homes, hotels, hospitals, offices, and schools. The protective wall covering resists extreme heat, is nonflammable and easy to maintain, and reinforces encapsulants that seal lead-based paint.

"Our customers respect the fact that our product is made in the United States. With laws designed to protect factory workers, home-owners, and children from fires and asbestos, our customers know that if it is good enough to meet the U.S. standards, it is good enough to meet their own standards," said Dixit.

For more information, go to: www.newtex.com

Expanded to include the New York primary metropolitan statistical area (PMSA), which comprises the metro area plus Putnam, Rockland, and Westchester counties, the export picture looks very similar to the New York City metro area. As of July 2000, the unemployment rate for the New York City metro area was 5.8%. Expanded to include the entire eight-county PMSA, the rate edged down to 5.4%, still higher than the state and national rate, according to the New York State Department of Labor.

In terms of per capita personal income growth, the Bronx registered an increase of 3.4%, Kings, 3.5%, New York, 7.5%, Queens, 5.9%, Richmond, 4.4%, Putnam, 5.8%, Rockland, 7.5%, and Westchester, 5.1%, during the 1997 -1998 period, according to the Bureau of Economic Analysis.

A Look at Long Island

Long Island, which comprises Nassau and Suffolk counties, ranked in the top 12% of the largest metro merchandise exporters, one place after Rochester, New York. In terms of merchandise export growth, Long Island came in at 113th.

In the counties of Nassau and Suffolk, as of June 2000, the electronic sector employed the most manufacturing workers, 15%, followed by printing and publishing, chemicals and allied products, and instruments and related products. Long Island has created an attractive environment for numerous small and mid-size high-tech firms that employ thousands of engineers and scientists. As a result, a shift has occurred from a mixed manufacturing economy to a primarily high-value added services economy.

Long Island Industry Rank by Employment	*New York State Merchandise Export Rank*
1 Electronic	5
2 Printing and Publishing	9
3 Chemicals	6
4 Instruments	4
5 Fabricated Metals	10

Source: U.S. Dept. of Commerce

As of July 2000, the unemployment rate of Long Island was 3.1%, lower than the state and national rate. And, in terms of per capita personal income growth, Nassau and Suffolk registered increases of 4.3% and 5.2%, respectively, during the 1997 -1998 period, according to the Bureau of Economic Analysis.

A Look at the New York City Service Industry

The Port Authority of New York and New Jersey reported in September 2000 that “the service sector has been the ‘star performer’ in the regional economy. Growth in service jobs has averaged 3.9% in each of the past three years. The sector is responsible for more than 600,000 regional jobs since 1992.”

It is no surprise that the New York City metro area and the expanded New York City PMSA region employ a larger percentage of workers in the service sector than Upstate areas. As of June 2000, the New York City PMSA employed 90% of its nonagricultural workforce in the service sector. This was followed by Long Island, 86%, Syracuse, 81%, Buffalo-Niagara, 80%, and Rochester, 76%.

When it comes to finance, no region in the United States plays a larger role than New York City’s financial district. The sector provides a large number of jobs to New Yorkers — from Long Island to the five boroughs to the northern suburbs. Of the top 25 employers in New York City, 12 are in the financial services sector. This not only significantly contributes to the region's economic success, it also helped drive the U.S. service trade surplus of which $10.3 billion (exports less imports) is derived from financial service trade, and $16.6 billion (exports less imports) is generated from business, professional, and technical service sectors.

U.S. financial service exports increased 24% from 1998 through 1999, and much of this was produced in the New York City region, indicating that Wall Street exports are up.

	New York City's Top Employers	*No. of Employees*
1	Chase Manhattan	25,743
2	Citigroup	24,610
8	Morgan, Stanley, Dean Witter & Co.	11,700
9	Merill Lynch & Co.	11,600
13	Deutsche Bank AG	9,600
14	Bank of New York	9,434
19	Goldman Sachs & Co.	7,872
20	Marsh & McLennan Cos.	7,000
21	AXA Financial	6,431
22	J.P. Morgan Co.	6,279
23	Bear Stearns Cos.	6,087
25	Prudential Securities	5,836

Source: *Crain's New York Business, 3/27/00*

It is no surprise that the New York City metro area has a higher percentage of its local nonagricultural workforce employed in the finance, insurance and real estate sector than other metro areas covered in this report. In June 2000, the New York City metro area employed 13.3% of its nonagricultural workers in finance, insurance and real estate. This was followed by Long Island, 6.9%; Buffalo-Niagara, 5.5%; Syracuse, 5.2%; and Rochester, 3.8%.

The nation's "Big Five" management consulting and accounting firms also maintain a major presence in New York City. PricewaterhouseCoopers, Deloitte & Touche, Ernst and Young, KPMG, and Arthur Anderson, for example, employ a combined total of 19,000 people in New York City, according to *Crain's New York Business*. This broad export sector also includes industries such as advertising and legal services. As more services are exported, the New York City region will continue to prosper.

Telephonics Corporation Exports Will Create More High-Paying Jobs

An enduring symbol of Long Island's industrial roots, Telephonics Corporation in Farmingdale, Long Island, designs some of the most advanced technologies in the world.

Throughout the Cold War, Long Island thrived as a hub for national defense manufacturing. However, when the federal government sharply cut defense spending in the 1990s, Long Island suffered severe economic pains with thousands of workers losing their jobs.

Fortunately for Telephonics' 1,100 employees, the company overcame cutbacks and continued to grow by expanding exports. As the manufacturer of the world's most advanced radar technology, Telephonics has capitalized on new sales opportunities abroad, with approximately 35% of its revenues attributed to exports.

Whether a foreign government or an airport wishes to build an air traffic control system, create a radar system for marine search and rescue missions, or simply monitor the weather, Telephonics is called on to provide advanced technology and dependable after-sales support.

Telelphonics was founded in 1933. By 1950, the company became the first Western supplier of commercial air traffic control systems to China. The company now employs 700 people in its Farmingdale headquarters and 400 more at its Huntington manufacturing site.

Telephonics continues to increase exports to China. In fact, it is now one of the world's largest airport equipment suppliers with $21 million in sales to Chinese airports.

As China modernizes its economy and transportation infrastructure, the demand for Telephonics' products will increase. And, as its exports grow, more well-paying technology jobs in Farmingdale and Huntington will result.

For more information, go to: www.telephonics.com

Imports Stretch Consumers' Income

Contrary to public opinion, imports are not bad for the economy or workers. In fact, the opposite is true. Imports allow American consumers greater choices, a wider range of quality, and access to lower-cost goods and services. They create competition, forcing domestic producers to improve value by increasing quality and/or by reducing costs. And, since imports allow the American family to purchase more goods for less money — stretching the dollar — more disposable income is available for education, healthcare, home mortgages, vacations, etc. And imports help keep inflation down, one of the most important factors in raising our standard of living.

"Three out of four families living below the poverty line in America today own a washing machine and at least one car. Ninety-seven percent own a television; three out of four have a VCR. Thanks to all that terrible competition, many gadgets are much more affordable, particularly in terms of the number of work hours needed to acquire them," remarked John Micklethwait and Adrian Wooldridge.

Imports Help Local Companies Become More Competitive

Imports do more than afford American families a higher standard of living — a primary economic goal. Through the availability of lower-cost imported inputs, such as components and materials, U.S. producers are much more competitive, resulting in enormous benefits.

According to *Trade, Jobs and Manufacturing,* published by the Cato Institute's Center for Trade Policy Studies, "In 1998, more than half the $919 billion in goods Americans imported were not final consumer goods but rather capital goods ($270 billion) or industrial supplies and materials ($203 billion). Such imports as petroleum, raw materials, steel, and semiconductors are used directly by American producers to lower the cost of their final products. The lower costs in turn lead to increased sales at home and abroad and, in many cases, higher employment within the industry."

Additionally, according to the World Trade Organization (WTO), "Imports expand the range of final products and services that are made by domestic producers by increasing the range of technologies they can use. When mobile telephone equipment became available, services sprang up even in the countries that did not make the equipment."

Protectionism Doesn't Protect Jobs

Although protectionism may be beneficial in some instances to help fledgling industries for limited periods of time, numerous studies have indicated that this approach does have severe negative consequences.

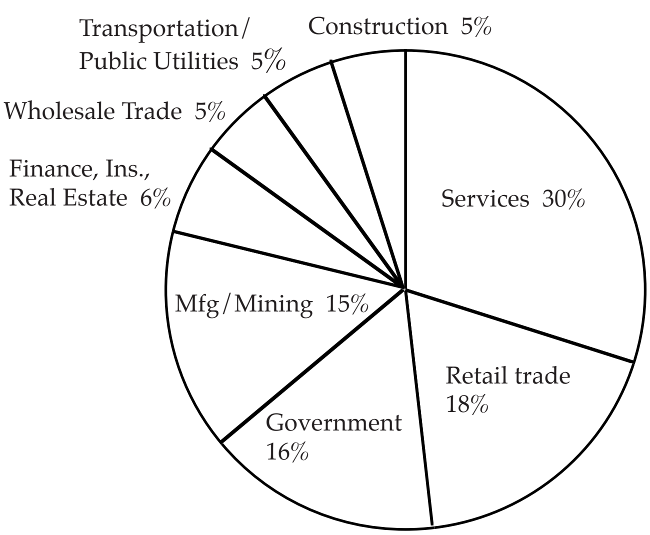
Commenting on a report by the General Agreement on Tariffs and Trade (GATT), now the World Trade Organization, on the true costs to consumers of protectionism, Peter Sutherland, former Director General of GATT, said, "It is high time that governments made clear to consumers just how much they pay — in the shops and as taxpayers — for decisions to protect domestic industries from import competition. Virtually all protection means higher prices. And someone has to pay; either the consumer or, in the case of intermediate goods, another producer. The result is a drop in real income and an inability to buy other products and services."

Mr. Sutherland continued, "Maybe consumers would feel better about paying higher prices if they could be assured it was an effective way of maintaining employment. Unfortunately, the reality is that the cost of saving a job, in terms of higher prices and taxes, is frequently far higher than the wage paid to the workers concerned. In the end, in any case, the job often disappears as the protected companies either introduce new labor-saving technology or become less competitive. A far better approach would be to use the money to pay adjustment costs, like retraining programs and the provision of infrastructure."

Imports Put Few Jobs at Risk

There is no doubt that international trade sometimes causes employment to increase in some sectors while decrease in others. But exaggerated fears of massive job losses due to imports are misplaced. Contrary to public belief, only a very small percentage of American jobs are at risk from imports.

According to the Joint Economic Committee of Congress report, *Economic Indicators*, April 1999, service workers accounted for 30% of the non-farm workforce, followed by the retail trade (18%), government (16%), manufacturing and mining (15%), finance, insurance and real estate (6%), wholesale trade (5%), transportation and public utilities (5%), and construction (5%) sectors.



According to *Trade, Jobs and Manufacturing*, of these categories, the 85% of all workers not in the manufacturing and mining sector are in industries that by their nature do not produce tradable goods or services, or where imports account for a very small to nonexistent share of domestic supply. And in the manufacturing and mining sector (the remaining 15%), only a small number of workers are in industries considered import-sensitive,

Kepco, Inc. Anticipates Future Trade Agreements To Increase Revenues and Expand Jobs

In an industrial section of Flushing, Queens, sandwiched between a Home Depot and a window manufacturer, Kepco, Inc. is a legacy of innovation that traces its roots to one of history's seminal science achievements. In 1946 three brothers named Kupferberg returned home to Queens from Los Alamos, where they had worked on the top-secret Manhattan Project that developed the first atom bomb.

Building on their knowledge of physics and their experience inventing and building new electronic equipment in Los Alamos, they and a fourth brother founded Kepco, a manufacturer of DC power supplies and associated electronic equipment.

Through the years, the Kupferberg family and their employees built Kepco into a company that enjoys worldwide respect for reliable products and quality customer services. The surviving brothers still serve on the Board of Directors. The day-to-day management is handled by the next generation of Kupferbergs.

Kepco's customers are major manufacturers of electronic equipment. Exports from Flushing are shipped to the U.K., France, Germany, Brazil, Mexico, Canada, China, Korea, and Taiwan. "We're shipping products to Asia as fast as we can make them. Exports have allowed us to grow our company to 270 employees. As trade barriers continue to fall, our exports and jobs will continue to rise," said Saul Kupferberg, Vice President of Kepco.

The company employs 270 people in the engineering, sales, marketing, manufacturing, and shipping departments that design, produce, and distribute its 1,000 products. Over 60% of Kepco's products are manufactured in Flushing, while 40% are imported. Yet, even the imports are modified, packaged, shipped, and serviced from Flushing.

"When foreign trade barriers are removed, we'll be able to compete anywhere in the world because our talented employees produce the best products in their class," said Kupferberg.

As a veteran Queens company, Kepco has long-standing relationships with hundreds of local suppliers who benefit from Kepco's overseas efforts.

Currently, 10% of Kepco's sales are generated through exports. The company is readying new products that are anticipated to bump exports to 20% over the next few years. Like NAFTA, which helped Kepco gain jobs without losing one, the company expects new trade agreements to increase revenues and expand jobs.

For more information, go to: www.kepcopower.com defined as having an import penetration of at least 30%. How is this determined?

Of more than 450 separate four-digit Standard Industrial Classifications (SIC) manufacturing sectors, only 66 were identified by the Cato study as being import-sensitive. Employment in these 66 categories represented 12% of manufacturing workers in 1994 — or less than 2% of total non-farm workers — a surprisingly small figure!

In 1998, agricultural workers numbered 3.4 million and represented 2.6% of total U.S. employment. Stated in the Cato study, "Fear of imports looms large in some sectors of agriculture, such as dairy products, sugar, and peanuts, but for those who make their living in the larger export-oriented sectors such as wheat, corn, and soybeans, the chief worry is not rising imports but sagging exports caused by economic troubles abroad. Even in farm sectors most vulnerable to import competition, the potential job losses are minuscule in relation to the overall U.S. labor force."

The Economic Report of the President, provided to Congress in February 2000, has come to the same conclusion and determined that "roughly 10% or less" of worker dislocation is attributable to trade. The Cato study concludes that the "lingering myth that imports cause a net decrease in jobs is refuted by the evidence of the last two decades. Since 1980, the annual volume of imports to the United States has more than tripled. During that same period, the number of Americans employed has increased by 31 million." The report's compelling evidence points to technological change as the real displacer of jobs.

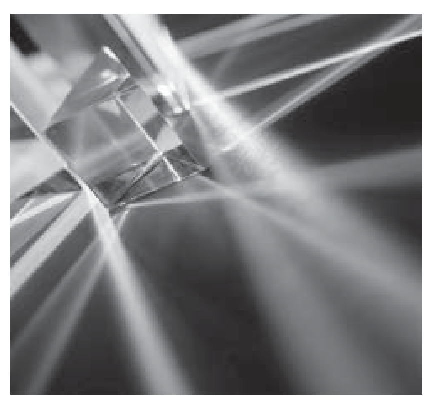
The Cost of Protectionism Is High

Reducing the number of imports through the use of trade barriers only raises the costs of goods and services to consumers, and promotes higher inflation. According to the WTO, in 1988 it was determined that $3 billion a year is added to grocery bills of U.S. consumers to support sugar import restrictions.

According to *Trade, Jobs and Manufacturing*, if import barriers on sugar products were eliminated, imports would surge by almost 50% and domestic production would fall by 7.2%. The resulting job losses in sugar-related industries would total 2,290 out of 16,400 full-time industry jobs — "a small number compared to an average of 235,000 net new jobs the U.S. economy has created each month during the past seven years."

In the late 1980s, U.S. trade barriers on textile and clothing imports raised the cost of these goods to consumers by 58%. When the U.S. limited Japanese car imports in the early 1980s, car prices rose by 41% between 1981 and 1984. The objective was to save American jobs. However, in the end it cost more jobs due to a reduction in the sale of U.S.-made automobiles, according to the WTO.

Technology Is the Real Displacer of Jobs



Scholars and leaders of industry alike have argued that even if a greater level of protectionism were implemented, low-technology jobs would still disappear. Robert Reich, former U.S. Secretary of Labor, stated that "Even if millions of workers in developing nations were not eager to do these [low-technology] jobs at a fraction of the wages of U.S. workers, such jobs would still be vanishing. Domestic competition would drive companies to cut costs by installing robots, computer integrated manufacturing systems, or other means of replacing the work of unskilled Americans with machinery that can be programmed to do much the same thing."

There are many examples of technology eliminating jobs. According to *Trade, Jobs and Manufacturing*, "Technology shoves far more Americans out of jobs than do imports. In the last two decades, tens of thousands of telephone operators and bank tellers have been displaced from their jobs, not by imports, but by computerized switching and automated teller machines."

Globalization Aids the Poor

For many of the world's poorest countries, including North Korea, Vietnam, and those in sub-Sahara Africa, the primary problem is their inability to participate in the globalization process. Contrary to anti-globalist doctrine, globalization benefits poor nations and the less privileged as well as wealthy nations and the affluent. According to the WTO report *Trade, Income Disparity and Poverty,* "Trade liberalization (the removal of trade barriers) helps poor countries catch up with rich ones ... this faster economic growth helps to alleviate poverty." In fact, the report concludes, trade "is essential if poor people are to have any hope of a brighter future."

The study finds that living standards in some developing countries are increasing much faster than others for reasons that will surprise protectionists. What distinguishes the fastest growing developing countries from the slowest growing developing countries is their openness to trade. "The countries that are catching up with rich ones are those that are open to trade," and the more open they are, the faster per-capita income is rising and catching up with the levels in developed countries.

The WTO study concurs with the World Bank report *Growth Is Good for the Poor*. Studying data from 80 countries over four decades, *Growth Is Good for the Poor* confirms that "Openness to foreign trade benefits the poor to the same extent that it benefits the whole economy."

Globalization, Poverty and Inequality, published by the Progressive Policy Institute, a think tank located in Washington, D.C., contends that "less globalization is generally associated with less development." Similar to other studies, *Globalization, Poverty and Inequality* concludes that anti-globalists are wrong.

Marks Paneth & Shron
Doesn't Export, But Its Clients Do

Marks Paneth & Shron in New York City does not export a product or service. However, foreign markets are a key element to the firm's success.

Similar to law firms in Midtown, advertising firms on Madison Avenue, and the brokerage houses on Wall Street, Marks Paneth & Shron provides business-to-business services. And, like other large and small service providers, their success is dependent on the ability of their clients to grow — and for many that means to grow internationally.

MP&S Marks Paneth & Shron LLP

"We provide accounting services to clients who export everything from television commercials to surplus plastic to lottery tickets. The competitive U.S. market breeds strong, efficient companies that can compete anywhere in the world. Remove the foreign trade barriers, such as tariffs or domestic subsidies, and jobs in the U.S. will continue to grow for our clients as well as our own firm," said Ron Nash, Partner at Marks Paneth & Shron.

The firm employs 250 people in its Manhattan office and 50 people in its Woodbury, Long Island office.

For an example of the ripple effect of international trade, look no further than Marks Paneth and Shron's long-time clients. One, in particular, launched an international publication, attracting considerable revenue from overseas advertisers. In turn, this additional business will boost support service providers.

In addition, Marks Paneth and Shron assists overseas companies interested in penetrating the New York market. "You never know where your next client will come from. They could be a few blocks away or a few continents away. What I do know is that open access to international markets greatly increases our opportunities to grow revenues and expand jobs," said Nash.

For more information, go to: www.markspaneth.com

According to the report, "At the heart of this anti-globalization movement is the notion that global markets — particularly global capital markets — are destructive and exploitative. More specifically, these self-proclaimed opponents of globalization argue that global integration is increasing poverty and inequality — both within and between nations. Such critics thus propose 'progressive solutions' including slowing down, controlling, and even reversing the globalization process."

According to the report, "No country has managed to lift itself out of poverty without integrating into the global economy." And who would know this better than former Mexican president Ernesto Zedillo, who said: "In every case where a poor nation has significantly overcome its poverty, this has been achieved while engaging in production for export markets and opening itself to the influx of foreign goods, investment and technology — that is, by participating in globalization."

This is confirmed by Jeffrey Sachs and Andrew Warner of Harvard University. They contend in their report, *Economic Convergence and Economic Policies,* published by the National Bureau of Economic Research, that developing countries with open economies grew by 4.5% a year in the 1970s and 1980s, while those with closed economies grew by 0.7% a year. At this rate, open economies double in size every 16 years, while closed economies double every 100 years.

Globalization may not be a panacea for all economic ills, but it certainly helps alleviate them. According to John Micklethwait and Adrian Wooldridge, "In 1960, the average wage in developing countries was just 10% of the average manufacturing wage in the United States; in 1992, despite all that terrible globalization, it had risen to 30% ... globalization helps the whole pie get bigger." In fact, there are numerous examples of this. Stated by Micklethwait and Wooldridge, "Deng Xiaoping's decision to open China's economy in 1978 helped some eight hundred million peasants more than double their real incomes in just six years, arguably the single greatest leap out of acute poverty of all time. The past three years have been tough for poor Asians, but the long-term trend is upward: By 2020 some two billion poor rural people should be lifted out of poverty."

Education Is Key to Future Success

As Thomas Friedman points out, "Every night the lion goes to sleep knowing that in the morning, when the sun comes up, if it can't outrun the slowest gazelle, it will go hungry. Every night the gazelle goes to sleep knowing that in the morning, when the sun comes up, if it can't outrun the fastest lion, it's going to be somebody's breakfast. But the one thing the lion and gazelle both know when they go to sleep is that in the morning, when the sun comes up, they had better start running. Unfortunately, not everyone is equipped to run fast."

Today, one's ability to run fast is often dependent on the level of education obtained. Thus, it is no secret that unemployment is commensurate with lack of education and skills. For example, in May 2000, the annual U.S. unemployment rate for the civilian labor force averaged 4.1%. However, of the civilian labor force age 25 years and older, the rate of unemployment was 6.1% for workers without a high school diploma. It declined to 3.7% for high school graduates, 2.9% for those with some college education, and 1.8% for college graduates.

Not surprisingly, the occupational groups projected to decline or be among the slowest growing are more likely to be dominated by workers who do not obtain education beyond high school. Conversely, occupations having the highest rates of growth are more likely to have workers with higher educational attainment.

According to the U.S. Department of Labor's report, *Futurework,* "We are living in a new economy —

powered by technology, fueled by information, and driven by opportunity on our side." By 2050, the report indicates, the U.S. population is expected to increase by 50%. As the new economy emerges, it is essential that New York's young population develop the skills needed tomorrow. It is very clear: as globalization creates opportunity, it generates more for those workers who are better educated. Because the uneducated could be left behind, life-long learning policies are essential in today's economy and more so in tomorrow's economy.

New York Benefits from NAFTA

Under the North American Free Trade Agreement (NAFTA), Mexican and Canadian markets have become much more important to New York State producers and workers.

From 1993 — the year prior to NAFTA's implementation — through 1999, New York State's merchandise exports to NAFTA partners increased by 52%, rising from $7.8 billion to $11.8 billion. In comparison, New York State's merchandise exports to the world increased by 6.4%, up from $40.7 billion to $43.3 billion. Of all New York exports during this period, 27.2% were delivered to NAFTA partners.

A much larger portion of Upstate New York exports are shipped to NAFTA partners than Downstate. The Buffalo-Niagara metro area is one region that has seized many opportunities presented by Mexico and Canada. From 1993 through 1998, Buffalo-Niagara metro area exports to NAFTA partners rose by 134.2%, significantly higher than its merchandise export growth rate of 95.8% to the world. Obviously the NAFTA partners have become extremely important to the area.

Of the other metro areas covered in this report, Rochester, New York City, and Long Island exports to NAFTA partners also increased significantly faster than their exports to the world.

The Buffalo-Niagara metro area also led the pack in terms of percentage of exports sold to NAFTA partners, as compared to exports sold to the rest of the world. A staggering 71.5% of the metro area's total exports were shipped to Mexico and Canada — identifying markets of heavy dependence. Following were the Syracuse metro area, 38%, Rochester, 35%, Long Island, 21%, and the New York City metro area, 13%.

MDS Matrx Seeks To Double Its Exports

The worldwide search for effective and safe nitrous oxide delivery is no laughing matter. In the U.S. and Europe, the substance know as laughing gas serves as a painkiller in emergency rooms, dentist offices, and veterinary clinics. However, in other parts of the world, the specialized equipment necessary to administer the treatment is scarce.

MDS Matrx wants to change that. Partnered with global suppliers of pure nitrous oxide, MDS Matrx exports its nitrous oxide mixing equipment to Australia, South America, and many other countries and regions through distributors.

"We see a growing world market for our nitrous oxide mixers. In fact, medical professionals worldwide look to the United States for the highest quality devices. And MDS Matrx has become a respected name in the industry, built on decades of manufacturing dental and medical products. Because of our reputation for quality, we can compete anywhere in the world," said Sam Baker, International Sales Manager for MDS Matrx.

In addition to being a manufacturer, the company also provides training to end-users to ensure patients receive the most effective and safe care. This helps to distinguish MDS Matrx from its competitors and strengthen its competitive advantage.

"A competitor may come out with a cheaper product, but no new company can create a more trusted product or provide more skilled service than our experienced representatives. When it comes to health, trust trumps cost," said Baker. MDS Matrx employs 90 people in Orchard Park, New York, a suburb of Buffalo. Approximately 60 jobs require highly-skilled workers.

MDS Matrx seeks to double its exports over the next five to eight years, projecting a sales increase from the present level of $2.5 million to $5 million. However, to achieve this growth, MDS Matrx believes that the U.S. must move aggressively to erase trade barriers in the emerging markets of South America.

"One of the best things that Congress could do to help us increase jobs and revenues at MDS Matrx would be to expand NAFTA to include more of South America, particularly Chile, Argentina and Brazil. These markets are too valuable to hand over to the European Union uncontested," said Baker. "Because of our competitive advantages, MDS Matrx will continue to grow jobs in Western New York as long as international trade barriers continue to fall."

For more information, go to: www.mdsmatrx.com

Gains Under NAFTA

Although it is easy to identify a job lost, it is difficult to identify a job gained as a result of trade with a specific country or region. Nevertheless, there's no doubt that NAFTA has generated a net increase in jobs in the United States and in New York State.

According to *NAFTA At Five Years,* published by the Council of the Americas and The U.S. Council of the Mexico-U.S. Business Committee, "NAFTA has led to more high-quality, better-paying jobs for U.S. workers." Between January 1994 and October 1998, the report states that the U.S. economy created 14.2 million jobs, "and many of these jobs can reasonably be attributed to NAFTA."

From 1993 through 1999, U.S. merchandise exports to NAFTA partners increased by $111 billion. Based on the U.S. Trade Representative's calculation of 10,917 jobs supported by $1 billion in merchandise exports (lower job quantity due to exclusion of service exports), this supported 1.21 million new U.S. jobs.

According to the NAFTA-Transitional Adjustment Assistance program (NAFTA-TAA), from 1994 through 1999, a total of 281,868 U.S. jobs were lost or scaled back in hours due to imports from NAFTA partners. That means NAFTA still resulted in a net gain of over 900,000 jobs in the United States through December 31, 1999.

Since NAFTA was implemented, New York's exports to NAFTA partners increased by $4 billion. Based on the U.S. Trade Representative's calculation, this generated almost 44,000 new jobs in New York as of December 31, 1999. According to NAFTA-TAA, between January 1, 1994, and December 31, 1999, the number of New York-based workers having lost their job or experienced a reduction in hours was 18,053. (Again, the NAFTA-TAA program does not document whether a job is lost or scaled back.) Subtracted from job gain estimates of 44,000, NAFTA still generated at least 26,000 new jobs in New York State.

But job gains are only one indicator of benefit. According to *The U.S. Employment Impact of North American Integration After NAFTA: A Partial Equilibrium Approach*, published by the North American Integration and Development Center at UCLA, "In general, job gain/loss accounting methodologies should not be used to evaluate the relative benefits of trade... What is much more significant as a measure of trade policy is the impact on economies of scale, technological change, new investments, and productivity growth in the liberated sectors and the ability of the economy as a whole to reap benefits from these productivity increases."

Stated by *NAFTA At Five Years,* "NAFTA has fostered growth in cross-border investment that has improved the competitiveness of American companies and, consequently, their ability to keep high-skill, high-wage jobs in the United States. Hence, NAFTA's positive impact on the quality of jobs has been significant, while its overall impact on the number of U.S. jobs has been positive as well."

Trade Promotion Authority Is Needed

Since 1974, when Trade Promotion Authority (previously called Fast Track authority) was first implemented, U.S. trade agreements have significantly opened foreign markets for U.S. and New York exporters, resulting in tremendous growth in sales abroad. In fact, U.S. exports rose by 690% between 1974 and 1999.

Trade Promotion Authority requires Congress to pass or reject trade agreements — without making any changes. Without it, foreign governments are reluctant to make agreements and concessions that could be changed later by Congress. Trade opponents, however, claim that Trade Promotion Authority is an inherently undemocratic and secretive process. This is untrue. Since no administration wants to submit a trade agreement to Congress that will be rejected, Members of Congress are routinely consulted during negotiations. While they cannot amend final agreements on the floor, they have ample opportunity to do so beforehand. And, as the final democratic check, Congress can simply reject the deal.

Under Trade Promotion Authority, trade agreements such as the Tokyo Round and the Uruguay Round of the GATT, and NAFTA have been implemented benefitting New York by substantially reducing foreign trade barriers. And, since its implementation in 1994 and despite a Mexican recession, NAFTA is fulfilling its promise.

To the disadvantage of New York, Trade Promotion Authority has not been renewed in several years. As a result, the United States has not been able to successfully negotiate new multilateral trade accords and is losing out to countries that have. For example, since Trade Promotion Authority has not been renewed, Canada and Chile forged a trade agreement that created freer access to each others' markets. This has benefited the Canadian province of Ontario a great deal and has put New York companies and workers at a competitive disadvantage. Numerous other trade pacts, some involving European and Latin American countries, are in negotiations or have been finalized without U.S. involvement.

The proposed Free Trade Agreement of the Americas and other economic integration accords under consideration will not only open foreign markets to New York's goods and services, they will also encourage the expansion of small business exports to developing countries whose economies are growing faster than developed economies. To take advantage of these opportunities, New York needs Congress to pass Trade Promotion Authority.

Trade Promotion Authority Assists Small Business

Often overlooked is the tremendous opportunity international trade represents to New York's small and medium-size businesses. According to the

Atlas Air Depends on Exports

Can you name the third biggest cargo carrier behind U.P.S. and FedEx? The answer is Atlas Air, headquartered in Westchester County. Although the air cargo carrier is not an exporter, it relies heavily on international trade for its success.

Atlas Air dominates the niche market of leasing freighter aircraft — complete with crew, maintenance and insurance — to the cargo divisions of major international airlines. While its airline customers focus on moving passengers as efficiently as possible, Atlas serves as the outsource solution for moving cargo long distances and on time.

As world trade barriers fall, Atlas Air looks to capitalize on its expertise as the "flying warehouse" of choice for airlines in need of additional cargo capacity.

Operating out of their 120,000 square-foot corporate headquarters in Purchase, New York, Atlas Air directs a fleet of 35 Boeing 747 freighters, the largest of its type in the world. Crew maintenance, scheduling and tracking, dispatch, marketing operations, and ground operations keep Atlas Air headquarters humming around the clock, creating employment levels far above that of a typical 9:00 – 5:00 organization.

Whether it's carting Volkswagen engines from Germany to their Brazilian assembly line, or delivering U.S. cattle to Asian markets, international trade drove the company's revenue to the tune of $637.1 million in 1999.

For more information, go to: www.atlasair.com

U.S. Small Business Administration, one-third of the value of exports are attributable to small businesses. Their well-being is of great importance to New York's economy. Firms with fewer than 100 employees account for the vast majority of the jobs created during the past five years. Like all businesses, they are actively seeking greater access to foreign markets.

According to data from the Exporter Data Base (a joint International Trade Administration-Census Bureau project), the number of U.S. firms exporting goods tripled from 1987 to 1997. Importantly, small and medium-sized enterprises (companies with fewer than 500 workers) accounted for over 97% of this growth in the exporter population.

Small and medium-sized enterprises continue to increase in number while generating a larger share of total U.S. exports. In 1997, small and medium-sized enterprises accounted for 96.5% of all U.S. exporters. This is up slightly from 1992. And these companies accounted for 30.6% of all U.S. exports in 1997, also slightly up. Very small companies (those with fewer than 20 employees) made up nearly two-thirds of all U.S. exporting firms in 1997.

Small and medium-sized company exports are not limited to the United States' three largest destinations, which include Canada, Japan, and Mexico. In 1997, small and medium-sized enterprises were responsible for 38% of total U.S. goods exported to the combined China and Hong Kong markets. This is up from a 33% share in 1992.

In addition to eliminating trade barriers, trade agreements also offer a number of conditions that are particularly important in helping small and medium-size businesses take advantage of growing foreign markets. For example, trade agreements eliminate much of the red tape, such as licensing requirements and other restrictions, that has effectively kept small businesses out of foreign markets. Large corporations often can devote the time and resources to figuring out ways to work around non-tariff barriers. Small businesses usually can't afford to do that. By eliminating non-tariff barriers, bilateral and multilateral agreements give small firms market access similar to that enjoyed by large companies.

Furthermore, one way large corporations have avoided trade barriers is by establishing facilities in foreign markets. Here again, small firms have been at a disadvantage. Generally, they do not have the resources to establish facilities abroad. But, with the elimination of trade barriers, a company will not have to locate abroad to sell abroad. This helps small and medium-size businesses gain access to overseas markets from a base in New York, creating jobs here in the state.

Why Exports Matter: More!, concludes that export commitment by small American firms has surged over the past decade. And it is this commitment to export, rather than the volume or share of exports in overall sales, that is responsible for higher performance. Furthermore, small firms are not disadvantaged relative to large firms in realizing the gains from exporting, the report says. This is key since small businesses now provide virtually all net new U.S. jobs, represent 99.7% of all employees, and provide 55% of innovations.

If the President is granted Trade Promotion Authority, new resulting trade agreements will help small businesses to export more goods and services. This will undoubtedly benefit New York companies and workers.

Our Goal Is Clear

New York State has significantly benefited from international trade. However, as we enter this new and more competitive era of globalization, international trade is becoming even more important to the well-being of local companies and their workers. In order to improve the standard of living for all New Yorkers, more local companies must enter the global economy and penetrate new markets. In turn, this will help them to grow, increase productivity, and create high-wage jobs.

According to data from the Exporter Data Base, growth of the exporter population has accelerated. From 1992 to 1997, the number of U.S. exporters surged by 86% — but much more needs to be done.

Elected officials need to establish policies designed to encourage local companies to expand internationally, while passing trade legislation that further opening foreign markets.

For More Information

For more information, email John L. Manzella at john.manzella@manzella.com, call (716) 681-8880 ext. 239, or write to him at *goTRADE New York*, P.O. Box 1188, Williamsville, NY 14231-1188.

About the Author and goTRADE New York

John L. Manzella, president of Manzella Trade Communications, Inc., serves as executive director of *goTRADE New York.* He is an author, custom publisher and position advocate on international trade and policy, and has extensive news media and public affairs experience.

goTRADE New York is a broad-based coalition of New York State companies, trade associations, and individuals dedicated to educating elected officials (principally members of the U.S. House of Representatives and the U.S. Senate), the business community, and the general public, on the importance of international trade to our local communities.

goTRADE New York is affiliated with *goTRADE: Compete To Win,* a national trade education program sponsored by The Business Roundtable. For more information, visit our website at www.gotrade.org.

Bell's Bagels and Bialys Looks To Triple Exports

In 1948, when much of the world was recovering from World War II, Martin Bell opened a bagel and bialy store in Brooklyn with the intention of selling baked goods to the ever-expanding borough. Fifty-two years later, Martin's son Warren, who now runs the business, has focused on Japan, a country which has embraced many aspects of American culture — including Bell's bagels.

"As New York City became saturated with bagel shops, it was only natural that I looked to foreign markets to expand our sales," said Warren Bell.

When a Japanese food distributor asked Bell's to make bagels that are more acceptable to the Japanese palate, Bell accepted the challenge. He began making flavored bagels with peanut butter, chocolate chip, pizza, and curry, which his Brooklyn customers would never see, much less request.

Warren further innovated by doing something that his father never needed to do — he froze the bagels. "Neighborhoods were changing and people were moving. The only way to expand our business beyond where our trucks could deliver a fresh product was by freezing." The huge walk-in freezers on the bakery floor now stand as a monument to the changing nature of this international business.

As recently as 1998, the company had no exports. Since then, working closely with the Brooklyn Chamber of Commerce's "Brooklyn Goes Global" program, exports have added revenue to the bottom line and employees to the payroll. The company exported $75,000 worth of bagels in their first year, and $265,000 in the second. Bell's is now shipping 96,000 frozen bagels to Japan each month.

Meanwhile, Bell's is evidence of how a small business, in the shadows of Manhattan skyscrapers, can help to drive the Brooklyn economy. Bell's has increased the number of employees from 11 several years ago to 21 today. Many of the new positions were filled with former welfare recipients as a result of Bell's association with Brooklyn's Welfare-to-Work office.

The company projects even more growth ahead as they expect to triple their exports in the next two years, adding more employees, including bagel makers, bakers, packers, and shippers.

As Warren Bell looks to the future, he sees his children taking over the business. "Free trade will drive the future growth of our family-owned business. For years my family and many others bought imported goods; now it's a two-way street, and I am proud to fill the open avenues of international commerce with Brooklyn's best bagels."

The Business Roundtable
goTRADE New York

Inside This Report

- U.S. exports account for almost one-third of real U.S. economic growth — and a very large portion of New York's economic development. Consequently, the income of local workers and farmers, and the growth prospects of an increasing number of New York-based businesses are pegged to globalization.

- Every year for almost three decades the U.S. service sector has enjoyed a significant trade surplus. And since 1980, U.S. exports of services have grown 130% faster than exports of goods.

- New York is the third largest merchandise exporting state in the United States. And, if state service export data were available and added, total exports would be considerably higher.

- In 1998, private service-producing industries in New York accounted for 75% of the total gross state product, a larger percentage than any other state.

- Not surprisingly, the highest employment sectors in most of New York's metro areas are also among the state's top merchandise export industries.

- Imports offer American consumers greater choices at attractive prices and help keep inflation down, one of the most important factors in raising our standard of living. Plus, due to lower-cost imported inputs, such as components and materials, U.S. producers are much more competitive worldwide.

- International trade sometimes causes employment to increase in some sectors while decrease in others. But exaggerated fears of massive job losses due to imports are misplaced. Contrary to public belief, less than 2% of non-farm workers are at risk from imports.

- What distinguishes the fastest growing developing countries from the slowest is their openness to trade. In the 1970s and 1980s, developing countries with open economies grew by 4.5% annually, while those with closed economies grew by 0.7% a year. At this rate, open economies double in size every 16 years, while closed economies double every 100 years.

- From 1993, the year prior to NAFTA's implementation, through 1999, New York State's merchandise exports to NAFTA partners increased by 52%. In comparison, New York State's merchandise exports to the world increased by 6.4%. NAFTA has generated a significant net increase in jobs in the United States and in New York State.

- To the disadvantage of New York, Trade Promotion Authority (formerly known as Fast Track Authority) has not been renewed in several years. As a result, the United States has not been able to successfully negotiate new multilateral trade accords and is losing out to countries that have.