



2017  
**INTERNATIONAL  
TRADE SURVEY  
OF CONNECTICUT  
BUSINESSES**

# INTRODUCTION

International trade has historically been a mainstay of Connecticut companies large and small. This year, with the dawn of the new Trump administration, many are asking what the White House has in store for international trade. Against that backdrop, we conducted our sixth biennial Survey of International Trade, finding most respondents undaunted by the headlines and focused on their bottom lines.

With nearly 6,000 companies exporting from within the state, Connecticut achieved export levels in goods and services reaching \$14.4 billion, and contributing to the more than \$1.45 trillion in U.S. commodity exports in 2016.

The vast majority (89%) of Connecticut businesses engaged in international trade are small and midsize enterprises employing fewer than 500 workers.

This survey provides a comprehensive look at the state's current exporting environment, barriers

preventing growth, and the risks and rewards for businesses entering the international market.

The survey is sponsored by the Connecticut Export District Council, TD Bank, and CohnReznick, who continue to be committed to supporting trade services for Connecticut businesses.

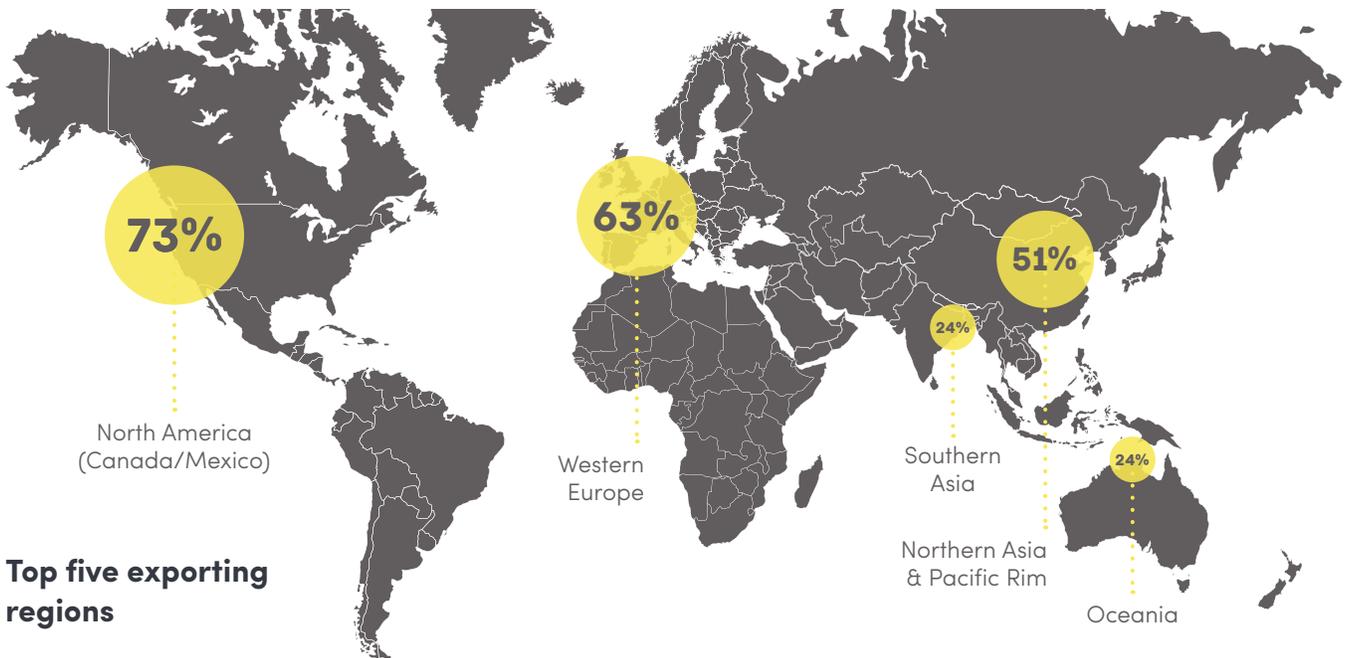
# LEVEL OF INVOLVEMENT

More than three-quarters of surveyed companies (77%) are engaged in international trade, and most of those are veterans of the global marketplace, with an average of 27 years exporting experience.

Connecticut's top three export categories are transportation equipment, machinery, and computer and electronic products, sold primarily to France, Germany, and Canada.

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## BUSINESS IMPACT

Survey respondents, on average, attributed about a quarter of their gross revenues to exporting (24%).

When asked if they believed exporting helped their companies weather the weak recovery from the recession and/or better positioned their company for a stronger recovery, 68% of businesses said yes.

## MAJOR CURRENT & FUTURE MARKETS

The largest foreign markets for Connecticut exporters are North America (73%), Western Europe (63%), and Northern Asia and the Pacific Rim—China, Japan, and Taiwan (51%). Since our 2015 survey, North America regained its position as the largest foreign market.<sup>1</sup>

**Which region do you believe is the greatest emerging market for your business over the next three years?**



<sup>1</sup> Note that only North America, Northern Asia and Pacific Rim, Southern Asia, Western Europe, and Eastern Europe (excluding Russia) were the only responses available for businesses who answered the paper version of the survey.

Resources used to determine or establish new international trade markets include trade shows and meetings (63%), online or telephone inquiries (57%), agents and trade representatives (56%), and recommendations from business colleagues (28%).

Since our last survey, attending trade shows and establishing new trade relationships through agents have become more popular than cold-call inquiries, while relying on recommendations from industry colleagues has become less popular.

## OVERSEAS OPERATIONS

Of survey respondents engaged in international trade, 22% have facilities or employees outside the U.S.

The primary reason for investing in overseas facilities and personnel is to be closer to major customers and suppliers, cited by 48% of respondents with operations abroad. Thirty percent of businesses identified lower overall operating costs as their primary reason, down from 33% in 2015.

**“Clearly, the results of this year’s international trade survey continue to show that exporting is of vital importance to Connecticut’s economy. With 87% of respondents exporting to Free Trade Agreement partner countries, it is essential to understand and take advantage of the tax incentives and other export programs that exist today. To ensure the manufacturing and distribution industry continues as a mainstay in Connecticut, Industry 4.0 and all the opportunities around the ‘Internet of Things’ should become a key component of a company’s business strategy in our global marketplace.”**

**James Kask, CPA, CGMA** | Partner and Co-Leader, Manufacturing and Wholesale Distribution Industry Practice, CohnReznick





## What is your company's greatest concern related to current and future international business dealings?

### #1 SALES DEMAND & GROWTH

#### Top reason for entering the foreign marketplace?

The primary motivators of entering international business are reactions to what customers want and where they are. Expansion as a result of domestic customer needs (32%), ad hoc sales responding to specific inquiries (23%), and arm's length sales to overseas distributors (13%) were most determined individual approaches to new international business dealings.

Forty percent of companies surveyed manage their international businesses by having leadership actively engaged in promoting international expansion. A quarter have ongoing product or business development to meet international needs, while only 12% have dedicated and experienced logistics, sales, and marketing resources to manage international dealings.

## BARRIERS TO INTERNATIONAL TRADE

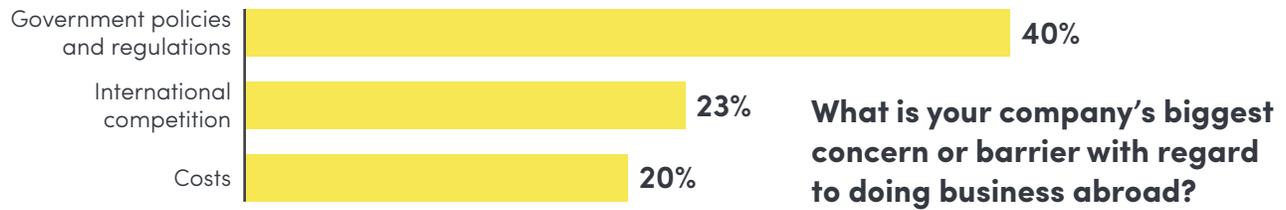
Doing business abroad is not without its risks and hurdles. The single greatest challenge for Connecticut

exporters is government trade policy/regulation (40%), followed by international competition (23%), overall costs (20%), and cultural differences (12%).

Seventy-nine percent of businesses said state taxes are a disincentive to doing business in Connecticut. Seventy percent of Connecticut exporters surveyed take advantage of the state's R&D tax credit, 48% take the domestic production deduction, 14% utilize IC-DISC, and 38% benefit from other state tax incentives.

**"The new administration and Congress intend to push for tax reform in the coming months. The so-called blueprint for tax reform includes lower corporate tax rates, which could be very beneficial to exporters, spurring more Connecticut-based companies to pursue international trade opportunities and for those already involved, increase their overall exporting activity."**

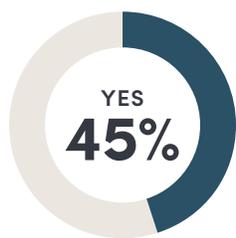
**James Wall** | Principal, International Tax Services, CohnReznick



Improving tax policy—including preserving tax incentives that not only offset some of the costs of doing business in Connecticut, but also encourage companies to invest here—could go a long way toward making Connecticut a better state for exporters.

Almost half of respondents engaged in exporting have experienced payment delays or buyer defaults (45%).

Respondents use open accounts/letters of credit and payments-in-advance as established payment agreements with trading partners (both 67%).



**Have you experienced delays or buyer defaults on receiving payments for international sales?**

## FREE TRADE AGREEMENTS

Eighty-seven percent of respondents are currently exporting to Free Trade Agreement partner countries, up from three-quarters of respondents in 2015.

Only one-third of respondents said current FTAs (including NAFTA and countries such as Korea, Israel, Chile, Panama, and Peru) improve their ability to export. Half of survey respondents said FTAs with additional countries would be helpful in their international business and trading activities.

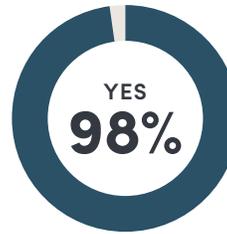
**“The survey demonstrates that Connecticut continues to be a strong exporting state, with companies looking to further expand their markets by seeking support from government trade assistance services. These services are readily available by contacting the U.S. Export Assistance Center in Middletown.”**

**Anne Evans** | Director, U.S. Department of Commerce, Middletown Export Assistance Center

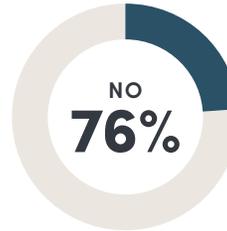
## HELP NEEDED

Companies cited areas where they could use help strengthening their export activities. The top three areas are market research (52%), making connections with customers (32%), and finding foreign representatives (19%).

The single greatest barrier to participating in international trade shows for respondents is cost (identified by 59%), followed by time/resource constraints (17%), and lack of interest (16%).



**Does your company have a website?**



**If so, is it capable of processing international orders?**

## INTERNET

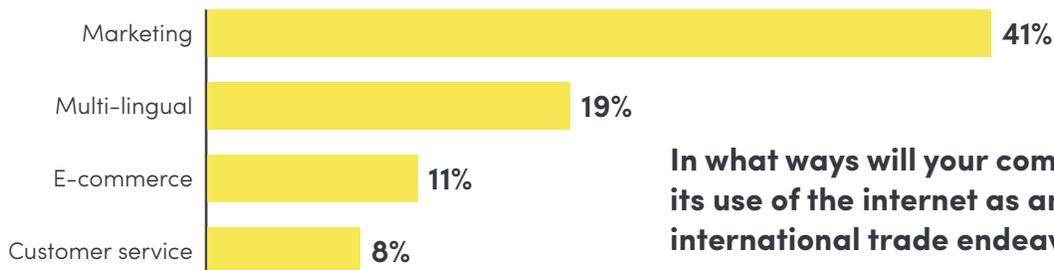
Despite 98% of respondents using the internet to communicate with international customers and clients to market their goods and services globally, a majority (76%) acknowledge their company website is not capable of processing international orders. That is a significant increase from 63% in the last survey and shows a continuing weakness.

Forty-one percent of companies are using the internet for marketing purposes, while 19% make their websites multilingual to attract non-English speaking customers. Eleven percent report using their websites for e-commerce transactions.

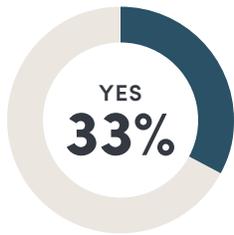
## GETTING INTO THE MARKET

One-third of our non-exporting respondents reported they are interested in trading to foreign markets. Slightly more believe involvement in international trade is possible for their businesses within the next two years (36%).

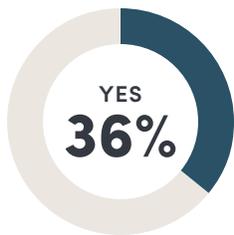
When asked what the greatest barriers are to entering the foreign markets, businesses identified lack of knowledge and experience (32%) and the costs of exporting (27%). Fourteen percent noted that lack of desire and lack of opportunities prevent them from engaging in exporting.



**In what ways will your company expand its use of the internet as an aide to international trade endeavors?**



**NON-EXPORTERS**  
**Are you interested in exporting goods/services to foreign markets?**



**NON-EXPORTERS**  
**Do you believe international trade is within the realm of possibility for your business in the next two years?**

**“More Connecticut companies are now looking to export markets to drive top-line growth and earnings. The most successful ones are leveraging the readily available resources here at home to better understand and penetrate these markets, to ship products efficiently, and to get paid on time. By working with these local partners, our exporters can establish best practices and reap the benefits.”**

**Leslie Robertson** | Vice President & Senior Relationship Manager, TD Bank

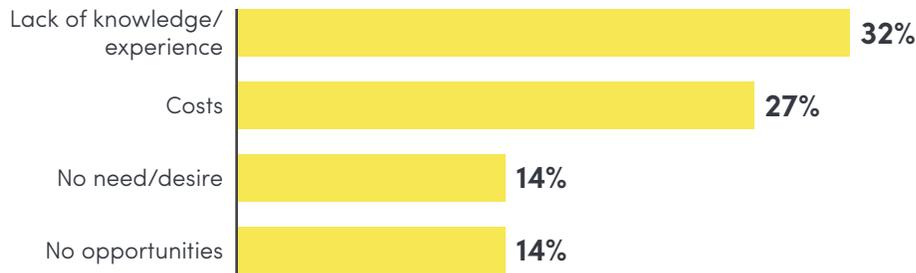
Non-exporters were asked what the state of Connecticut could do to encourage their company’s exploration of international markets and facilitate exporting activities. Half of respondents said the state can offer training and technical assistance to alleviate the lack of knowledge and in-house resources, and others said more grant opportunities (25%), help in obtaining sales leads (17%), and reduced costs of doing business in the state (8%), will assist them in expanding internationally.

## **CONCLUSION**

Since our first International Trade Survey in 2007, we have witnessed a steady increase in the number of Connecticut companies engaging in international trade—from 53% to 77% over a 10-year period.

After this survey was distributed, the Trump administration withdrew the United States from the Trans-Pacific Partnership agreement, which continues today without U.S. participation. In CBI’s 2015 International Trade Survey, 79% of Connecticut businesses surveyed believed the TPP agreement, then under negotiation, would be beneficial for their international trade dealings and activities. The impact of U.S. withdrawal from the TPP on Connecticut exporters is yet to be seen.

Exporting continues to be vital to the state’s economy and its long-term prosperity, spurring economic growth and creation of jobs here in Connecticut and nationwide.



**NON-EXPORTERS**  
**What have been your greatest barriers to entering foreign markets?**

While most Connecticut’s exporters are veterans in international trade, our survey shows that both exporters and non-exporting businesses would benefit from help in expanding their reach into the global marketplace.

Untapped potential remains for the state’s leading job creators—small and midsize businesses—to enter new global markets, increase their share of U.S. exports, and compete for customers based outside our nation’s borders. Resources for exporters and businesses interested in exporting are available on pages 12–13.

**“Connecticut’s link to the global marketplace remains strong, and is vital to our state’s economy and long-term success.”**

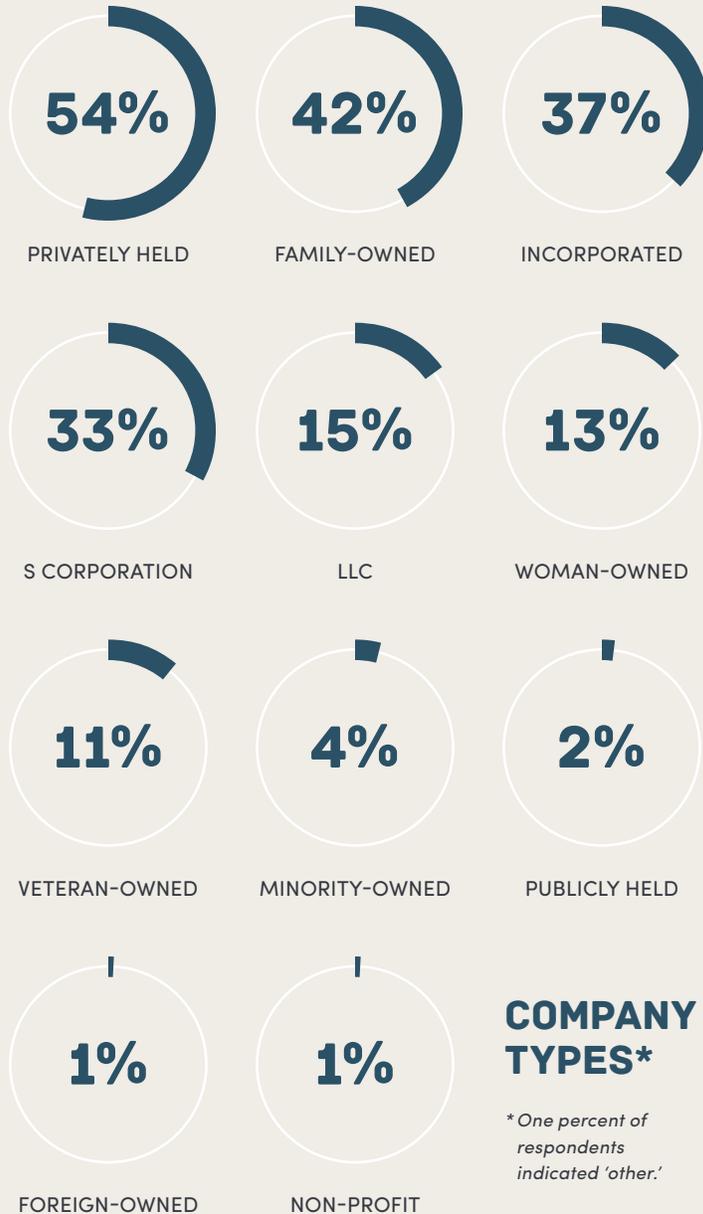
**Brian Flaherty** | Senior Vice President,  
 Public Policy, CBIA

# ABOUT THE SURVEY

## METHODOLOGY & DEMOGRAPHICS

In February 2017, CBIA emailed and mailed this survey to 3,794 Connecticut businesses with export potential. We received 199 responses, for a response rate of 5%. The margin of error was 6.8% at a 95% confidence level.

More than half of respondents are privately held (54%), while 42% are family-owned, 37% are incorporated, and a third are S-corporations. Businesses in this survey employ a total of 15,864 employees, with the average company employing 111 people. Total gross revenues for 2016 among respondents was \$2.21 billion, with the average gross revenue of \$20.47 million.



# ABOUT CBIA

## CBIA

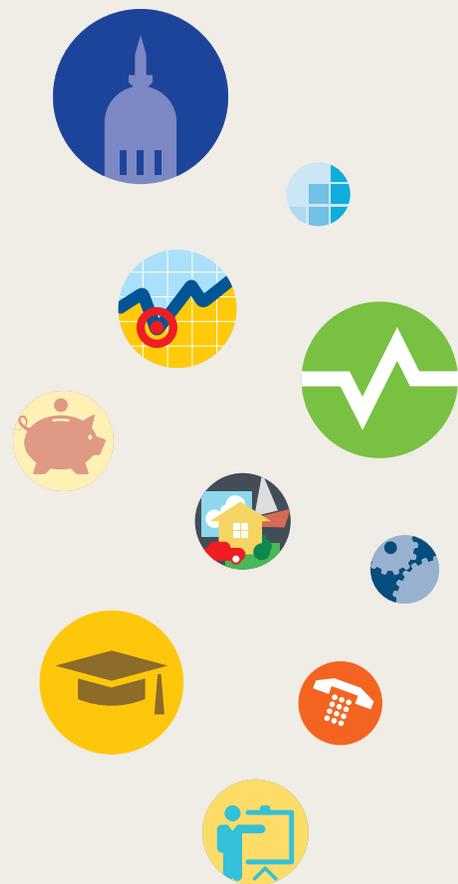
The Connecticut Business & Industry Association is the leading voice of business in the state, representing thousands of member companies, small and large, across a diverse range of industries.

We fight to make Connecticut a top state for business, jobs, and economic growth: driving change, shaping legislative and regulatory policy, and promoting collaboration between the private and public sectors.



## DRIVING GROWTH, PROMOTING BUSINESS

- ▶ Powerful, dynamic leadership and advocacy at the State Capitol, driving policies that promote a globally competitive business climate.
- ▶ Valuable resources, information, and professional assistance, sharing expertise and best practices across a broad range of issues to help companies compete, grow, and succeed.
- ▶ Innovative, high-value products and member services, including insurance and employee benefits, business and HR resources, energy purchasing solutions, and more.



Learn more at [cbia.com](http://cbia.com)



# ABOUT THE SPONSORS

## COHNREZNICK

CohnReznick LLP  
is one of the top  
accounting, tax,



and advisory firms in the United States, combining the resources and technical expertise of a national firm with the hands-on, entrepreneurial approach that today's dynamic business environment demands. Headquartered in New York, NY, and with offices nationwide, CohnReznick serves a large number of diverse industries and offers specialized services for middle market and Fortune 1000 companies, private equity and financial services firms, government contractors, government agencies, and not-for-profit organizations. The firm, with origins dating back to 1919, has more than 2,700 employees including over 300 partners.

Since 1919, the professionals at CohnReznick have faithfully served clients, employees, and the community with integrity and honesty. As CohnReznick has continued to grow and expand into new markets, its philosophy remains constant: A highly personalized approach to each client, with intelligent guidance and solutions that positively affect profitability and growth.

Geographic boundaries are no longer barriers to doing business. More and more enterprises—in

their pursuit of new markets, better supply chains, and cost-efficient back-office support—are finding themselves with operations or sales in foreign countries. This brings with it the need for reliable and experienced accounting, tax, and business advice from practitioners on the ground in the relevant jurisdictions.

To access international markets and achieve their growth potential, organizations need access to exceptional accounting, tax, and consulting expertise throughout the world. Through its membership in Nexia International, the tenth largest provider of audit and advisory services in the world, CohnReznick provides clients with the necessary resources to help them effectively compete in a global environment. The Nexia network includes more than 20,000 professionals in 590 offices operating in over 100 countries. CohnReznick's involvement with Nexia includes serving on its board of directors and regularly meeting with and training member firms around the world. Working as a team with other Nexia firms, CohnReznick provides our clients with a unified, consistent approach to their accounting, tax, and business issues wherever they arise, and local expertise and connections where they are needed.

Whether you are an American business owner

# ABOUT THE SPONSORS

considering international transactions or an international company preparing to establish a presence, create an alliance, or form a subsidiary in the United States, CohnReznick can help. Its background in serving American companies with foreign investments and U.S. subsidiaries of foreign businesses provides clients with valuable and practical help that will enable them to adapt and function in a different commercial environment.

These services include but are not limited to:

- ▶ M&A planning and due diligence
- ▶ Transfer pricing studies
- ▶ Understanding and applying federal, state, and local tax regulations
- ▶ Global supply chain analysis
- ▶ Foreign tax credit planning
- ▶ Offshore deferral planning
- ▶ Repatriation planning
- ▶ International tax compliance
- ▶ Foreign tax provisions

**For more information, visit [cohnreznick.com](http://cohnreznick.com) or contact Jim Kask, partner, at [james.kask@cohnreznick.com](mailto:james.kask@cohnreznick.com) or Jim Wall, principal and international tax practice leader, at [james.wall@cohnreznick.com](mailto:james.wall@cohnreznick.com).**

## CONNECTICUT DISTRICT EXPORT COUNCIL

The Connecticut District Export Council encourages and supports the exports of Connecticut goods and



services that strengthen individual companies, stimulate U.S. economic growth, and create jobs. Export expansion activities are accomplished by working with the U.S. Export Assistance Center in Middletown to provide opportunities to promote greater export activity at the local level while developing a trade assistance network.

The mission of the District Export Council is supported through activities such as:

- ▶ Providing export training and education
- ▶ Counseling and mentoring of local businesses in exporting;
- ▶ Identifying export financing sources for businesses;
- ▶ Creating greater export awareness in the business community locally;
- ▶ Identifying issues affecting export trade and implementation of suggestions for improvement;

# ABOUT THE SPONSORS

- ▶ Advocating trade policy and legislation supporting exporters and the U.S. export sector;
- ▶ Supporting programs and services of the U.S. Export Assistance Center;
- ▶ Building local export assistance partnerships with other trade-related organizations;

The District Export Council support their mission using funds that are generated through fundraising and other activities, without any governmental appropriations.

Visit [ctexporters.com](http://ctexporters.com)

## U.S. DEPARTMENT OF COMMERCE INTERNATIONAL TRADE ADMINISTRATION

### ACCESS TO TRADE EXPERTS

Whether you are looking to make your first export sale or expand to additional markets, we offer the expertise you need to connect to lucrative opportunities. We have a local and global network of trade professionals in our Middletown Office, Washington, D.C. headquarters, and offices in 80 U.S. embassies and consulates throughout the world.

## TRADE COUNSELING & TRAINING

- ▶ Develop effective market entry and export strategies
- ▶ Understand export documentation requirements of foreign markets
- ▶ Navigate U.S. government export controls, compliance, and trade financing options
- ▶ Learn how to avoid intellectual property rights issues and legal disputes
- ▶ Learn how to make your website attract more foreign buyers

## BUSINESS MATCHMAKING

- ▶ Connect with prescreened potential international partners
- ▶ Promote your product or service to prospective buyers at trade events worldwide
- ▶ Meet with international industry and government decision-makers in your target markets
- ▶ Participate in business development missions led by senior U.S. government leaders

## MARKET INTELLIGENCE

- ▶ Analyze market potential and foreign competitors
- ▶ Access customized market research

Visit [export.gov/Connecticut](http://export.gov/Connecticut)

# ABOUT THE SPONSORS

## TD BANK

*Services you need from a bank you can trust*

- ▶ Our team of knowledgeable, experienced, and dedicated Commercial Banking Relationship Managers, combined with the  **TD Bank** America's Most Convenient Bank® expertise of our Global Trade Partners ensure we are prepared to partner with you to design an exclusive banking strategy to fit your business needs.
- ▶ Whether you are expanding at home or abroad, we have a wide range of lending and trade finance solutions to help you fund and manage your growth. We provide our business clients with access to lines of credit, term loans, equipment finance, standby and trade letters of credit for exports and imports, and other custom financing solutions to capitalize on market opportunities and help you prosper.
- ▶ We offer a full range of other financial services to both manage and protect cash flows.
- ▶ Our clients have 24-hour access to their accounts with a wide range of online banking services.

- ▶ As one of the ten largest banks in the US, employing over 25,000 people with locations from Maine to Florida, we maintain a strong local presence and are deeply rooted in the communities we serve. We pride ourselves on local decision-making that takes into consideration the unique challenges and opportunities in your marketplace.
- ▶ TD Banking Group was named as "World's Safest Commercial Bank" in 2016 by Global Finance Magazine.

**For all your banking and trade needs contact Leslie Robertson (860.402.9729, [leslie.robertson@td.com](mailto:leslie.robertson@td.com)) or Andrea Ratay (646.652.1392, [andrea.ratay@td.com](mailto:andrea.ratay@td.com)).**

**Visit [tdbank.com](http://tdbank.com)**

