



Trade Matters to Wisconsin's 5th Congressional District

Trade Matters to Manufacturing and Services

Trade matters to **manufacturing and services companies** and workers located in the 5th Congressional District of Wisconsin. District machinery and transportation equipment companies export their products and services to customers around the world, and imports are key ingredients for producers who rely on inputs to manufacture or process products in the District and for retailers who are major employers in the District.

- Trade supports jobs in the 5th District. More than one in seven **manufacturing** jobs in Wisconsin depend on exports, and research demonstrates that exporting jobs pay 13-18 percent more than the U.S. average.
- Export dependence is higher for manufacturing sectors of importance to the 5th District: Twenty-seven percent of jobs in the State's machinery sector rely on exports. Exports also support 16 percent of the jobs in the transportation equipment sector.
- Many companies in the District use imported raw materials and other components, such as steel, to manufacture their products. Retailers rely on imports to provide American consumers with the broadest possible range of value-priced merchandise.
- Trade is also important to **services sectors** that are large employers in the District. Economists estimate that a one-third cut in barriers to services trade generally would boost U.S. GNP growth by 1.5 percent a year.
- Thus, as trade increases, business opportunities for services companies and the high-wage jobs related to them increase for sectors important to the District, such as data processing and software services.

Spancrete Machinery Corporation Waukesha

Spancrete Machinery Corporation, headquartered in Waukesha, manufactures pre-cast concrete products and equipment.

Sales to customers in Central America are an important part of our revenue. Recently, we sold three of our largest machines to this region. All of the products that we have sold in Central America were built—100 percent—in our Waukesha plant. These sales have significantly increased the division's performance.

Because the construction sector is growing so rapidly in many of the region's countries, Spancrete has identified Central America as a target market, and we have very positive projections for market growth.

The Central American trade agreement, DR-CAFTA, would be the catalyst for that growth. With DR-CAFTA, Spancrete will be able to lower its overall delivery cost, thereby becoming more competitive. As we continue to grow and boost our sales, we will be able to bring on new employees to meet increased production demand. We saw the same thing happen after NAFTA.

This agreement will help other U.S. manufacturers, as well. American businesses are always looking for new markets for their products to help them develop new revenue bases. Plus, exports help businesses stay afloat when there are downturns in domestic sales.

We are very optimistic about our opportunities in Central America, provided that the free trade agreement is passed by Congress and signed into law. DR-CAFTA should be of highest priority for President Bush and Congress in 2005.

Terence Dittrich
International Sales Manager

Trade Matters to Small Business

Trade matters to **small businesses** located in the 5th District.

- Eighty-four percent of the Wisconsin companies that export goods are small and medium-sized businesses.
- Nationally, we know that small businesses already export \$4.5 billion to the countries in Central America.

Trade Matters to International Investors

Fair international investment rules, which promote trade, matters to **foreign investors** in the 5th District of Wisconsin.

- Foreign investors located in the United States support millions of American jobs. In Wisconsin, foreign investors employ 112,500 workers. Approximately 52 percent of Wisconsin workers employed by foreign investors are employed in the high-paying manufacturing sector.
- The strong Wisconsin and District economies are magnets for foreign investment and job-creating "insourcing."
- Further engagement with the international economy through trade will improve the competitiveness of companies and workers in the District, making it a still more attractive location for new investment for manufacturing and services.

Trade Liberalization Matters to Wisconsin's 5th District

District companies, workers and consumers have benefited from trade liberalization.

- Combined, NAFTA partners Canada and Mexico are Wisconsin's largest export markets. Since NAFTA went into effect, Wisconsin's exports to Canada and Mexico have increased by 97 percent.
- The average U.S. family saves \$930 annually thanks to income gains and tariff -- tax -- cuts due to NAFTA alone. For the District, this equals nearly \$156 million annually just for families in the District.

TOP EXPORTERS TO DR-CAFTA COUNTRIES IN WISCONSIN'S 5TH DISTRICT

Bostik	Wauwatosa
Cooper Power Systems	Waukesha
Emergency Medical Products	Waukesha
Gehl	West Bend
J.C. Penny Corporation	Wauwatosa
Kohl's Department Stores	Menomonee Falls
Milwaukee Electric Tools	Brookfield
Star Intl	Grafton
Telsmith	Mequon
Wacker	Menomonee Falls
West Bend	West Bend

DR-CAFTA and Doha Matter to Wisconsin's 5th District

Other trade liberalization initiatives under way will boost the gains to the 5th District, and merit strong support. The most important initiatives include Congressional approval of the **Dominican Republic-Central American Free Trade Agreement (DR-CAFTA)** and strong support for a successful conclusion of multilateral trade negotiations in progress at the World Trade Organization (WTO), known as the "Doha Round."

- In 2003, Wisconsin exported nearly \$117 million worth of goods to the DR-CAFTA countries. Even without DR-CAFTA, the region has been a growing market for Wisconsin goods, expanding at an average *annual* rate of 14 percent.
- Under DR-CAFTA, 94 percent of U.S. exports of machinery and other industrial goods will be duty-free upon the Agreement's implementation. The increased market access could benefit District companies like Briggs and Stratton Corp. and Rockwell Automation.

- DR-CAFTA countries' tariffs on transportation equipment range up to 30 percent. The District's automotive sector will see benefits under DR-CAFTA: half of U.S. transportation equipment exports will receive duty-free treatment immediately. Tariffs on the remaining half will be phased out over ten years. District companies such as Harley-Davidson could benefit from increased access to the DR-CAFTA markets.
- The Agreement's textile and apparel provisions also make the region a more competitive alternative to sourcing in Asia, and will boost the interest of retailers like Kohl's Department Stores, JC Penney Corp, and Target Corp. -- all major employers in the District -- in shifting apparel sourcing to the region.
- The DR-CAFTA goes beyond all previous free trade agreements in empowering citizens to enforce environmental laws and creates mechanisms to improve environmental protection in the DR-CAFTA countries. The Agreement also provides a framework for undertaking environmental capacity building in the DR-CAFTA countries, explicitly recognizes multilateral environmental agreements and calls on the parties of the Agreement to enhance the effectiveness of these multilateral agreements.
- The DR-CAFTA will protect the District's manufacturers from injurious dumping or subsidization. The Agreement does not change U.S. trade remedy laws. In addition, it establishes a bilateral safeguard mechanism that could temporarily suspend duty reductions if increased imports from one or more DR-CAFTA countries are injuring or threatening to injure a U.S. industry.
- A tariff-free world by 2015, under consideration in the Doha Round, is expected to result in \$1,600 in increased income for the average U.S. household annually. For the District, this represents an additional \$268 million saved by District families annually. Economists estimate that total elimination of barriers to trade in goods and services would increase U.S. GNP growth by 5.5 percent a year.

- Increased market access through the elimination of tariffs and non-tariff barriers will greatly benefit U.S. and District manufacturers by making new markets and customers available around the world.

TOP IMPORTERS TO DR-CAFTA COUNTRIES IN WISCONSIN'S 5TH DISTRICT	
Criticare Systems	Waukesha
Dinesen Trading	Grafton & Port Washington
Gundrum Brothers Farm Supply	West Bend
J.C. Penney Corporation	Wauwatosa
Kohls Department Stores	Menomonee Falls
Milwaukee Machine Works	Milwaukee
Vesper	Milwaukee

In Short ...

Trade is important to the 5th District. Pending trade agreements and ongoing negotiations will boost the benefits of trade to the District. Increased U.S. exports boost productivity for U.S. companies and generate higher wages for U.S. workers. Trade agreements lower the cost of products purchased by consumers and U.S. companies and farmers who use imported raw materials in their U.S. factories and farms. Trade strengthens foreign economies, increasing their demand for U.S goods and services at the same time it promotes political stability, security and democracy. Expanded trade opportunities in our Hemisphere are therefore particularly important to the residents of the 5th District.

Sources:
 U.S. Bureau of the Census.
 Organization for International Investment, "Investing in American Jobs: State by State."
 Drusilla Brown, Alan Deardorff, and Robert Stern, "Multilateral, Regional, and Bilateral Trade-Policy Options for the United States and Japan," December 2002.
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