



Trade Matters to Wisconsin's 6th Congressional District

Trade Matters to Manufacturing and Services

Trade matters to manufacturing and services companies and workers located in the 6th Congressional District of Wisconsin. District machinery, paper product, 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 6th 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 6th 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.
- 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.



Wisconsin State Journal

Editorial

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Our Opinion: Newest Free Trade pact Merits State's Support; The Central American Free Trade Agreement Would Extend Wisconsin's Export Success

"Recently released 2004 export statistics show a 10 percent annual increase in export sales for the state's industries... The evidence is one more indication that Wisconsin ought to wholeheartedly support the proposed Central American Free Trade Agreement."

Summary Facts

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.

In 2004, 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 10 percent.

Wisconsin's dairy farmers will benefit from increased market access under the DR-CAFTA. Currently U.S. dairy exporters face a range for different tariff rate quotas and import tariffs as high as 65 percent. Upon implementation of the Agreement, the in-quota tariffs will be immediately eliminated.

Trade Matters to Small Business

Trade matters to **small businesses** located in the 6th 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 6th 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." Paper product producers Stone Enso and SCA Tissue North America are subsidiaries of companies based in Finland and Sweden, respectively.
- 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 6th 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 127 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.

- In the first year of the U.S.-Chile Free Trade Agreement, Wisconsin's exports to Chile increased by over 73 percent.

DR-CAFTA and Doha Matter to Wisconsin's 6th District

Other trade liberalization initiatives under way will boost the gains to the 6th 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 2004, 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 10 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 equipment and machinery producers like Deere and Company, Ariens Co., and Tecumseh Products.
- DR-CAFTA countries' tariffs on transportation equipment range up to 30 percent. The District's transportation equipment and parts 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 Mercury Marine, J.L. French Automotive Castings, Lear Corp., and Oshkosh Truck Corp. could benefit from increased access to the DR-CAFTA markets.
- The textile and apparel provisions contained in DR-CAFTA will help the District's apparel companies stay competitive against imports from Asia by enabling them to offer retailers

lower-cost apparel products in mere days or weeks, and often made with U.S. yarns and fabrics. Companies like Oshkosh B'Gosh could see increased business thanks to DR-CAFTA.

- Wisconsin's dairy farmers will benefit from increased market access under the DR-CAFTA. Currently U.S. dairy exporters face a range for different tariff rate quotas and import tariffs as high as 65 percent. Upon implementation of the Agreement, the in-quota tariffs will be immediately eliminated. By the time the Agreement is fully implemented, U.S. dairy exports to the DR-CAFTA region will be duty- and quota-free.

**TOP EXPORTERS TO DR-CAFTA COUNTRIES
IN WISCONSIN'S 6TH DISTRICT**

Company	City
Alliance Laundry Systems	Ripon
Bog Ind	Hingham & Sheboygan Falls
Curt G Joa	Sheboygan Falls
Oshkosh B Gosh	Oshkosh
Salvatorian Mission	New Holstein
Society Of Divine Savior	New Holstein

- The Agreement will also benefit the District's producers of dairy products. Studies estimate that U.S. cheese exports to the DR-CAFTA region could increase by 45 percent once tariffs are eliminated. Cheese exports to Nicaragua alone could increase by more than 200 percent, possibly benefiting companies such as Sargento Foods.
- The DR-CAFTA makes modest but important changes to the system of protection that raises costs of sugar to U.S. consumers, including cookie producers like Bremner Inc. The Agreement would allow partners to export increased amounts of sugar to the United States, liberalization that is long overdue.

- The DR-CAFTA countries currently charge tariffs on paper products ranging from 0 to 15 percent. Upon implementation of the Agreement, 77 percent of U.S. paper exports will receive duty-free treatment. District paper product manufacturers, such as Kimberly-Clark, Curwood Inc., and the Sweetheart Cup Co. could all benefit from increased market access to Central America and the Dominican Republic.
- More than 80 percent of U.S. consumer and industrial products will receive immediate duty-free treatment under DR-CAFTA. In addition, as the countries of Central America and the Dominican Republic grow, demand will also grow for U.S.-made consumer products. District producers such as Kohler and Bemis Manufacturing could benefit from the Agreement.
- 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 6TH DISTRICT**

Company	City
Agricultural Input Warehouse	Kingston
Bog Ind	Hingham & Sheboygan Falls
Oshkosh B Gosh	Oshkosh
Oshkosh Truck	Oshkosh

In Short ...

Trade matters importantly to the 6th District, and 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 also 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 6th District.

Sources:

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