



Trade Matters to Alabama’s 2nd Congressional District

Trade Matters to Manufacturing and Agriculture

Trade matters to **manufacturing companies and farmers** and workers in the 2nd Congressional District of Alabama. District paper product manufacturers and transportation equipment and parts manufacturers export their products to customers around the world, and imports are key ingredients for many companies who rely on agricultural products and other inputs to manufacture or process products in the District.

- Trade supports jobs in the 2nd District. Nearly 15 percent of all **manufacturing** jobs in Alabama depend on exports, and research demonstrates that exporting jobs pay 13-18 percent more than the U.S. average.
- Export dependence is much higher for manufacturing sectors of importance to the 2nd District: over a quarter of the jobs in Alabama’s transportation equipment and primary metal sectors rely on exports and one in five Alabama textile workers owe their jobs to exports. Exports also support over one in ten Alabama jobs in the paper sector.
- Many of the transportation equipment and appliance manufacturers in the District and Alabama rely upon imports of raw materials, parts, and components to produce finished products. District nightwear producer Phillips-Van Heusen relies heavily on imports to remain competitive.
- Trade is also important to **services sectors**, especially retailers that are large employers in the District. Retailers source goods from around the world, and ready access to goods free of the expenses associated with tariffs and quotas enables them to provide a range of affordably-priced goods to American families.
- Trade is also important to **agriculture**. American farmers sell overseas about one third of what they produce. Alabama is the third largest exporting state of peanuts and fourth largest exporting state of poultry products.

ALABAMA CENTER FOR COMMERCE

Alabama Development Office is the lead state agency for promoting trade and development to facilitate quality job opportunities in Alabama. We work to reduce unemployment, raise the per-capita income in Alabama, and improve the quality of life for all Alabamans.

Trade with Central America is very important to our state’s economy. Alabama businesses do a good bit of business in that region—something I see every day, as our location is right by the Port of Mobile.

The Development Office has taken trade missions to CAFTA countries, where we have attended trade shows, spoken with other delegations, and have identified possible trading opportunities.

DR-CAFTA would help many Alabama businesses explore new markets and expand their businesses. The elimination of barriers to trade among the member nations means more trade, more shipping, and more economic development opportunities.

This free trade agreement is particularly important to our agricultural and textiles industries. In fact, if DR-CAFTA is not supported and signed into law, the textile and apparel industry in Alabama will pack up and go to China.

For the sake of Alabama’s businesses and workers, I hope that President Bush and Congress will make sure that DR-CAFTA is passed, signed into law, and implemented as quickly as possible.

*Hilda Lockhart
Alabama Center for Commerce*

SUMMARY FACTS

Over 25% of the jobs in Alabama’s transportation equipment and primary metal sectors rely on exports.

1 in 5 Alabama textile workers and 1 in 10 paper workers owe their jobs to exports.

Alabama is the 3rd largest exporting state of peanuts and 4th largest for poultry products.

Since NAFTA, Alabama’s exports to Canada and Mexico have increased 143%.

In 2003, Alabama exported nearly \$437 million worth of goods to the DR-CAFTA countries.

DR-CAFTA will help the District’s apparel companies stay competitive against imports from Asia.

Trade Matters to Small Business

Trade matters to **small businesses** located in the 2nd District.

- Roughly 78 percent of the Alabama 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 2nd District of Alabama.

- Foreign investors located in the United States support millions of American jobs. In Alabama, foreign investors employ 72,700 workers. Nearly half of Alabama workers employed by foreign investors are employed in the high-paying manufacturing sector. The District benefits from an open welcome to foreign investment: Thailand-based Charoen Pokphand employs 1,500 workers in its poultry processing plant in Eufaula. Michelin employs another 600 workers who produce automotive tires in Dothan. Sony Magnetic Products provides 1,200 jobs in Dothan.
- The strong Alabama 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 Alabama's 2nd District

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

- NAFTA partners Canada and Mexico are among Alabama's largest export markets. Since NAFTA's implementation, Alabama's exports to Canada and Mexico have increased 143 percent.
- The average U.S. household saves \$930 annually thanks to income gains and tariff -- tax -- cuts due to NAFTA alone. For the District, this equals nearly \$148 million annually just for households in the District.

TOP EXPORTERS TO DR-CAFTA COUNTRIES IN ALABAMA'S 2ND DISTRICT

Cooks Saw & Machine	Newton
Crisp	Ozark
General Cigar & Tobacco	Dothan
Jeffers	Dothan
Kleinerts	Elba
Martha P Calero De Castillo	Enterprise
Morgan	Enterprise
Weil Brothers Cotton	Montgomery

DR-CAFTA and Doha Matter to Alabama's 2nd District

Other trade liberalization initiatives under way will boost the gains to the 2nd 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, Alabama exported nearly \$437 million worth of goods to the DR-CAFTA countries. Even without DR-CAFTA, the region has been a growing market for Alabaman goods, expanding at an average *annual* rate of 21.4 percent.
- Most of the 2nd District's high-value paper exports to DR-CAFTA would become duty-free immediately or phased out over five years. As trade grows between the District and DR-CAFTA, demand should increase for paper products, especially those used in shipping and packaging, benefiting District companies like Weyerhaeuser and International Paper.
- 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. Phillips-Van Heusen Corp. and WestPoint Stevens could both see increased business thanks to DR-CAFTA.

- Central American tariffs on transportation parts range up to 30 percent. The District's tire producers 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 exports of poultry products will receive duty-free treatment under DR-CAFTA, with many tariffs eliminated immediately. DR-CAFTA will commit each country to recognize the U.S. poultry inspection system, thereby facilitating trade by eliminating plant-by-plant inspections.
- District peanut and peanut butter exporters to the DR-CAFTA countries face import tariffs of up to 20 percent. In most cases, those tariffs will be eliminated immediately upon implementation of the Agreement.
- DR-CAFTA will fully protect District farmers and manufactures from injurious dumping and subsidization. The Agreement provides District farmers and manufacturers with adequate protection from any injury that may be caused by the Agreement's tariff reductions.
- A tariff-free world by 2015, under consideration in the Doha Round, will result in \$1,600 in increased income for the average U.S. household annually. For the District, this represents an additional \$254 million saved by District households 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.
- The elimination of tariffs and non-tariff barriers will open more markets for the District's manufactured goods.

- The global reduction of many agricultural subsidies through the Doha Round will benefit the District through increased agricultural exports.

**TOP IMPORTERS TO DR-CAFTA COUNTRIES
IN ALABAMA'S 2ND DISTRICT**

Crisp	Ozark
General Cigar & Tobacco	Dothan
Gerber Childrenswear	Evergreen
Kleinerts	Elba
Phillips Van Heusen	Ozark
Scott McNelley	Montgomery
Standard Textile Pridecraft	Enterprise
Swedish Match	Dothan

In Short ...

Trade is important to the 2nd 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 2nd District.

Sources:

U.S. Bureau of Labor Statistics.

U.S. Bureau of the Census.

Office of the U.S. Trade Representative, "U.S. Services Offers in WTO Trade Talks," and "DR-CAFTA—Expanding Shares of the Free Trade Pie."

Organization for International Investment, "Investing in American Jobs: State by State."

U.S. Department of Commerce, International Trade Administration, "NAFTA: A State Export Perspective, 1993-2003," July 2004.