



## Trade Matters to California's 8th Congressional District

### Trade Matters to Manufacturing and Services

Trade matters to **manufacturing and services companies** and workers located in the 8th Congressional District of California. District computer, software, and financial services companies export their products and services to customers around the world, and imports are important to District retailers.

- Trade supports jobs in the 8th District. More than one in four **manufacturing** jobs in California 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 8th District: Forty-five percent of workers in California's computer and electronic products industry rely on exports.
- Many retailers in the District must source goods from around the world to meet consumer demand for value-priced apparel.
- 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, including banking and financial services, computer consulting, and software design and consulting. In addition, studies also show that trade liberalization has a positive impact on tourism, a key sector for the 11<sup>th</sup> District. Increased trade generates related business travel, and liberalized trade in services increases holiday travel, a particular benefit to the San Francisco area.

*[DR-CAFTA] is in the best interest of America as it expands overseas markets for American goods and services and encourages closer economic and cultural ties with our neighbors south of the border. This is a step in the promotion of democracy through free trade.*

*Michael Bianco, Chairman and CEO  
American Capital Markets Group  
San Francisco*

#### SUMMARY FACTS

More than 25% of **manufacturing** jobs in California depend on exports.

45% of workers in California's computer and electronic products industry rely on exports.

94% of the 58,500 California companies that export goods are small and medium-sized businesses.

In California, foreign investors employ 616,400 workers. 24% of these California workers are employed in the high-paying manufacturing sector.

Since NAFTA, California's exports to Canada and Mexico have increased by over 102%.

Since the U.S.-Chile Free Trade Agreement, two-way trade between Chile and the Port of San Francisco has increased 28.5%.

In 2003, California exported more than \$650 million worth of goods to the DR-CAFTA countries.

DR-CAFTA's tariff and nontariff barrier cuts could potentially increase California's exports to the DR-CAFTA countries by \$229 million after the first year, and by \$2.6 billion after nine years.

## Trade Matters to Small Business

Trade matters to **small businesses** located in the 8th District.

- Ninety-four percent of the 58,500 California 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 8th District of California.

- Foreign investors located in the United States support millions of American jobs. In California, foreign investors employ 616,400 workers. Approximately 24 percent of California workers employed by foreign investors are employed in the high-paying manufacturing sector.
- The strong California and District economies are magnets for foreign investment and job-creating “insourcing.” Netherlands-based Unilever Bestfoods employs 900 District workers who produce baked goods for sale in the San Francisco area.
- 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.

### TOP EXPORTERS TO DR-CAFTA COUNTRIES IN CALIFORNIA’S 8<sup>th</sup> DISTRICT

Accord Container Line	San Francisco
Byer	San Francisco
Chevron	San Francisco
Del Monte	San Francisco
International Trading	San Francisco
Levi Strauss	San Francisco
Lightning Carriers	San Francisco
Otis McAllister	San Francisco
Scheidegger Trading	San Francisco

## Port of San Francisco

Trade matters to the **Port of San Francisco** and the thousands of workers who depend on exports and imports flowing through it.

- In 2003, the Port handled \$28.8 billion worth of exports to over 190 foreign markets.
- The Port processes exports of computer and electronic products, transportation equipment, wine, nuts, and other agricultural products to Japan, China, the United Kingdom, and Germany. The Port also processes imports of electronic components, petroleum, and transportation equipment parts from the Far East, Saudi Arabia, and Germany.

## Trade Liberalization Matters to California’s 8th District

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

- Lower foreign barriers to District exports of computer and electronic products (thanks to the World Trade Organization’s Information Technology Agreement) and food and beverage products (thanks to the North American Free Trade Agreement and free trade agreements with Chile) have expanded opportunities for District producers to export more of these products.
- Strong intellectual property rights protections in international agreements protect the works of District software writers in international markets.
- Special tariff and quota benefits available for apparel under NAFTA and Caribbean Basin preference programs have improved the competitiveness of District apparel producers.
- Since the implementation of the U.S.-Chile Free Trade Agreement in 2004, two-way trade between Chile and the Port of San Francisco has increased 28.5 percent over the same period in 2003.
- NAFTA partners Canada and Mexico are California’s largest export markets. Since NAFTA went into effect, California’s exports to

Canada and Mexico have increased by over 102 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 \$149 million annually just for families in the District.

**TOP IMPORTERS TO DR-CAFTA COUNTRIES  
IN CALIFORNIA'S 8<sup>th</sup> DISTRICT**

Byer	San Francisco
Chemoil	San Francisco
Chen Assoc	San Francisco
Clover Garments	San Francisco
Daves Gourmet	San Francisco
Del Monte	San Francisco
Direct Source	San Francisco
GPS Consumer Direct	San Francisco
H P Schmid	San Francisco
International Trading	San Francisco
Interocean Steamship	San Francisco
Knutsen Coffees	San Francisco
Levi Strauss	San Francisco
Molly Sheppard	San Francisco
P W Bellingall	San Francisco
Shane Hunter	San Francisco
Van Sales	San Francisco

**DR-CAFTA and Doha Matter to California's 8th District**

Other trade liberalization initiatives under way will boost the gains to the 8th 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, California exported more than \$650 million worth of goods to the DR-CAFTA countries. Even without DR-CAFTA, the region has been a growing market for California goods, expanding at an average *annual* rate of 12 percent! Computers and electronic products are California's largest export to the DR-CAFTA countries.

- Studies estimate that DR-CAFTA's tariff and nontariff barrier cuts could potentially increase California's exports to the DR-CAFTA countries by \$229 million after the first year, and by \$2.6 billion after nine years. California's computer and electronic product sector could see an increase of \$741 million after nine years.
- DR-CAFTA's strong intellectual property protections will benefit the District's software producers and computer and electronic equipment manufacturers. As the economies there develop and grow, their need for this equipment and the software to run it will expand. District companies such as IBM, Genesis Telecom Laboratory, and Cap Gemini America Inc. could all see increased exports to the CAFTA countries.
- 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. The Gap and Levi Strauss and Co. see the DR-CAFTA as key to providing viable sourcing options to Asia.
- The Agreement will open the door to Central America and the Dominican Republic for U.S. financial service providers. Although the market for these services is currently small, demand is expected to grow dramatically thanks to the DR-CAFTA. District companies like Wells Fargo, Barclays Global Investors, and PricewaterhouseCoopers could all see strong gains in the region, thanks to DR-CAFTA.
- 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 and explicitly recognizes multilateral environmental agreements and calls on the parties of the Agreement to enhance the effectiveness of these multilateral agreements.

- The labor provisions of the Agreement protect core labor rights for workers in the United States and the DR-CAFTA countries and require that labor laws be effectively enforced in all member countries. For example, if a DR-CAFTA country fails to enforce its labor laws, the Agreement allows for the imposition of fines. Those fines would then be directed towards improving protections for workers in that country. This innovative dispute settlement mechanism is consistent with the negotiating objectives articulated by Congress and provides a unique tool to fund improvements in labor rights rather than imposing trade sanctions that would likely result in lost jobs for the very workers the provision is designed to protect.
- 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 \$248 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.
- Expanded protection of intellectual property rights around the globe will benefit the research and development of cutting-edge products under way in the District as those products are eventually marketed around the globe.
- The elimination of barriers to trade in services will benefit the District's banking, investment, and accounting service companies by opening new markets around the world.

### In Short ...

Trade matters importantly to the 8th 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 8th District.

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