



Trade Matters to California's 10th Congressional District

Trade Matters to Manufacturing and Services

Trade matters to **manufacturing and services companies** and workers located in the 10th Congressional District of California. District steel, electronics, and chemical companies export their products and services to customers around the world, and imports are key ingredients for many food companies who rely on inputs to process products in the District.

- Trade supports jobs in the 10th 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 high for manufacturing sectors of importance to the 10th District: Nearly 50 percent of workers in California's primary metals industry owe their jobs to exports. Nineteen percent of California workers in the chemicals industry also owe their jobs to exports.
- Retailers in the District and in neighboring Districts that employ 10th District residents rely on imported apparel to meet their customers' demand for a wide selection of value-priced clothing.
- Trade is also important to **services sectors** that are large employers in the District and of District residents working in neighboring Districts. 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 financial services and consulting.

The inland Port of Sacramento is located 79 nautical miles northeast of San Francisco and is centered in one of the richest agricultural and industrial regions in the world. The Port sits at the nexus of a transportation network with direct access to and from the entire western United States. Our cargo capabilities offer a unique transit gateway to numerous countries throughout the Pacific, Central America, South America and Europe.

When pro-trade policies such as DR-CAFTA are enacted it allows imports and exports to thrive – not only at the Port of Sacramento, but also throughout the network of maritime facilities on the West Coast. DR-CAFTA will eliminate tariffs on 50% of US exports immediately, and most remaining duties within 15 years, benefiting California's exports. Since 99% of agricultural imports from DR-CAFTA already enter the United States duty-free, this agreement is critical to level the playing field for farmers in our region. Reductions in the tariffs on agricultural commodities mean more products will be shipped. More cargo means more jobs, and increased economic growth not just for the Port, but also for the entire Northern California region.

Trade is beneficial to our way of life. Policies that improve our standing in the global marketplace should always be a priority.

*Steve Mathis
Directory of Trade
Port of Sacramento*

SUMMARY FACTS

Nearly 50% of workers in California's primary metals industry and 19% of worker's in the state's chemicals industry rely on exports for their jobs.

Many of California's chemical exports would receive duty-free treatment immediately upon implementation of DR-CAFTA.

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 10th 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 10th 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.” U.S. Steel and Korea-based POSCO jointly operate a steel mill in Pittsburg employing nearly 1,000 workers and producing cold- and hot-rolled steel sheets and coils.
- 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 10th DISTRICT

CFL Intl	Livermore
Gigastorage	Livermore
Intertrade	Walnut Creek
Orion Pacific Traders	Walnut Creek

Trade Liberalization Matters to California’s 10th District

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

- 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.

DR-CAFTA and Doha Matter to California’s 10th District

Other trade liberalization initiatives under way will boost the gains to the 10th 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.
- 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 Providian Bancorp could see strong gains in the region, thanks to DR-CAFTA.

- The District's steel industry would benefit from tariff reductions under CAFTA. Seventy-six percent of U.S. steel exports to the CAFTA region will be duty-free upon implementation of the Agreement. Increased exports to the CAFTA region could benefit the employees at the U.S. Steel/POSCO facility.
- Central American tariffs on transportation equipment and parts range up to 30 percent. The District's transportation parts 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. BEI Sensors and Systems could see increased exports of its automotive and aerospace components thanks to DR-CAFTA.
- Many of California's chemical exports would receive duty-free treatment immediately upon implementation of DR-CAFTA, benefiting District companies like Dow Chemical.
- The Agreement's modest liberalization of restrictions on sugar imports from the DR-CAFTA region will benefit Jelly Belly in Fairfield. U.S. sugar prices are artificially high as a result of U.S. import restrictions, to the disadvantage of food product manufacturers in the United States.
- 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 DR-CAFTA will protect the District's manufacturers from injurious dumping or subsidization that may be caused by the

Agreement's tariff reductions. The Agreement does not change U.S. trade remedy laws. It does, however, establish 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.

- 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.

In order to compete in the global marketplace, the United States must expand its free trade opportunities and stop allowing other countries to take advantage of us by placing large tariffs on our exports. Our trade deficit is a danger to our economy. However, Congress can pass DR-CAFTA to eliminate barriers to U.S. exports to the Dominican Republic and Central American countries.

DR-CAFTA would benefit the Bay Area particularly as well, as California is already one of the largest exporters of agricultural and information technology to the region. The elimination of tariffs on these exports would expand the market even more and help protect our economy here at home.

*Michael Ellison
Fairfield*

- 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.

**TOP IMPORTERS TO DR-CAFTA COUNTRIES
IN CALIFORNIA'S 10th DISTRICT**

Anderson Beebe	Moraga
Clay Ramsey	Lafayette
Intertrade	Walnut Creek

In Short ...

Trade is important to the 10th 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 10th District.

Sources:

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