



## Trade Matters to California's 31st Congressional District

### Trade Matters to Manufacturing and Services

Trade matters to **services and manufacturing companies** and workers located in the 31st Congressional District of California. District entertainment studios export their products to customers around the world, and imports are key ingredients for many food product and apparel companies who rely on inputs to manufacture or process products in the District.

- Trade is 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. Copyright-based industries, such as those in the District, contribute close to \$90 billion to the economy through foreign sales and exports.
- 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 the entertainment industry.
- Trade in goods also supports jobs in the 31st 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 31st District: Exports support one in ten jobs in California's apparel sector.
- Many companies in the District use imported raw materials, such as sugar, to produce final goods in the District.

NAFTA has been a success for the economies of Mexico and the United States. My family here in California and back in Mexico have all benefited. Free and fair trade with new Central American democracies will help build their stability as well as help protect American jobs.

The majority of goods produced in the Dominican Republic and Central America already enter the United States duty-free. DR-CAFTA would ultimately eliminate tariffs on American goods entering those countries. Not only would the increased investment in Central American countries help to stabilize those young democracies but increased exports from the U.S. would help to level the growing U.S. trade deficit and provide more jobs here at home.

Free trade with Latin American countries is good for jobs here in Los Angeles and in the home countries of many of our residents.

*Arturo Rodriguez  
Los Angeles*

#### SUMMARY FACTS

- Copyright-based industries contribute close to \$90 billion to the economy through foreign sales and exports. DR-CAFTA's strong IPR protections will benefit the District's film and television producers and distributors.
- Exports support one in ten jobs in California's apparel sector.
- Alta Window Fashions, a subsidiary of Netherlands-based Hunter Douglas Group, employs approximately 700 employees in the District.
- Textile and apparel provisions in DR-CAFTA will help the District's apparel companies by enabling them to offer retailers lower-cost apparel products made with U.S. yarns and fabrics.
- Under DR-CAFTA, U.S. banks, such as Bank of America, will be able to establish direct branches and offer banking services to consumers in Central America and the Dominican Republic.

## Trade Matters to Small Business

Trade matters to **small businesses** located in the 31st 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 31st 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." Alta Window Fashions is an example of foreign investment in the 31st District. A subsidiary of Netherlands-based Hunter Douglas Group, the company employs approximately 700 employees in the District.
- 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 California's 31st District

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

- Strong intellectual property rights protections in international agreements protect the works of District entertainment companies in international markets. These protections eliminate piracy and promote U.S. films and television programs abroad.

- 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.

## Los Angeles Times

*Trading Up – Editorial, November 18, 2004*

*...The so-called CAFTA linking the U.S. market to Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica -- and a companion deal with the Dominican Republic -- would provide American exports with greater access to those countries. In return, it would offer those nations their best hope for raising their standards of living, and, as NAFTA did for Mexico, would help solidify economic reforms and bolster the rule of law in the region. As a political gesture, the trade deal would be a fitting tribute for a region that has come so far from the chaotic, often deadly, instability of 20 years ago...*

## DR-CAFTA and Doha Matter to California's 31st District

Other trade liberalization initiatives under way will boost the gains to the 31st 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! The significant share of the District's population that is Hispanic – 70 percent – suggests that the relationship is personal as well as economic.

- 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.
- DR-CAFTA's strong intellectual property protections will benefit the District's film and television producers and distributors. The Agreement contains the highest level of intellectual property protections in the Latin American region. The DR-CAFTA countries have pledged to enhance their laws and enforcement against pirated products. Greater transparency throughout the customs authorities of Central America and the Dominican Republic will also improve measures to keep pirated materials out of those countries. District film and television companies, like Paramount and TimeWarner should see strong gains thanks to the DR-CAFTA.
- 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. District companies, like Point Denimwear, could see increased business thanks to these provisions.
- The DR-CAFTA locks in the right of U.S. financial services companies to establish wholly owned subsidiaries or joint ventures. Banks, such as Bank of America, will be able to establish direct branches and offer banking services to consumers in Central America and the Dominican Republic.
- The Agreement's modest liberalization of U.S. barriers to imported sugar will benefit District food processors like Mrs. Baird's Bakeries and Interstate Brands West Corp.

**TOP EXPORTERS TO DR-CAFTA COUNTRIES  
IN CALIFORNIA'S 31st DISTRICT**

Antex Knitting Mills	Los Angeles
Crystal Promotions	Los Angeles
Faithful Trading	Los Angeles
Lanova	Los Angeles
Transcargo Intl	Los Angeles
Transportes Miron	Los Angeles
Transportes Ulula	Los Angeles

- 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.
- Expanded protection of intellectual property rights around the globe will benefit and open new markets for the high-value entertainment industry that relies on effective enforcement of intellectual property protections.
- The elimination of barriers to trade in services will open new markets to California and District financial service providers, allowing these companies to reach new consumers.

**TOP IMPORTERS TO DR-CAFTA COUNTRIES  
IN CALIFORNIA'S 31st DISTRICT**

Apparel Max	Los Angeles
Buddy	Los Angeles
Damo Textile	Los Angeles
Design Collection	Los Angeles
Dnla Offprice Apparel	Los Angeles
Dubon & Sons	Los Angeles
Gloria Herrera Alvarez	Los Angeles
Hok Wholesale	Los Angeles
Kocal Trdg	Los Angeles
Labelle Fashion	Los Angeles
Lanova	Los Angeles
Off Price Connection	Los Angeles
R & Brothers	Los Angeles
Risk Of Messrs Offprice Connection	Los Angeles
Special Effects Unltd	Los Angeles
Stajac Ind	Los Angeles

**In Short ...**

Trade is important to the 31st 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 31st District.

I have many friends here in Los Angeles who are Central American immigrants. They work very hard and send a lot of their money back home to their families in Central America just as my family did when they emigrated here from Mexico.

NAFTA has helped to alleviate some of these needs for Mexican immigrants as more companies have chosen to invest in Mexico for their production facilities, creating some more decent-paying jobs.

As the economies in the newer democracies of the Dominican Republic and Central American countries stabilize and diversify, congressional legislation has helped by eliminating many of the tariffs placed on goods produced in these countries. However, these countries still place large tariffs on United States goods.

DR-CAFTA would end those tariffs to the benefit of American jobs while encouraging more investment in Central American countries. My view is, the better the economies are in countries with high immigrant populations in the United States, the more money these Latin American immigrants will spend locally which benefits the U.S. economy even more.

*Christina Espinoza  
Los Angeles*

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