



Trade Matters to California's 52nd Congressional District

Trade Matters to Manufacturing & Services

Trade matters to **manufacturing and services companies** and workers located in the 52nd Congressional District of California. District electronics, transportation equipment, and pharmaceutical companies export their products to customers around the world, and imports are key ingredients for many companies who rely on inputs to manufacture or process products in the District.

- Trade supports jobs in the 52nd 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 52nd District: Nearly 45 percent of all jobs in California's computers and electronics industry rely on exports. In addition, more than one in five jobs in the State's transportation equipment sector also rely upon exports.
- Many companies in the District use imported raw materials, such as those used to produce steel. Other companies import goods, such as components for computers and electronic 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, including insurance services. Trade also benefits the District's important tourism sector. Research has shown that liberalization of trade in goods generates more business travel, while liberalization of trade in services generates more holiday travel.

RPM Material Handling Co. San Diego

RPM Material Handling Co. is a forklift and material handling sales and leasing company. Founded forty years ago, we are headquartered in San Diego with sixty employees providing service to customers throughout San Diego and Imperial Counties and in Baja California.

RPM has benefited greatly from the expansion of free trade in the last decade, leading us to open additional facilities in El Centro, Tijuana and Mexicali.

Currently, we estimate that 30% of our annual revenue is derived from international commerce. The greatest growth occurred in the years following the adoption of NAFTA, which led to the significant expansion of cross-border commerce.

We believe that the Dominican Republic-Central American Free Trade Agreement will have a similarly positive effect on our economy. Opening the markets in Central America will make American products more competitive and is sure to encourage the expansion of market-based economies in that region.

Rick Otis

SUMMARY FACTS

Under DR-CAFTA, nearly all energy-related goods will receive immediate duty-free treatment benefiting District companies like Solar Turbines.

Under DR-CAFTA, Central America and the Dominican Republic will be open to U.S. financial service providers benefiting District companies like Geico.

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 benefiting companies like GKN Aerospace Chem-Tronics, and TRW.

DR-CAFTA's strong IPR protections will benefit the District's high-tech computer and electronic equipment manufacturers and the District's pharmaceutical and bio-technology companies.

Trade Matters to Small Business

Trade matters to **small businesses** located in the 52nd 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 52nd 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." Japan-based electronics company Kyocera chose San Diego for its North American headquarters. The company employs 5,000 throughout the United States and several hundred workers in the San Diego 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 52nd DISTRICT

Panasonic	San Diego
Project Concern Intl	San Diego
Scubapro	El Cajon

The San Diego Union-Tribune.

*Up with trade
New deal with Central American
nations – Editorial, December 22,
2003*

Central America was, until not so long ago, a region marked by political instability and internecine warfare, with such nations as El Salvador, Guatemala, Honduras and Nicaragua among the notable examples. Now, the region is bending toward peace, democracy and free markets, an evolution the Bush administration aims to support by way of the new U.S.-Central America Free Trade Agreement.

Trade Liberalization Matters to California's 52nd 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) 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.
- 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 52nd DISTRICT**

Ocean Garden Products	San Diego
Panasonic	San Diego
Sunbelt Battery	Santee
Ocean Garden Products	San Diego

DR-CAFTA and Doha Matter to California's 52nd District

Other trade liberalization initiatives under way will boost the gains to the 52nd 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.
- DR-CAFTA's strong intellectual property protections will benefit the District's high-tech computer and electronic equipment manufacturers and the District's pharmaceutical and bio-technology companies. As the economies there develop and grow, their need for this equipment and the software to run it will expand. District companies such as Delta Design Inc., Computer Sciences Corp., and Merck could all see increased exports to the DR-CAFTA countries.
- 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. GKN Aerospace Chem-Tronics, TRW, and other district transportation equipment companies could benefit from increased access to the DR-CAFTA countries.
- 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 Geico could benefit from selling their services in Central America and the Dominican Republic.
- Under DR-CAFTA, nearly all energy-related goods will receive immediate duty-free treatment. Companies, like San Diego-based Solar Turbines could see increase business in the DR-CAFTA region as demand grows for the turbines Solar produces for oil and natural gas production and electrical generation.
- 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 to 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.

- 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.
- By eliminating barriers to trade in services, District financial service companies would be able open new overseas branches and offices and market their services to new customers around the world.
- 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.

In Short ...

Trade is important to the 52nd 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 52nd District.

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