



Trade Matters to Indiana's 5th Congressional District

Trade Matters to Manufacturing and Services

Trade matters to **manufacturing and services companies** and workers located in the 5th Congressional District of Indiana. District transportation equipment and electronics companies export their products and services 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 5th District. One in five **manufacturing** jobs in Indiana depend on exports, and research demonstrates that exporting jobs pay 13-18 percent more than the U.S. average.
- Export dependence is also high for manufacturing sectors of importance to the 5th District: Twenty-four percent of workers in Indiana's important transportation equipment sector owe their jobs to exports. Exports also support roughly one in five workers producing electronic equipment and parts in Indiana.
- Many companies in the District use imported raw materials and other components, such as steel to manufacture auto parts, including tires, and automobiles.
- 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, such as insurance and financial services.

SUMMARY FACTS

In 2003, Indiana exported nearly \$42 million worth of goods to the DR-CAFTA countries. Since 1999, the State's exports of transportation equipment have increased nearly 96 percent.

DR-CAFTA countries currently impose tariffs of up to 30% on transportation equipment and parts. 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 district manufacturers GM, DaimlerChrysler, ArvinMeritor, and Bridgestone/Firestone.

District companies like Delphi Electronics Systems and Thompson Multimedia will benefit as the new, high-tech products are marketed in the DR-CAFTA region under reduced or eliminated tariffs and strong IPR protections.

Trade Matters to Small Business

Trade matters to **small businesses** located in the 5th District.

- Eighty-two percent of the Indiana 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 and the Dominican Republic.

Trade Matters to International Investors

Fair international investment rules, which promote trade, matters to **foreign investors** in the 5th District of Indiana.

- Foreign investors located in the United States support millions of American jobs. In Indiana, foreign investors employ 137,400 workers. Approximately 66 percent of Indiana workers employed by foreign investors are employed in the high-paying manufacturing sector.
- The strong Indiana and District economies are magnets for foreign investment and job-creating “insourcing.” DaimlerChrysler employs over 7,000 workers several transmission-related facilities in Kokomo. Another 850 workers also produce die- transmission parts at Ryobi Die Casting in Shelbyville.
- 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 INDIANA’S 5th DISTRICT

Brigstone Firestone Corp	Carmel
Fabri Tech	McCordsville
Interfood	Indianapolis

Trade Liberalization Matters to Indiana’s 5th District

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

- NAFTA partners Canada and Mexico are Indiana’s largest export markets. Since NAFTA went into effect, Indiana’s exports to Canada and Mexico have increased by 149 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 \$157 million annually just for families in the District.

DR-CAFTA and Doha Matter to Indiana’s 5th District

Other trade liberalization initiatives under way will boost the gains to the 5th 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, Indiana exported nearly \$42 million worth of goods to the DR-CAFTA countries. Since 1999, the State’s exports of transportation equipment have increased nearly 96 percent.
- The DR-CAFTA significantly liberalizes trade in insurance services, a significant improvement over current WTO commitments, possibly benefiting District insurance companies such as Pioneer Life Insurance Co. and Conseco Variable Insurance Co. DR-CAFTA countries have agreed to open their market to U.S. providers, including Costa Rica, which is currently dominated by a monopoly. The Agreement covers all major aspects of insurance, including life, non-life, reinsurance, intermediation and services auxiliary to insurance.
- The DR-CAFTA countries currently impose tariffs on transportation equipment and parts ranging up to 30 percent. The District’s transportation equipment producers will see benefits under the 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 manufacturers GM, DaimlerChrysler, ArvinMeritor, and Bridgestone/Firestone, among others,

should all benefit from increased access to the DR-CAFTA markets.

- The District's workers engaged in research, development, and production of new, innovative electronics products will benefit from the strong intellectual property rights protections established under DR-CAFTA. The high levels of IPR protection will set a precedent throughout the region. District workers for companies like Delphi Electronics Systems and Thompson Multimedia should also benefit as the new, high-tech products they are developing are marketed in the DR-CAFTA region under reduced or eliminated tariffs.
- 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 \$270 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. Increased global IPR protection should greatly benefit the District's high tech multinational companies.
- Services negotiations underway in the Doha Round have the potential to increase international market access for District insurance companies.

TOP IMPORTERS TO DR-CAFTA COUNTRIES IN INDIANA'S 5th DISTRICT

Arco Electric Products	Shelbyville
Brigestone Firestone Corp	Carmel
Fabri Tech	McCordsville
Indiana Knitwear	Greenfield
Just Products	Indianapolis
Peter Wakefield Mcnamara	Carmel

In Short ...

Trade matters importantly to the 5th 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 grows 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 5th District.

SOURCES:

U.S. Bureau of the Census.

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