



Trade Matters to California's 11th Congressional District

Trade Matters to Manufacturing and Services

Trade matters to **manufacturing, agricultural, and services companies** and workers located in the 11th Congressional District of California. District farms, food processors and computer and software 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 11th 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 11th District: Forty-five percent of workers in California's computer and electronic products industry rely on exports. Nearly 130,000 California jobs depend on the State's exports of agricultural products.
- Imports are important to District retailers, who must source from U.S. as well as international sources to provide District families with a range of value-priced consumer goods and food products.
- Trade benefits California's **agricultural sector**. California is the largest agricultural exporter in the United States. California farmers export approximately 27 percent of the goods they produce.
- 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 transportation and financial services.

SUMMARY FACTS

Nearly 130,000 California jobs depend on the State's exports of agricultural products.

California farmers export approximately 27 percent of the goods they produce.

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.

California's wine exports to Guatemala currently face average tariffs of 37 percent. Studies estimate that upon the elimination of tariffs under DR-CAFTA, total U.S. alcohol exports (including wine) could potentially increase by 250 percent.

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.

Trade Matters to Small Business

Trade matters to **small businesses** located in the 11th 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 11th 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 Anritsu Corp. employs over 800 workers at its Morgan Hill facility who produce electronic measuring and testing equipment.
- 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 11th DISTRICT

Company	City
Iron Planet	Pleasanton
Tiger Trading	Pleasanton

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 127 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 11th District

Other trade liberalization initiatives under way will boost the gains to the 11th 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 2004, California exported nearly \$660 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 10 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 producers of high technology computers and electronic equipment, and software writers. As the economies there grow, their need for this equipment and the software to run it will expand. District companies like PeopleSoft Inc., Sybase Inc. and Paramit, could see increased exports to the DR-CAFTA countries.
- In addition to the strong intellectual property protections under DR-CAFTA, the District’s pharmaceutical producers will also benefit from the elimination of duties. Approximately 88 percent of U.S. pharmaceutical exports will receive immediate duty-free treatment under the Agreement. District companies like Hospira could all benefit from increased access to the markets of Central America and the Dominican Republic.

- The District's dairy exports to the DR-CAFTA countries currently face tariffs as high as 60 percent. Under the Agreement a tariff-rate quota will be established permitting a limited quantity of tariff-free dairy exports to Central America and the Dominican Republic. That quota will expand every year until all dairy exports eventually receive duty-free treatment.
- The District's producers of grapes for wine production could benefit from the elimination of tariffs on wine under DR-CAFTA. California's wine exports to Guatemala currently face average tariffs of 37 percent. Studies estimate that upon the elimination of tariffs under DR-CAFTA, total U.S. alcohol exports (including wine) could potentially increase by 250 percent.

**TOP IMPORTERS TO DR-CAFTA COUNTRIES
IN CALIFORNIA'S 11th DISTRICT**

Company	City
MRB Food Sources	Pleasanton

- As the level of trade between the District and the DR-CAFTA countries grows, demand will also increase for transportation and warehouse services. District shipping and warehousing companies, such as Summit Logistics Inc. and Gardner Trucking, could benefit from the DR-CAFTA.
- The DR-CAFTA makes modest but important changes to the system of protection that raises costs of sugar to U.S. consumers, including food product manufacturers like H.J. Heinz Co. and Dole Food Co. The agreement would allow agreement partners to export increased amounts of sugar to the United States, liberalization that is long overdue. Furthermore, these companies could benefit from the elimination of tariffs on exports of the processed foods from the District. Approximately 80 percent of U.S. food exports will receive immediate duty-free treatment under DR-CAFTA.
- District food retailers, such as Safeway, and consumers should benefit from the DR-CAFTA

as retailers market a wider range of products at lower prices.

- The DR-CAFTA will protect the District's manufacturers from injurious dumping or subsidization. The Agreement does not change U.S. trade remedy laws. In addition, it establishes 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.
- 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, explicitly recognizes multilateral environmental agreements and calls on the parties to the Agreement to enhance the effectiveness of these multilateral agreements.
- 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 global agricultural subsidies will level the playing field for U.S. farmers and vintners, and open new markets around the world for their products.

In Short ...

Trade matters importantly to the 11th 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 11th District.

Sources:

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