



## Trade Matters to Kansas' 1st Congressional District

### Trade Matters to Manufacturing and Services

Trade matters to **farmers, manufacturers, and services companies** and workers located in the 1st Congressional District of Kansas. District companies and farmers export their products and services to customers around the world, and imports are key ingredients for producers who rely on inputs to manufacture or process products in the District.

- Trade supports jobs in the 1st District. Nearly one in seven **manufacturing** jobs in Kansas depends 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 1st District: Approximately 16 percent of the jobs in Kansas' transportation equipment industry depend on exports. Exports also support 12 percent of the jobs in the State's food industry.
- Many companies in the District use imported raw materials and other components to manufacture their products, such as steel for machinery and equipment.
- 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.

#### SUMMARY FACTS

In 2004, Kansas exported over \$22.6 million worth of goods to the DR-CAFTA countries.

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 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, such as Raytheon Aircraft Co. and Eldorado National could all benefit from increased access to the DR-CAFTA markets.

Ninety-nine percent of U.S. exports of electrical equipment, appliances, and parts will receive immediate duty free treatment under the DR-CAFTA. The increased market access could benefit District producers such as Philips Electronics and Exide Technologies.

The District's corn and grain exports could benefit from the DR-CAFTA. Currently, the DR-CAFTA countries assess tariffs up to 35 percent on U.S. corn exports. Upon implementation of the Agreement, Costa Rica and the Dominican Republic will immediately eliminate tariffs on corn, and all DR-CAFTA countries will immediately eliminate tariffs on wheat and barley.

### Trade Matters to Small Business

Trade matters to **small businesses** located in the 1st District.

- Seventy-nine percent of the Kansas 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 1st District of Kansas.

- Foreign investors located in the United States support millions of American jobs. In Kansas, foreign investors employ 14,100 workers. Approximately 41 percent of Kansas workers employed by foreign investors are employed in the high-paying manufacturing sector.
- The strong Kansas and District economies are magnets for foreign investment and job-creating “insourcing.” Netherlands-based Philips Electronics employs over 500 workers at its Salina lighting factory.
- 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 KANSAS' 1st DISTRICT

Doerr Metal Products	Larned
Foot Locker	Junction City
Praxair Inc	Lorraine
U S Energy Partners	Russell
Valley Vet Supply	Marysville
Wheatbelt	Hillsboro

## Trade Liberalization Matters to Kansas' 1st District

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

- NAFTA partners Canada and Mexico are Kansas' largest export markets, totaling nearly \$2.0 billion in 2004. Since NAFTA went into effect, Kansas' exports to Canada and Mexico have increased by over 120 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 \$156 million annually just for families in the District.

## DR-CAFTA and Doha Matter to Kansas' 1st District

Other trade liberalization initiatives under way will boost the gains to the 1st 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, Kansas exported over \$22.6 million worth of goods to the DR-CAFTA countries. Even without DR-CAFTA, the region has been a strong market for Kansas' goods.
- 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 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, such as Raytheon Aircraft Co. and Eldorado National could all benefit from increased access to the DR-CAFTA markets.
- Ninety-nine percent of U.S. exports of electrical equipment, appliances, and parts will receive immediate duty free treatment under the DR-CAFTA. The increased market access could benefit District producers such as Philips Electronics and Exide Technologies.
- The District's corn and grain exports could benefit from the DR-CAFTA. Currently, the DR-CAFTA countries assess tariffs up to 35 percent on U.S. corn exports. Upon implementation of the Agreement, Costa Rica and the Dominican Republic will immediately eliminate tariffs on corn, and all DR-CAFTA countries will immediately eliminate tariffs on wheat and barley.
- The DR-CAFTA countries currently assess tariffs on U.S. beef exports as high as 30 percent. Duties on the important Prime and Choice cuts of beef will be eliminated immediately, and the remaining duties will be phased out over 10

years. Furthermore, the DR-CAFTA countries are working towards the recognition of the U.S. meat inspection and certification system, further facilitating trade. District ranchers, cattlemen, and meatpacking companies, such as IBP Inc., Farmland National Beef Packing Co. and ConAgra Beef Co. could benefit from increased market access under DR-CAFTA.

- The DR-CAFTA makes modest, but important, changes to the system of protection that raises costs of sugar to U.S. consumers and including bakeries, such as Russell Stover Candies and Interstate Brands Corp. The Agreement would allow DR-CAFTA countries to export increased amounts of sugar to the United States— liberalization that is long overdue. These companies could further benefit from the elimination of the tariffs the DR-CAFTA countries now charge on U.S. food exports.
- The DR-CAFTA’s provisions apparel and footwear products will enable major District retailers like Footlocker Inc. to consider apparel and footwear sourced from Central America, made with U.S. components, a more cost-effective option for their customers than apparel or footwear sourced in Asia.
- 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.
- 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.

- A tariff-free world by 2015, under consideration in the Doha Round, is expected to result in \$1,600 in increased income for the average U.S. household annually. For the District, this represents an additional \$269 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.

**TOP IMPORTERS TO DR-CAFTA COUNTRIES  
IN KANSAS’ 1st DISTRICT**

Foot Locker	Junction City
Praxair Inc	Lorraine

- The global reduction of agricultural subsidies through the Doha Round will benefit the District through increased agricultural exports beef and grains.

**In Short ...**

Trade is important to the 1st 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 1st District.

**Sources:**

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