



Trade Matters to Minnesota's 1st Congressional District

Trade Matters to Manufacturing and Services

Trade matters to **manufacturing and services companies** and workers located in the 1st Congressional District of Minnesota. District farmers, computer and electronics manufacturers, and machinery companies export their goods and services 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 1st District. More than one in six **manufacturing** jobs in Minnesota depends on exports, and research demonstrates that exporting jobs pay 13-18 percent more than the U.S. average.
- Export dependence is much higher for manufacturing sectors of importance to the 1st District: Nearly 40 percent of the jobs in the State's computers and electronic products sector depend on exports. In addition, exports support 26 percent of the jobs in the State's machinery industry.
- Many companies in the District use imported raw materials, such as steel to manufacture equipment and machinery.
- Trade is also important to **services sectors** that are large employers in the 1st 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 workers, such as insurance and transportation services.
- Trade is also important to **agriculture**. American farmers sell overseas about one third of what they produce. Minnesota farmers are no different; they export their products around the world.

StarTribune

Editorial

May 14, 2005

An Economic Lift

"The list of likely winners from CAFTA is long and diverse because, at the moment, American exports face steep tariffs going into [CAFTA countries]... CAFTA also represents a chance to create jobs and reduce poverty in Latin America. Perhaps the single most powerful development tool available to Washington is to open the rich American consumer market to developing nations and their agricultural exports."

SUMMARY FACTS

Foreign investors located in the United States support millions of American jobs. In Minnesota, foreign investors employ 32,300 workers. Approximately 34 percent of Minnesota workers employed by foreign investors are employed in the high-paying manufacturing sector.

In 2004, Minnesota exported over \$58 million worth of goods to the DR-CAFTA countries. Even without DR-CAFTA, Minnesota's exports to the region are already strong, increasing by nearly 68 percent since 1999.

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 \$246 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 1st District.

- Eighty-four percent of the Minnesota 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 Minnesota.

- Foreign investors located in the United States support millions of American jobs. In Minnesota, foreign investors employ 32,300 workers. Approximately 34 percent of Minnesota workers employed by foreign investors are employed in the high-paying manufacturing sector.
- The strong Minnesota and District economies are magnets for foreign investment and job-creating "insourcing." Further engagement with the international economy through trade will improve the competitiveness of those companies and workers, making the District a still more attractive location for foreign investment.

Trade Liberalization Matters to Minnesota's 1st 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.
- Combined, NAFTA partners Canada and Mexico are Minnesota's largest export markets. Since NAFTA went into effect, Minnesota's exports to Canada and Mexico have increased by over 81 percent. Minnesota exported over \$3.7 billion worth of goods to Canada and Mexico in 2004.

- The average U.S. family saves \$930 annually thanks to income gains and tariff -- tax -- cuts due to NAFTA alone. This equals nearly \$143 million annually just for families in the 1st District.
- Since the implementation of the U.S.-Chile Free Trade Agreement in 2004, Minnesota's exports to Chile have increased 29.3 percent.

TOP EXPORTERS TO DR-CAFTA COUNTRIES IN MINNESOTA'S 1st DISTRICT

Company	City
CYBEX	Owatonna
Hormel Foods	Austin
Viracon	Owatonna

DR-CAFTA and Doha Matter to Minnesota's 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, Minnesota exported over \$58 million worth of goods to the DR-CAFTA countries. Even without DR-CAFTA, Minnesota's exports to the region are already strong, increasing by nearly 68 percent since 1999.
- Studies estimate that the DR-CAFTA could boost Minnesota's overall economic output by \$21.3 million after the first year and by \$113.8 million after nine years.
- DR-CAFTA's strong intellectual property protections will benefit the District's high-tech computer and electronic companies. As the economies there develop and grow, the need for these types of products will expand. District employers such as IBM and Pemstar Inc. could see increased exports to the DR-CAFTA countries.

- Under DR-CAFTA, 94 percent of U.S. exports of machinery and other industrial goods will be duty free upon implementation of the Agreement. District machinery producers, such as AGCO Corp. and Toro should benefit from the elimination of duties and increased access to the Central America and Dominican Republic markets.
- Nearly all of Minnesota's exports of electronic equipment, appliances and parts will receive immediate duty-free treatment under DR-CAFTA. Thanks to the elimination of tariffs and increased intellectual property protections, District manufacturers, like 3M Co. and Benchmark Electronics Inc., could see increased business.
- Many of Minnesota's agricultural exports will become duty free immediately as well. Duties on certain products, such as corn and soybeans will be eliminated immediately. Minnesota's pork exports currently face duties as high as 47 percent. Those duties will be completely eliminated when the Agreement is fully implemented in 15 years. Furthermore, the DR-CAFTA countries are working towards recognition of the U.S. meat inspection and certification system, which will help facilitate future trade.
- Approximately 80 percent of U.S. exports of processed foods will receive immediate duty-free treatment under the Agreement. District companies, such as Hormel Foods and Kraft Foods may benefit from the elimination of tariffs and increased market access. Studies estimate that U.S. cheese exports could increase by over 250 percent. U.S. deli meat exports could potentially increase by 46 percent upon full implementation of DR-CAFTA.
- Provisions of the DR-CAFTA relating to sugar reflect the sensitivities of the sugar industry. U.S. sugar tariffs remain unchanged and U.S. quotas expand only marginally. Indeed, the Agreement's sugar trade liberalization provisions are so modest they amount to an increase into the United States from the region of about one and a half teaspoons of sugar a week per American – or just 1.1 percent of current U.S. sugar consumption in total.
- 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 and 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 \$246 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.
- The global reduction of many agricultural subsidies through the Doha Round will benefit the District through increased agricultural exports.
- Expanded protection of intellectual property rights around the globe will benefit District computer and electronic equipment and component producers as those products are eventually marketed around the globe.

TOP EXPORTERS TO DR-CAFTA COUNTRIES
IN MINNESOTA'S 1st DISTRICT

Company	City
Bedford Industries	Worthington
Mission Imports	Owatonna
Precision Press	North Mankato

In Short ...

Trade matters importantly 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.

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