



Trade Matters to Tennessee's 7th Congressional District

Trade Matters to Manufacturing and Services

Trade matters to **farmers, manufacturing and services companies** and workers located in the 7th Congressional District of Tennessee. District machinery, transportation equipment, and consumer goods manufacturers 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 7th District. Nearly one in five **manufacturing** jobs in Tennessee 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 7th District: Twenty percent of workers in Tennessee's transportation equipment industry owe their jobs to exports. Exports also support one out of every six machinery workers in Tennessee.
- District companies use imported materials, such as steel, to manufacture 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, including financial services.

SUMMARY FACTS

In 2004, Tennessee exported nearly \$271 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 Johnson Controls Inc. and Manufacturers Industrial Group, could all benefit from increased access to the DR-CAFTA markets.

Under DR-CAFTA, 94 percent of U.S. exports of machinery and other industrial goods will be duty-free upon the Agreement's implementation. The increased market access could benefit District companies like Tran Co. and ThyssenKrupp Elevator Corp.

District exports of consumer goods, such as bathroom fixtures and typewriters, to the DR-CAFTA countries are assessed average tariffs varying by country from 8 to 10 percent. District employers such as Aqua Glass Corp. and Brother Industries Inc. could all benefit from the reduction of tariffs under the Agreement.

Trade Matters to Small Business

Trade matters to **small businesses** located in the 7th District.

- Seventy-eight percent of the Tennessee 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 7th District of Tennessee.

- Foreign investors located in the United States support millions of American jobs. In Tennessee, foreign investors employ 131,000 workers. Approximately 52 percent of Tennessee workers employed by foreign investors are employed in the high-paying manufacturing sector.
- The strong Tennessee and District economies are magnets for foreign investment and job-creating "insourcing." Germany-based ThyssenKrupp AG employs over 700 workers who manufacture elevators in Middleton.
- 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 TENNESSEE'S 7th DISTRICT

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|-----------------------------|-------------|
| Atlantic Pacific Automotive | Germantown |
| Brother International | Memphis |
| Brotherton Seed Co., Inc. | Clarksville |
| Kolpak | Parsons |
| Premium Pumice | Adamsville |
| Purolator Products | Brentwood |
| Windy Hill Pet Food | Brentwood |

Trade Liberalization Matters to Tennessee's 7th District

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

- NAFTA partners Canada and Mexico are Tennessee's largest export markets. Since NAFTA went into effect, Tennessee's exports to Canada and Mexico have increased by 190 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 \$147 million annually just for families in the District.

DR-CAFTA and Doha Matter to Tennessee's 7th District

Other trade liberalization initiatives under way will boost the gains to the 7th 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, Tennessee exported nearly \$271 million worth of goods to the DR-CAFTA countries. Even without DR-CAFTA, the region has been a growing market for Tennessee goods, expanding at an average *annual* rate of 10 percent.
- Studies estimate that DR-CAFTA will increase Tennessee's overall economic output by \$73 million after the first year and by \$403 million after nine years.
- 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 Johnson Controls Inc. and Manufacturers Industrial Group, could all benefit from increased access to the DR-CAFTA markets.
- Under DR-CAFTA, 94 percent of U.S. exports of machinery and other industrial goods will be duty-free upon the Agreement's implementation. The increased market access could benefit District companies like Trane Co. and ThyssenKrupp Elevator Corp.
- District exports of consumer goods, such as bathroom fixtures and typewriters, to the DR-CAFTA countries are assessed average tariffs varying by country from 8 to 10 percent. District employers such as Aqua Glass Corp. and Brother Industries Inc. could all benefit from the reduction of tariffs under the Agreement.

- Under the Agreement, the DR-CAFTA countries agreed to liberalize their financial services and insurance markets, placing U.S. financial services companies in an optimal position to grow with those markets. District companies, such as Primus Automotive Financial Services would be afforded increased access to the new markets and consumers in Central America and the Dominican Republic.
- As trade between the District and the DR-CAFTA countries grows, demand for transportation and warehousing services will also increase. District transportation service providers, such as Magnum International Freight could benefit from the increase in goods traded. In addition, District manufacturers of packaging and labeling material, such as Packaging Corp. of America and Precision Printing and Packaging, could also benefit from the DR-CAFTA.
- Many of Tennessee's agricultural exports will receive immediate duty-free treatment upon the implementation of DR-CAFTA, such as the District's exports of corn to Costa Rica and the Dominican Republic. U.S. exports of Prime and Choice cuts of beef to all DR-CAFTA countries will also receive immediate duty-free treatment. For other products, such as tobacco and pork products, those duties will be phased out. Furthermore, the DR-CAFTA resolves sanitary and phytosanitary disputes that have blocked U.S. exports to the region.
- 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, will result in \$1,600 in increased income for the average U.S. household annually. For the District, this represents an additional \$253 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 elimination of agricultural subsidies will level the playing field and open new markets to District exports of agricultural products.

TOP IMPORTERS TO DR-CAFTA COUNTRIES IN TENNESSEE'S 7th DISTRICT

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|---------------------------|-------------|
| Allen Accessories | Franklin |
| Brother International | Memphis |
| Brotherton Seed Co., Inc. | Clarksville |

In Short ...

Trade is important to the 7th 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 7th District.

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