



# Trade Matters to North Carolina's 4<sup>th</sup> Congressional District

## Trade Matters to Manufacturing and Services

Trade matters to **manufacturing and services companies** and workers located in the 4th Congressional District of North Carolina. District pharmaceutical, computer, software, and research 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 4th District. One in five **manufacturing** jobs in North Carolina depend 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 4th District: Fifty-seven percent of workers in North Carolina's computer and electronic products industry rely on exports. Approximately 29 percent of chemical (including pharmaceutical) jobs in the State rely on exports.
- Many companies in the District use imported raw materials, such as steel to manufacture equipment, or components for computers and electronic products.
- 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 research and development, telecommunications and computer consulting, software design and consulting, and educational services. In addition, studies also show that trade liberalization has a positive impact on tourism, an important sector for the 4th District. Increased trade generates related business travel, and liberalized trade in services increases holiday travel.

We are a small company representing 10 American manufacturers in foreign markets and most of our sales activities are in Latin America. In spite of being in business only 14 months, our new export sales in electrical products were almost \$2 million in 2004. We employ 2 persons, but hope to add employees this year. All of our manufacturers are medium-sized, family-owned companies and have the capability to be big players in the international markets. Our suppliers employ approximately 1600 workers in the United States.

The lowering of duties and non-tariff barriers helps American manufacturers and we believe that DR-CAFTA will have a favorable impact on our sales. Increasingly, European and Asian manufacturers are becoming competitive in these markets and CAFTA will assist us to be more competitive.

I was first elected to the U.S. Department of Commerce's District Export Council in 1983 and have been involved in export sales all my life. We encourage the passage of this legislation.

*Steven B. Stevenson  
President*

### SUMMARY FACTS

- 1 in 5 manufacturing jobs in North Carolina depend on exports.
- In North Carolina, foreign investors employ 212,700 workers, approximately 43% of whom work in the high-paying manufacturing sector.
- Since NAFTA, North Carolina's exports to Canada and Mexico have increased by over 80%.
- In 2003, North Carolina exported more than \$1.7 billion worth of goods to the DR-CAFTA countries.
- DR-CAFTA's tariff and nontariff barrier cuts could potentially increase North Carolina's exports to the DR-CAFTA countries by \$730 million after the first year, and by \$3.9 billion after 9 years.
- U.S. pharmaceutical companies believe that the DR-CAFTA's intellectual property rights provisions, coupled with tariff reductions, will lead to an increase in U.S. pharmaceutical exports.

## Trade Matters to Small Business

Trade matters to **small businesses** located in the 4th District.

- Eighty-four percent of the North Carolina 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 4th District of North Carolina.

- Foreign investors located in the United States support millions of American jobs. In North Carolina, foreign investors employ 212,700 workers. Approximately 43 percent of North Carolina workers employed by foreign investors are employed in the high-paying manufacturing sector.
- The strong North Carolina and District economies are magnets for foreign investment and job-creating “insourcing.” Located between three major universities, the Research Triangle Park area is a major draw for foreign investment, which supports 7,500 District jobs at UK-based GlaxoSmithKline and another 1,000 jobs at Sony Ericsson (Japan/Sweden).
- Approximately 50 percent of the 44,000 full-time and contract employees that work in Research Triangle Park work for multinational companies.
- 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 NORTH CAROLINA'S 4<sup>th</sup> DISTRICT

Bayer	Research Triangle Park
Forbo Adhesives	Durham
Freudenberg Nonwoven	Durham
Reichhold Chemicals	Durham

## Trade Liberalization Matters to North Carolina's 4th District

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

- NAFTA partners Canada and Mexico are North Carolina's largest export markets. Since NAFTA went into effect, North Carolina's exports to Canada and Mexico have increased by over 80 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 \$144 million annually just for families in the District.

## DR-CAFTA and Doha Matter to North Carolina's 4th District

Other trade liberalization initiatives under way will boost the gains to the 4th 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, North Carolina exported more than \$1.7 billion worth of goods to the DR-CAFTA countries. Even without DR-CAFTA, the region has been a growing market for North Carolina goods, expanding at an average *annual* rate of 41.4 percent! Exports of computers and electronic products from North Carolina to DR-CAFTA have more than quadrupled since 1999.
- Studies estimate that DR-CAFTA's tariff and nontariff barrier cuts could potentially increase North Carolina's exports to the DR-CAFTA countries by \$730 million after the first year, and by \$3.9 billion after nine years.
- U.S. pharmaceutical companies believe that the DR-CAFTA's intellectual property rights provisions, coupled with tariff reductions, will lead to an increase in U.S. pharmaceutical exports. U.S. exports now face varying tariffs rates in the region of up to 15 percent.

- The District's workers engaged in research and development of other high-tech products will also 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 will also benefit as the new, high-tech products they are developing are marketed in the DR-CAFTA region under reduced or eliminated tariffs. Companies such as SAS Institute Inc., Ericsson, and Nortel, to name a few, should all benefit from higher levels of IPR protection.
- 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 will benefit the research and development of cutting-edge products under way in the District as those products are eventually marketed around the globe.

**TOP IMPORTERS FROM DR-CAFTA COUNTRIES  
IN NORTH CAROLINA'S 4<sup>th</sup> DISTRICT**

Bayer	Research Triangle Park
Freudenberg Nonwoven	Durham

**In Short ...**

Trade is important to the 4th 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 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 4th District.

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