



## Trade Matters to North Carolina's 8th Congressional District

### Trade Matters to Manufacturing and Services

Trade matters to **manufacturing and services companies** and workers located in the 8th Congressional District of North Carolina. District textile and apparel, auto parts, and hand tool producers 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 8th 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 high for manufacturing sectors of importance to the 8th District: Thirty percent of the North Carolina workers employed in textile mills depend on exports. Approximately one in seven transportation equipment workers in the State also rely on exports.
- Many companies in the District use imported raw materials, such as steel to manufacture equipment, or components for transportation equipment parts. Dan River, for example, supplements its domestic production with fabric, components and finished products that it imports. WestPoint Stevens sells components and finished products that it buys from 23 foreign countries.
- Trade is also important to **agriculture**. American farmers sell overseas about one third of what they produce. North Carolina is the top exporting state of tobacco and the third-largest exporting state of poultry products. North Carolina exported \$1.3 billion of agricultural products in Fiscal Year 2003.

#### GOULSTON TECHNOLOGIES MONROE

Founded in 1963, Goulston Technologies has been a leader in fiber lubricant technology for half a century. As an industry leader, we understand the importance of free and open trade. We distribute our fiber lubricant chemicals to companies all over the world. Free trade agreements permit us to continue to grow and discover new marketplaces for our products.

Right now, our exports to Central America are limited relative to our exports to the rest of the world. A free trade agreement with Central America, however, will give us access to valuable new markets and millions of new consumers.

Free trade is good for business. By eliminating tariffs and other barriers to trade, free trade keeps costs down and levels the playing field for U.S. businesses.  
*Clayton Pressley*

#### SUMMARY FACTS

- 1 in 5 manufacturing jobs in North Carolina depend on exports.
- 30% of North Carolina's workers employed in textile mills depend on exports.
- North Carolina exported \$1.3 billion of agricultural products in Fiscal Year 2003.
- 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.
- North Carolina's textile and apparel exports would receive duty-free treatment immediately upon implementation of DR-CAFTA.
- DR-CAFTA will strengthen co-production relationships for District yarn and fabric producers such as International Textile Group, Dan River, and WestPoint Stevens. These relationships will be key to keeping the industry competitive in a post-quota world.

## Trade Matters to Small Business

Trade matters to **small businesses** located in the 8th 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 8th 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." Two Japanese companies, MSD and FCC, chose to locate U.S. operations in Scotland County. Together, the two companies employ nearly 250 workers, who produce auto parts and components
- 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 8<sup>th</sup> DISTRICT

Ambassador to Nations	Concord
Black & Decker US Inc.	Fayetteville
Champion Industries Inc.	Laurel Hill
Chesterfield Manufacturing	Monroe
Fab Con Machinery Development	Harrisburg
Fun Tees	Concord
Host Apparel	Monroe
M & M Car Stereo and Alarms	Charlotte
Pinehurst Mfg	Albemarle
Roman Knits	Norwood
Russ Knits	Candor
Sunrise Apparel	Concord
Uco Fabrics	Rockingham
Vanguard Supreme	Monroe

## Trade Liberalization Matters to North Carolina's 8<sup>th</sup> 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.
- NAFTA's textile provisions have been beneficial to District producers. Dan River reports that NAFTA and Caribbean trade preference programs are beneficial because they create an attractive manufacturing base for apparel in close proximity to the U.S."
- 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 8<sup>th</sup> District

Other trade liberalization initiatives under way will boost the gains to the 8th 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 31.2 percent! Textile and apparel products accounted for 77 percent of North Carolina's exports to the DR-CAFTA countries in 2003.
- 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. The majority of those increases will be in the textile and apparel sectors.

- North Carolina's textile and apparel exports would receive duty-free treatment immediately upon implementation of DR-CAFTA. The rule of origin for preferences promotes the use of U.S. yarns and fabrics. DR-CAFTA will strengthen co-production relationships for District yarn and fabric producers such as International Textile Group (owner of Burlington Industries), Dan River, and WestPoint Stevens. These relationships will be key to keeping the industry competitive in a post-quota world. Indeed, Sara Lee Corp. is a strong proponent of the DR-CAFTA.
- Many of North Carolina's agricultural exports will become duty free immediately as well. Central American tariffs on U.S. exports of poultry and tobacco will be phased out to zero (U.S. tariffs on tobacco will phase out over 15 years). DR-CAFTA resolves sanitary and phytosanitary disputes that have blocked U.S. exports to the region. District companies such as Philip Morris and Tyson Foods could see increased sales thanks to DR-CAFTA.
- Central American tariffs on transportation equipment and parts range up to 30 percent. The District's auto parts producers will see benefits under DR-CAFTA: half of U.S. transportation equipment and parts exports will receive duty-free treatment immediately. Tariffs on the remaining half will be phased out over ten years. District companies such as ArvinMeritor and Purolator Co. could see increased business thanks to DR-CAFTA.
- 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.
- 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 NORTH CAROLINA'S 8<sup>th</sup> DISTRICT**

Black & Decker US Inc.	Fayetteville
Champion Industries Inc.	Laurel Hill
Chesterfield Manufacturing	Monroe
Fab Con Machinery Development	Harrisburg
Fun Tees	Concord
Host Apparel	Monroe
Pine Island Sportswear	Monroe
Pinehurst Mfg	Albemarle
Roman Knits	Norwood
Sunrise Apparel	Concord

### **In Short ...**

Trade is important to the 8th 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 grows 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 8th District.

#### **Sources:**

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- U.S. Department of Commerce, International Trade Administration "NAFTA: A State Export Perspective, 1993-2003," July 2004.
- WestPoint Stevens, Inc. 10-K filing with the Securities and Exchange Commission for fiscal year ending December 31, 2003.