



## Trade Matters to Pennsylvania's 6th Congressional District

### Trade Matters to Manufacturing and Services

Trade matters to manufacturing and services companies and workers located in the 6th Congressional District of Pennsylvania. District pharmaceutical, steel, and transportation equipment companies 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 6th District. More than one in six **manufacturing** jobs in Pennsylvania 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 6th District: Thirty-seven percent of Pennsylvania jobs in the primary metal (including steel) sector depend on exports. Exports also support nearly 25 percent of the jobs in the State's chemical (including pharmaceuticals) sector.
- Many companies in the District use imported raw materials and other components to manufacture their products, including steel to make automobile components and parts.
- 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, such as investment, insurance, and consulting services.

### SUMMARY FACTS

In 2003, Pennsylvania exported over \$317 million worth of goods to the DR-CAFTA countries.

DR-CAFTA's tariff reductions and strong IPR protections should benefit District companies like Merck and Co. and Wyeth Laboratories Inc.

Under DR-CAFTA, textile and apparel exports would receive immediate duty-free treatment and the rule of origin for preferences promotes the use of U.S. yarns and fabrics strengthening co-production relationships for District yarn and fabric producers such as Fishman & Tobin.

Seventy-six percent of U.S. steel exports to the DR-CAFTA countries will receive immediate duty-free treatment. Tariffs on the remaining products will be eliminated over five or ten years. The elimination of duties and increased market access could benefit District steel producers like Carpenter Technology and International Steel Group.

The strong Pennsylvania and District economies are magnets for foreign investment and job-creating "insourcing." Siemens Medical Solutions USA, headquartered in Malvern, employs several thousand workers in the District. The company is a subsidiary of Germany-based Siemens AG.

### Trade Matters to Small Business

Trade matters to **small businesses** located in the 6th District.

- Eighty-seven percent of the Pennsylvania 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 6th District of Pennsylvania.

- Foreign investors located in the United States support millions of American jobs. In Pennsylvania, foreign investors employ 233,400 workers. Approximately 38 percent of Pennsylvania workers employed by foreign investors are employed in the high-paying manufacturing sector.
- The strong Pennsylvania and District economies are magnets for foreign investment and job-creating "insourcing." Siemens Medical Solutions USA, headquartered in Malvern, employs several thousand workers in the District. The company is a subsidiary of Germany-based Siemens AG.
- 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 PENNSYLVANIA'S 6<sup>th</sup> DISTRICT

Certain Teed	Valley Forge
Certained Corp	Valley Forge
Evergreen Exports	Bala Cynwyd
Fishman & Tobin	Conshohocken
FMS Lines	Reading
LPB Communications	Conshohocken
Medical Ministry Intl	Parkesburg
Philadelphia Plastic Recycling	Conshohocken
R M Palmer	Reading
Roxcel	Plymouth Meeting
Wm Cohen & Sons	Thorndale

## Trade Liberalization Matters to Pennsylvania's 6th District

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

- NAFTA partners Canada and Mexico are Pennsylvania's largest export markets. Since NAFTA went into effect, Pennsylvania's exports to Canada and Mexico have increased by 64 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 \$150 million annually just for families in the District.

## DR-CAFTA and Doha Matter to Pennsylvania's 6th District

Other trade liberalization initiatives under way will boost the gains to the 6th 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, Pennsylvania exported over \$317 million worth of goods to the DR-CAFTA countries. Even without DR-CAFTA, the region has been a growing market for Pennsylvania goods, expanding at an average *annual* rate of over 10 percent.
- Seventy-six percent of U.S. steel exports to the DR-CAFTA countries will receive immediate duty-free treatment. Tariffs on the remaining products will be eliminated over five or ten years. The elimination of duties and increased market access could benefit District steel producers like Carpenter Technology and International Steel Group.
- 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 Visteon and Morgan Trailer Manufacturing, could benefit from increased access to the DR-CAFTA markets.

- 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. These tariff reductions could benefit District companies like Merck and Co. and Wyeth Laboratories Inc.
- Pennsylvania'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 Fishman & Tobin. These relationships will be key to keeping the industry competitive in a post-quota world.
- 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 \$259 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 around the globe will benefit the research and development of cutting-edge products under way in the District as those products are eventually marketed around the globe, benefiting companies like Unisys and Systems and Computer Technology Corp.

**TOP IMPORTERS TO DR-CAFTA COUNTRIES  
IN PENNSYLVANIA'S 6<sup>TH</sup> DISTRICT**

CWM	Bryn Mawr
Hauer Custom Mfg	Douglassville
Intl Group	Wayne
Sheth Intl	Norristown
Spadea Mfg	Conshohocken
Wetherill Assoc	Royersford
CWM	Bryn Mawr
Hauer Custom Mfg	Douglassville
Intl Group	Wayne
Sheth Intl	Norristown
Spadea Mfg	Conshohocken

## In Short ...

Trade matters importantly to the 6th 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 is also 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 6th District.

### Sources:

U.S. Bureau of the Census.

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Drusilla Brown, Alan Deardorff, and Robert Stern, "Multilateral, Regional, and Bilateral Trade-Policy Options for the United States and Japan," December 2002.

U.S. Department of Commerce, International Trade Administration, "NAFTA: A State Export Perspective, 1993-2003," July 2004.