



## Trade Matters to Pennsylvania's 15th Congressional District

### Trade Matters to Manufacturing and Services

Trade matters to **manufacturing and services companies** and workers located in the 15th Congressional District of Pennsylvania. District chemical, transportation equipment, and biotechnology 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 15th 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 15th District: Nearly 22 percent of the jobs in Pennsylvania's transportation equipment sector rely 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. Furniture manufacturers use imported steel; colored pencil manufacturers use imported inputs as well.
- 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 financial services.

As Senior Advisor on Trade, International Investment, and Development for Global Business Access and Adjunct Lecturer at local universities, I have advised foreign royalty, foreign governments, and am currently on the U.S. – Middle East Free Trade Agreement Advisory Council and the U.S. – Bahrain Free Trade Agreement Advisory Council.

Trade that can be enhanced through the CAFTA Agreement, as with other trade agreements, by their very nature are good for the local community as well as for the country as a whole. Trade is the mechanism wherein, all global peoples can enhance their economic betterment, standard-of-living, creating a mechanism toward greater freedoms, and enhancing human enrichment and empowerment, by unleashing individuals' creativity and skills, for the greater good of humanity of peoples of the world. This in effect is a "tool" that empowers societies and peoples of the globe in natural progression towards freedoms, democracy and economic growth, individually and societal.

Though, benefits may be at differing scales initially, since there is different socio-economic levels of peoples of the world, this is a great and best "tool" to work towards the above-referenced means, in addition to the pursuit of global peace, prosperity, growth (individual & economic). This in effect, is the preeminent diplomatic tool that empowers the globe's peoples and reaches across cultures and societies indiscriminately, without the imposition of individual politics, micromanagement and/or corruptive, ineffective and inefficient measures of not having a means of growth through trade.

Trade is a tool that should be celebrated, since it creates the environs for innovativeness, self-empowerment and human enrichment and betterment beyond their current economic situations, which can greatly facilitate growth and opportunity for the betterment of our community, country as well as the CAFTA countries.

**George Assad**  
Global Associate/Strategist

## Trade Matters to Small Business

Trade matters to **small businesses** located in the 15th 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 15th 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.” The headquarters for Mack Trucks, a subsidiary of Sweden’s Volvo Group, is located in Allentown and company’s research and development facility and a manufacturing facility are also located in the District, employing over 1,600 workers. Germany-based B. Braun Medical Inc., employs approximately 1,200 at its U.S. facilities in Allentown and Bethlehem.
- 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 15<sup>th</sup> DISTRICT

A. Sheftel & Sons/ United Cloth Co.	Allentown
Elite Tire Intl	Allentown
Flavorite Foods	Bethlehem
Flex Link Systems	Bethlehem
Horwith Trucks	Northampton
Intl Dairy Eqpt	Nazareth
Mack Trucks	Allentown & Macungie

## Trade Liberalization Matters to Pennsylvania’s 15th 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. This equals nearly \$150 million annually just for families in the District.

## DR-CAFTA and Doha Matter to Pennsylvania’s 15th District

Other trade liberalization initiatives under way will boost the gains to the 15th 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.
- 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. Mack Trucks could benefit not only from increased access to the DR-CAFTA markets, but also from higher demand for trucks to carry the goods traded between the United States and the DR-CAFTA countries.
- DR-CAFTA’s strong intellectual property protections will benefit the District’s computer and electronic equipment manufacturers. As

the economies there develop and grow, their need for this equipment and the software to run it will expand. District companies such as Agere Systems could see increased exports to the DR-CAFTA countries.

- Many of Pennsylvania’s chemical exports would receive duty-free treatment immediately upon implementation of DR-CAFTA. Companies like Air Products and Chemicals Inc. could benefit from the increased market access to the DR-CAFTA region.
- Currently, U.S. exports of beef and poultry products to the DR-CAFTA region face tariffs of 15 to 30 percent for beef and 30 to 250 percent for poultry. Under the Agreement, all tariffs on beef and poultry will be eliminated. Some products, such as U.S. prime and Choice cuts of beef receive immediate duty-free treatment. District packers and processors like Moyer Packing and Pilgrim’s Pride could benefit from the increased access to the Dominican Republic and Central American markets.
- 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 textile and apparel such as A. Sheftel & Sons, Apex Apparel, and Majestic Apparel. These relationships will be key to keeping the industry competitive in a post-quota world.
- The DR-CAFTA will improve access for District-made food products in Central America, including those manufactured by Kraft Foods. The Agreement makes modest improvements in access of U.S. candy manufacturers, including Just Born, to sugar from the DR-CAFTA partners.
- 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.

**TOP IMPORTERS TO DR-CAFTA COUNTRIES  
IN PENNSYLVANIA’S 15<sup>TH</sup> DISTRICT**

A. Sheftel & Sons/ United Cloth Co.	Allentown
Apex Apparel	Allentown
Binney & Smith	Easton
I S	Bethlehem
Mack Trucks	Allentown & Macungie
Majestic Athletic	Bethlehem, Bangor, & Pen Argyl
Parkerplast	Allentown
Summit Apparel	Allentown

## In Short ...

Trade matters importantly to the 15th 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 15th District.

### Sources:

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