



# Trade Matters to Tennessee’s 1st Congressional District

## Trade Matters to Manufacturing & Services

Trade matters to **manufacturing companies, services companies, farmers** and workers located in the 1st Congressional District of Tennessee. District farmers, chemical, transportation equipment, and electronic equipment companies export their products and services to customers around the world, and imports are key ingredients for many companies, including District textile and furniture producers, who rely on inputs to manufacture or process products in the District.

- Trade supports jobs in the 1st 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 much higher for manufacturing sectors of importance to the 1st District: Forty percent of workers in Tennessee’s chemical sector owe their jobs to exports. Exports also support 20 percent of jobs in Tennessee’s important transportation equipment sector.
- Many companies in the District use imported raw materials and other components to manufacture goods in the District. Dan River uses imported yarns and fabrics, for example, and furniture producers frequently use imported components, including leather, to make furniture in their U.S. facilities. Fingerhut Corp. depends on access to international markets for consumer goods sold in the District.
- 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

### Eastman Chemical Kingsport

Free trade is important to Eastman as we depend on the flow of raw materials into the US and the export of manufactured goods to other countries. The benefits of trade legislation that open markets and reduce or eliminate barriers for trade can be tracked directly to our bottom line financial results. As a domestic manufacturer over 45% of our revenues are dependent on the ability to access global markets. Eastman supports trade legislation that will promote fair and open competition in these global markets.

*Rod Irvin, Director of Government Affairs*

### SUMMARY FACTS

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.

In 2003, Tennessee exported nearly \$249 million worth of goods to the DR-CAFTA countries.

Tennessee’s exports of chemical products to the DR-CAFTA countries have grown 104 percent since 1999.

Tennessee’s chemical exports currently face tariffs ranging up to 15 percent. Upon the implementation of the DR-CAFTA, most of those tariffs will be eliminated immediately.

The DR-CAFTA countries currently impose tariffs on transportation equipment and parts ranging up to 30%. Half of U.S. transportation equipment exports will receive duty-free treatment immediately under DR-CAFTA. Tariffs on the remaining half will be phased out over ten years.

DR-CAFTA will help the District’s textile and apparel companies stay competitive against imports from Asia by enabling them to offer retailers lower-cost apparel products often made with U.S. yarns and fabrics.

to the District, such as banking and financial services. In addition, studies also show that trade liberalization has a positive impact on tourism, a key sector for the 11<sup>th</sup> District. Increased trade generates related business travel, and liberalized trade in services increases holiday travel, a particular benefit to the cities of Pigeon Forge and Gatlinburg and the gateway to the Great Smokey Mountains National Park.

### Trade Matters to Small Business

Trade matters to **small businesses** located in the 1st 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 1st 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." Montreal-based publisher Quebecor employs over 1,500 workers at a printing and a warehouse facility in the District.
- 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.

## THE LEAF-CHRONICLE

**CAFTA good for country**  
**Editorial -- November 27, 2004,**  
**Clarksville**

*Free trade will benefit all those countries that will embrace it.*

### Trade Liberalization Matters to Tennessee's 1st 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 137 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 1st District

Other trade liberalization initiatives under way will boost the gains to the 1st 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, Tennessee exported nearly \$249 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 5 percent. Tennessee's exports of chemical products to the DR-CAFTA countries have grown 104 percent since 1999.

**TOP EXPORTERS TO DR-CAFTA COUNTRIES  
IN TENNESSEE'S 1ST DISTRICT**

AFG Industries Inc	Kingsport
American Water Heaters	Johnson City
Minors Marine	Morristown
National Textiles	Mountain City
Portola Packaging	Kingsport
Shelby Williams Industries	Morristown
Vacumet Corporation	Morristown
Vifan	Morristown

- Tennessee's chemical exports currently face tariffs ranging up to 15 percent. Upon the implementation of the DR-CAFTA, most of those tariffs will be eliminated immediately. District companies like Eastman Chemical Co. should benefit from increased market access 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 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 TRW and Lear Corp. would all benefit from increased access to the DR-CAFTA markets.
- The textile and apparel provisions contained in CAFTA will help the District's textile and apparel companies stay competitive against imports from Asia by enabling them to offer retailers lower-cost apparel products in mere days or weeks, and often made with U.S. yarns and fabrics. District textile and apparel producers, like Dan River and National Textiles, stand to benefit from the DR-CAFTA.
- 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 and 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 that may be caused by the Agreement's tariff reductions. The Agreement does not change U.S. trade remedy laws. It does, however, establish 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 subsidies on agricultural products will level the playing field for District and Tennessee farmers and open up new export markets for their products around the world.

**TOP IMPORTERS TO DR-CAFTA COUNTRIES  
IN TENNESSEE'S 1ST DISTRICT**

National Textiles	Mountain City
Portola Packaging	Kingsport
Triangle Pacific	Morristown
Vaughan Furniture	Johnson City

## **In Short ...**

Trade matters importantly to the 1st 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 1st District.

### **Sources:**

**U.S. Bureau of the Census.**

**U.S. Department of Agriculture, Foreign Agricultural Service.**

**Organization for International Investment, "Investing in American Jobs: State by State."**

**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.**