



Trade Matters to Tennessee's 4th Congressional District

Trade Matters to Manufacturing and Services

Trade matters to **manufacturing and services companies** and workers located in the 4th Congressional District of Tennessee. District transportation equipment and consumer appliance 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. 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 4th District: Twenty percent of workers in Tennessee's important transportation equipment sector owe their jobs to exports. Exports also support roughly one in six workers producing electrical equipment and appliances in Tennessee.
- Many companies in the District use imported raw materials and other components, such as steel to manufacture auto parts, including tires, and automobiles.
- 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.

C & C Enterprises Sparta

C & C Enterprises relies heavily on trade with Central America. For 8 years, we have supplied sewing equipment to textile factories in the region. As of 2004, 75 percent of our business comes from Central America. Currently, however, C & C Enterprises is being threatened by the increase of imported products from China. Passage of DR-CAFTA would prolong the life of my business by at least 3 – 5 years, and will have a similarly profound effect on small businesses all over the country. Without DR-CAFTA, there will be few, if any, opportunities for my business to continue to grow.

C & C Enterprises has a staff of 15 in the United States, with many more in Central America. By increasing our business under DR-CAFTA, we would be able to grow our staff both domestically and internationally, bringing money into the local communities where it is needed most.

I urge Congress to help ensure the success of small businesses like mine, as well as our communities, by approving DR-CAFTA in 2005.

Mark Cantrell

SUMMARY FACTS

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

DR-CAFTA will immediately eliminate all tariffs on U.S. whiskey exports, benefiting distiller such as Jack Daniels. Studies estimate that U.S. whiskey exports could potentially increase by 216 percent under the DR-CAFTA.

Air conditioners such as those made by Carrier in Morrison and hair clippers made by Sunbeam/Oster in McMinnville currently face tariffs up to 20 percent, placing these exports at a disadvantage to competitors from Europe or Asia. Under DR-CAFTA most of these tariffs will be eliminated immediately.

Trade Matters to Small Business

Trade matters to **small businesses** located in the 4th 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 and the Dominican Republic.

Trade Matters to International Investors

Fair international investment rules, which promote trade, matters to **foreign investors** in the 4th 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.” Nissan employs 1,160 workers who produce automobile engines and transmissions in its Decherd factory. One thousand workers at Yorozu Automotive Tennessee make auto moldings or trim in Morrison.
- 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 TENNESSEE’S 4TH DISTRICT

Franke Contract Group
Lasko Metal Products
Worth

Fayetteville
Franklin
Tullahoma

Trade Liberalization Matters to Tennessee’s 4th 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 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, 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.
- The District’s workers engaged in research, development, and production of new, innovative products will 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.

- 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 the 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 Saturn, Yorozu Automotive, and Bridgestone/Firestone would all benefit from increased access to the DR-CAFTA markets.
- Many U.S.-made consumer products currently face high tariffs in the DR-CAFTA countries. For example, air conditioners such as those made by Carrier in Morrison and hair clippers made by Sunbeam/Oster in McMinnville currently face tariffs up to 20 percent, placing these exports at a disadvantage to competitors from Europe or Asia. Under DR-CAFTA most of these tariffs will be eliminated immediately and the remaining tariffs will be reduced to zero over five and ten years.
- Upon implementation, the DR-CAFTA will immediately eliminate all tariffs on U.S. whiskey exports, benefiting distiller such as Jack Daniels. The Agreement also recognizes that Tennessee Whiskey and Bourbon are distinctive products of the United States. Studies estimate that U.S. whiskey exports could potentially increase by 216 percent under 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.

**TOP IMPORTERS FROM DR-CAFTA COUNTRIES
IN TENNESSEE'S 4TH DISTRICT**

C & C Enterprises

Sparta

- 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.
- 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. Increased global IPR protection should greatly benefit the District's high tech multinational companies.

In Short ...

Trade is important to the 4th 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 4th District.

Sources:
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