



Trade Matters to Tennessee’s 5th Congressional District

Trade Matters to Manufacturing & Services

Trade matters to **manufacturing and services companies** and workers located in the 5th Congressional District of Tennessee. District telecommunications, transportation, and electronic equipment 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 5th 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 also high for manufacturing sectors of importance to the 5th District: Twenty percent of workers in Tennessee’s important transportation equipment sector owe their jobs to exports. Exports also support one fifth of the jobs in the computer and electronic equipment sector and almost half the jobs in the textile sector in Tennessee.
- Many companies in the District use imported raw materials, such as steel to manufacture equipment, or components for computers and electronic products.
- 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, including warehousing and trucking, and telecommunications and computer consulting. In addition, studies also show that trade liberalization has a positive impact on tourism, an important sector for Nashville and the 5th District. Increased trade generates related business travel, and liberalized trade in services increases holiday travel.

QualCast, LLC Nashville

QualCast is in the business of replacement engine parts for automotive, heavy duty, agricultural, industrial and marine applications. Approximately 35% of QualCast’s business goes to both direct and indirect exports. Mexico is our largest export market, and we believe we should be similarly competitive in other markets, especially in Central and South America. This is only providing that we are competing on a level playing field and are not penalized by import tariffs that may not be imposed on products from other countries.

Whether we like it or not, we are in a global marketplace. We have to trade internationally, not just to prosper, but to survive as a significant entity in the world today. Without the added volume of our export sales, our material purchases would be substantially lower and therefore we would probably have to pay a higher price. Therefore we may be rendered uncompetitive in our own domestic market. The added volume of our exports has helped in keeping us competitive domestically. One final point, I pay health insurance for my employees and also have a matching 401K plan. Without the added revenues of our exports, I surely could not afford to offer these benefits.

Ian A. Levitt, President

SUMMARY FACTS

The textile and apparel provisions contained in DR-CAFTA will help the District’s textile and apparel companies stay competitive against imports from Asia.

DR-CAFTA contains a special chapter devoted to express delivery services. Under the Agreement, companies like United Parcel Service would benefit thanks to improved customs facilitation.

DR-CAFTA will immediately eliminate all tariffs on U.S. whiskey exports and also recognizes that Tennessee Whiskey and Bourbon are distinctive products of the United States.

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 PACCAR, Dana Corp., and TRW could all benefit from the DR-CAFTA.

Trade Matters to Small Business

Trade matters to **small businesses** located in the 5th 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 5th 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." Quanta Computer is one of the world's largest computer manufacturers, producing for companies such as Dell. The company chose Nashville to locate its U.S. manufacturing and distribution headquarters. The company plans to employ at least 500 workers by 2006. Nashville is also the U.S. headquarters of the Canadian telecommunications company Nortel Networks.
- 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 IMPORTERS FROM DR-CAFTA COUNTRIES IN TENNESSEE'S 5th DISTRICT

Barnet Brass & Copper	La Vergne
Brotherton Seed Co., Inc.	Nashville
Distr Ctr Imagewear	Whites Creek
Panalpina	Nashville
Team Worldwide	Nashville
UPS	Nashville
V Alexander	Nashville
VF Corporation	Nashville
Wilson Sporting Goods	Nashville

Trade Liberalization Matters to Tennessee's 5th 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.

TOP EXPORTERS TO DR-CAFTA COUNTRIES IN TENNESSEE'S 5th DISTRICT

Barnet Brass & Copper	La Vergne
Brotherton Seed Co., Inc.	Nashville
Gideons Intl	Nashville
Healing Hands Intl	Nashville
Megatrade Intl	Nashville
Nashville Displays Mfg	Nashville
Panalpina	Nashville
Shop At Home Network	Nashville
Toshiba America	Lebanon
UPS	Nashville
VF Corporation	Nashville
Worldbridge Logistics	Nashville

DR-CAFTA and Doha Matter to Tennessee's 5th District

Other trade liberalization initiatives under way will boost the gains to the 5th 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. Exports of computers and electronic products from

Tennessee to DR-CAFTA have more than tripled since 1999.

- The District's workers engaged in research, development, and production of high-tech 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. Companies such as Nortel, Sprint, and Dell, to name a few, should all benefit from higher levels of IPR protection.
- 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 PACCAR, Dana Corp., and TRW could all benefit from the DR-CAFTA.
- Upon implementation, the DR-CAFTA will immediately eliminate all tariffs on U.S. whiskey exports, benefiting the Tennessee's distillers. 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 contains a special chapter devoted to express delivery services. Under the Agreement, companies like United Parcel Service would benefit thanks to improved customs facilitation to help express delivery companies provide better service to their customers in the United States and the DR-CAFTA countries. The Agreement also affirms existing competitive opportunities in the DR-CAFTA countries.
- The textile and apparel provisions contained in 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 in mere days or weeks, and often made with U.S. yarns and fabrics. District textile and apparel producers, like VF Corporation, stand to benefit from the 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 \$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.

THE LEAF-CHRONICLE

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

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

In Short ...

Trade is important to the 5th 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 5th District.

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