



## Trade Matters to Tennessee's 9th Congressional District

### Trade Matters to Manufacturing & Services

Trade matters to **manufacturing and services companies** and workers located in the 9th Congressional District of Tennessee. District machinery manufacturers and consumer goods companies export their products and services to customers around the world, and District distribution companies work to ensure the smooth movement of goods around the world. For many companies, imports are key ingredients in the manufacturing and processing that takes place in the District.

- Trade supports jobs in the 9th 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 important for manufacturing sectors of importance to the 9th District: Exports support one out of every six machinery workers in Tennessee; one of every five jobs in the transportation equipment industry in Tennessee are also supported by exports.
- Many companies in the District use imported materials, such as steel to manufacture equipment, or raw materials used in plastics and chemicals.
- 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. The District's transportation and warehousing companies, such as FedEx and Roadway Express, will certainly see increase in business thanks to increased trade.
- Increased trade generates related business travel, and liberalized trade in services increases holiday travel -- a particular benefit to the city of Memphis and its hotels and casinos.

#### Avionics Specialist, Inc. Memphis

My company, Avionics Specialist, Inc., manufactures specialized avionics test equipment for airlines and military organizations worldwide. We operate in a "home" market that is very mature. In turn, our future growth is dependent on expanding our market by reaching outside our borders. There are literally billions of people outside our borders who will soon reach middle-class status. In turn, they will want the superior food, tools and technology that we can produce.

While companies like mine have profited enormously from the North American Free Trade Agreement (NAFTA) and similar deals, we are still faced with trade barriers in other parts of the world. As such, it is vitally important that the President and Congress move forward with expanding trade agreements via the passage of DR-CAFTA. Passage of DR-CAFTA could help my company and many others to grow rapidly in the promising markets of Central America. These areas represent potentially fertile ground for us. Currently, the existing trade barriers limit our opportunity in Central America. However, DR-CAFTA would change that and bring significant benefits to not only Avionics Specialist, Inc., but to companies all across Tennessee and the U.S.

*David M. Dahler, Vice President Sales and Marketing*

#### SUMMARY FACTS

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

Under DR-CAFTA, the District's distribution companies will benefit from the removal of barriers that inhibit the movement of goods.

Tariffs on high-value paper products will be phased out immediately or within five years under the DR-CAFTA.

DR-CAFTA will help the District's 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.

Electrical products and parts, such as those produced by Memphis-based Thomas & Betts, would receive duty-free treatment under DR-CAFTA.

## Trade Matters to Small Business

Trade matters to **small businesses** located in the 9th 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 9th 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."
- 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 9th DISTRICT

Ach Food	Memphis
Allenberg Cotton	Cordova
Baxter Healthcare	Memphis
Bluff City Steel	Memphis
Cargill	Memphis
Cummins Engine	Memphis
Drexel Chemical	Memphis
Goodyear Intl	Memphis
Hohenberg Brothers	Memphis
Inamco Intl	Collierville
Kraft Foods Intl	Memphis
Kuehn & Nagel	Memphis
Lucite Intl	Cordova
Marisol International	Memphis
Orgill Brothers	Memphis
Panalpina	Memphis
Siman Consumer Products	Memphis
Strike King Lure	Collierville
Worldbridge Logistics	Memphis

## Trade Liberalization Matters to Tennessee's 9th 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.

## THE LEAF-CHRONICLE

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

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

## DR-CAFTA and Doha Matter to Tennessee's 9th District

Other trade liberalization initiatives under way will boost the gains to the 9th 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.

- Under DR-CAFTA, the District's distribution companies will benefit from the removal of barriers that inhibit the movement of goods and products between manufactures, wholesales, retailers, and consumers. The improved flow of goods will not only benefit the District's distribution companies, but it will benefit sellers and buyers who rely on those companies as well.
- The DR-CAFTA contains a special chapter devoted to express delivery services. Under the Agreement, companies like FedEx and 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.
- Tariffs on high-value paper products, such as writing paper, coated paper, and industrial packaging will be phased out immediately or within five years under the DR-CAFTA. District paper companies, such as International Paper and Buckeye Technologies, would stand to benefit not only from increased exports to the DR-CAFTA region, but also from greater demand for packaging products generated by increased overall trade between the United States and the DR-CAFTA countries.
- The textile and apparel provisions contained in DR-CAFTA will help the District's 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 apparel companies, like Nike, stand to benefit from the DR-CAFTA.
- Electrical products and parts, such as those produced by Memphis-based Thomas & Betts, would receive duty-free treatment under the Agreement. Upon implementation of the DR-CAFTA, most of these products will receive immediate duty-free treatment; the remaining products will be phased out over ten years.
- The DR-CAFTA will fully protect District farmers and manufacturers from injurious dumping and subsidization. The Agreement provides District farmers and manufacturers with adequate protection from any injury that may be caused by the Agreement's tariff reductions.
- The labor provisions of the Agreement protect core labor rights for workers in the United States and the DR-CAFTA countries and require that labor laws be effectively enforced in all member countries. For example, if a DR-CAFTA country fails to enforce its labor laws, the Agreement allows for the imposition of fines. Those fines would then be directed towards improving protections for workers in that country. This innovative dispute settlement mechanism is consistent with the negotiating objectives articulated by Congress and provides a unique tool to fund improvements in labor rights rather than imposing trade sanctions that would likely result in lost jobs for the very workers the provision is designed to protect.
- 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.

**TOP IMPORTERS FROM DR-CAFTA COUNTRIES  
IN TENNESSEE'S 9th DISTRICT**

Baxter Healthcare	Memphis
Cargill	Memphis
Catherine's Stores	Memphis
Coscos Inc Yardley	Memphis
Freds Distr Center	Memphis
Goodyear Intl	Memphis
Inamco Intl	Collierville
Kraft Foods Intl	Memphis
Kuehn & Nagel	Memphis
Langston	Memphis
Marisol International	Memphis
Panalpina	Memphis
Riceco L L	Memphis
Siman Consumer Products	Memphis
Strike King Lure	Collierville

- Increased services liberalization under the Doha Round will benefit companies in the 9th District. District companies especially will benefit from liberalization negotiated under the Doha Round affecting distribution services, and express delivery services.
- Liberalization of international trade in agriculture will lower the cost of ingredients – both domestically grown and imported -- used by District food producers, including Hershey foods, Interstate Brands, and Kellogg Co.

### **In Short...**

Trade is important to the 9th 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 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 9th District.

#### **Sources:**

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