



Trade Matters to Texas' 28th Congressional District

Trade Matters to Manufacturing & Services

Trade matters to **manufacturing and services companies** and workers located in the 28th Congressional District of Texas. District transportation equipment companies, food equipment manufacturers, and farmers export their products and services to customers around the world.

- Trade supports jobs in the 28th District. More than one in five **manufacturing** jobs in Texas depend on exports, and research demonstrates that exporting jobs pay 13-18 percent more than the U.S. average.
- Export dependence is high for manufacturing sectors of importance to the 28th District: Sixteen percent of workers in Texas' transportation equipment industry rely on exports. Nearly 33 percent of the State's workers employed in the machinery sector owe their jobs to exports.
- Companies in the District rely on imported products to meet demand for food products from Central American countries from which many District residents emigrated.

Trade Matters to Small Business

Trade matters to **small businesses** located in the 28th District.

- Ninety-one percent of the Texas 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.

SUMMARY FACTS

In 2003, Texas exported more than \$1.6 billion worth of goods to the DR-CAFTA countries. Manufactured goods account for approximately 94 percent of Texas' exports to DR-CAFTA. Texas' agricultural and livestock exports to DR-CAFTA have increased 124 percent in the last five years.

DR-CAFTA will level the playing field for U.S. machinery producers benefiting District-based Lancer Corporation.

DR-CAFTA will create new markets for transportation equipment manufacturers, such as the future Toyota plant. Upon DR-CAFTA's implementation, half of District transportation equipment exports will receive duty-free treatment. The remaining tariffs on transportation equipment will be phased out over ten years.

Currently the DR-CAFTA countries assess tariffs on beef that range from 15 to 30 percent, depending on the product and country. Tariffs on U.S. exports of Prime and Choice cuts of beef will receive immediate duty-free treatment under DR-CAFTA.

District sorghum farmers could also benefit from the elimination of duties that range from 15 to 20 percent in the DR-CAFTA countries. The Dominican Republic, Guatemala, and Honduras will immediately eliminate their tariffs on sorghum, while the other countries will phase out tariffs over 15 years.

Trade Matters to International Investors

Fair international investment rules, which promote trade, matters to **foreign investors** in the 28th District of Texas.

- Foreign investors located in the United States support millions of American jobs. In Texas, foreign investors employ 351,400 workers. Approximately 30 percent of Texas workers employed by foreign investors are employed in the high-paying manufacturing sector.

- San Antonio has been identified by Toyota as an attractive location for a new, \$800 million assembly plant that will employ approximately 2,000 District and area residents. It is estimated that companies that will supply the new plant with parts and materials will employ another 1,000 workers. Strong investment rules embodied in the North American Free Trade Agreement have supported decisions by 10 Canadian and Mexican companies to locate in San Antonio, making products ranging from business forms to steel.
- 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 such "insourcing."

effect, Texas' exports to Canada and Mexico have increased by over 127 percent.

- Texas is the largest exporting state to Canada and Mexico, shipping over \$52 billion worth of goods to those countries in 2003.
- The average U.S. family saves \$930 annually thanks to income gains and tariff -- tax -- cuts due to NAFTA alone. This equals nearly \$152 million annually just for families in the 28th District.
- The Laredo area has benefited from the flow of goods throughout North America thanks to NAFTA. Located at the intersection of major Mexican and U.S. highways and railroads, Laredo is one of the busiest ports in the United States.

San Antonio Express-News

June 6, 2004

"[A]nyone looking for confirmation of free trade's benefits need only come to San Antonio. ... Toyota is investing \$800 Million to produce trucks here. Our city's highways vibrate with commerce carried from and headed to the border. ... Free trade benefits San Antonio, the United States and our trading partners as well."

TOP EXPORTERS TO DR-CAFTA COUNTRIES IN TEXAS' 28th DISTRICT

Laredo Exports
Warren Industrial
Lubricants

Laredo
San Antonio

Dr-CAFTA and Doha Matter to Texas' 28th District

Other trade liberalization initiatives under way will boost the gains to the 28th 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**."

Trade Liberalization Matters to Texas' 28th District

District companies, workers and consumers have benefited from trade liberalization.

- NAFTA partners Canada and Mexico are Texas' largest export markets. Since NAFTA went into

- In 2003, Texas exported more than \$1.6 billion worth of goods to the DR-CAFTA countries. The significant share of the District's population that is Hispanic – 70 percent – suggests that the relationship is personal as well as economic. Manufactured goods account for approximately 94 percent of Texas' exports to DR-CAFTA.

- Studies estimate that DR-CAFTA's tariff and non-tariff barrier cuts could potentially increase Texas' exports to the DR-CAFTA region by \$621 million after the first year and \$4.3 billion after nine years.
- DR-CAFTA will level the playing field for U.S. machinery producers. District-based Lancer Corporation manufactures soft drink dispensing machines. U.S. imports of these machines are duty-free. However, the DR-CAFTA countries apply tariffs ranging up to 15 percent on U.S. exports of these machines. Under the Agreement, these tariffs will be eliminated, benefiting companies like Lancer Corp. and their workers.
- DR-CAFTA will create new markets for transportation equipment manufacturers, such as the future Toyota plant. Upon DR-CAFTA's implementation, half of District transportation equipment exports will receive duty-free treatment. The remaining tariffs on transportation equipment will be phased out over ten years.
- Consumers in the 28th District stand to directly benefit from DR-CAFTA. The H.E. Butt Grocery Co. imports many different food products directly from the DR-CAFTA countries. In 2003, it imported \$30.6 million worth of food products from the DR-CAFTA countries. The San Antonio-based company has 200 stores in Texas and employs 2,800 workers in San Antonio area alone.
- Tariff reductions on agricultural products could benefit the District's farmers. Currently the DR-CAFTA countries assess tariffs on beef that range from 15 to 30 percent, depending on the product and country. Tariffs on U.S. exports of Prime and Choice cuts of beef will receive immediate duty-free treatment under DR-CAFTA. Tariffs on the other products will be phased out over 5 to 10 years. District sorghum farmers could also benefit from the elimination of duties that range from 15 to 20 percent in the DR-CAFTA countries. The Dominican Republic, Guatemala, and Honduras will immediately eliminate their tariffs on sorghum, while the other countries will phase out tariffs over 15 years.
- San Antonio has already established itself as major hub for NAFTA-related cargo. The city is also quickly becoming a major hub for imports and exports of air cargo as demand for these services rise. DR-CAFTA contains several provisions, such as enhanced and expedited customs procedures, to encourage and simplify express shipments between the United States and the DR-CAFTA countries, benefiting District residents who are employed by companies UPS.
- 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.
- 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.

**TOP IMPORTERS FROM DR-CAFTA COUNTRIES
IN TEXAS' 28th DISTRICT**

**Steelhead Incorporated
Washington Fwdg**

**San Antonio
Laredo**

- 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 \$261 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 services liberalization will allow District companies to market their services to more markets, especially in the developing world where demand for services is growing.

In Short...

Trade is important to the 28th 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 28th District.

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