



Trade Matters to California's 23rd Congressional District

Trade Matters to Manufacturing and Services

Trade matters to **manufacturing and services companies** and workers located in the 23rd Congressional District of California. District computer and software, chemical, and paper companies export their products and services to customers around the world, and imports are key ingredients for District retailers.

- Trade supports jobs in the 23rd District. More than one in four **manufacturing** jobs in California 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 23rd District: Nineteen percent of California workers in the chemicals industry also owe their jobs to exports. Exports also support 25 percent of the jobs in California's paper industry.
- Companies in the District use imported raw materials, such as components for computers and electronic products. Retailers like Illuminations rely heavily on candles imported from abroad, imported coffee is key to retailers like S. Adamo Coffee Co.
- Trade is also important to **agriculture**. American farmers sell overseas about one third of what they produce. California is a top exporting state of vegetables and fruits. California exported \$26.6 billion of agricultural products in Fiscal Year 2003.

Haas Automation Oxnard

Haas Automation is the largest manufacturer of computer numerically controlled (CNC) machine tools in the United States. In business for more than 20 years, Haas employs more than 860 people at its Oxnard manufacturing facility.

Haas has been hesitant to invest in the Central American market due to the region's high tariffs that cut significantly into the low margins that allow Haas to offer competitively priced products. A Haas executive estimates that countries with high tariffs increase the cost of Haas machines by 20 to 50 percent.

"DR-CAFTA will help us compete more effectively in this region, since it would enable us to offer our products for the same price as in the U.S.... If we can increase our sales in Central America and the Caribbean, this will increase our [American-based] production, leading us to hire more workers, which will further stimulate our domestic economy."

SUMMARY FACTS

More than 25% of **manufacturing** jobs in California depend on exports.

19% of workers in California's chemicals industry and 25% of worker's in the state's paper industry rely on exports for their jobs.

Many of California's chemical exports would receive duty-free treatment immediately upon implementation of DR-CAFTA and nearly 75% of paper exports will receive immediate duty-free treatment.

In 2003, California exported more than \$650 million worth of goods to the DR-CAFTA countries.

DR-CAFTA's tariff and nontariff barrier cuts could potentially increase California's exports to the DR-CAFTA countries by \$229 million after the first year, and by \$2.6 billion after nine years.

Trade Matters to Small Business

Trade matters to **small businesses** located in the 23rd District.

- Ninety-four percent of the 58,500 California 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 23rd District of California.

- Foreign investors located in the United States support millions of American jobs. In California, foreign investors employ 616,400 workers. Approximately 24 percent of California workers employed by foreign investors are employed in the high-paying manufacturing sector.
- The strong California 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.

Trade Liberalization Matters to California’s 23rd District

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

- NAFTA partners Canada and Mexico are California’s largest export markets. Since NAFTA went into effect, California’s exports to Canada and Mexico have increased by over 102 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 \$149 million annually just for families in the District.

TOP EXPORTERS TO DR-CAFTA COUNTRIES IN CALIFORNIA’S 23rd DISTRICT

APIO	Guadalupe
Blue Gem	Carpinteria
Digital Darkroom	Santa Barbara
Direct Relief Intl	Santa Barbara
Haas Automation	Oxnard
Patagonia	Ventura
Richard Leder	Santa Barbara
Techstyles	Ventura
Western Onion Sales	Oxnard

DR-CAFTA and Doha Matter to California’s 23rd District

Other trade liberalization initiatives under way will boost the gains to the 23rd 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, California exported more than \$650 million worth of goods to the DR-CAFTA countries. Even without DR-CAFTA, the region has been a growing market for California goods, expanding at an average *annual* rate of 12 percent! Computers and electronic products are California’s largest export to the DR-CAFTA countries.
- Studies estimate that DR-CAFTA’s tariff and nontariff barrier cuts could potentially increase California’s exports to the DR-CAFTA countries by \$229 million after the first year, and by \$2.6 billion after nine years.
- DR-CAFTA’s strong intellectual property protections will benefit the District’s software producers and computer and electronic equipment manufacturers. As the economies

there develop and grow, their need for this equipment and the software to run it will expand. District companies such as QAD Inc. could see increased exports to the 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-based outdoor clothing producer Patagonia could see increased business thanks to these provisions.
- Many of California's chemical exports would receive duty-free treatment immediately upon implementation of DR-CAFTA. Companies like B&S Plastics could benefit from the increased market access to the DR-CAFTA region.
- Under the DR-CAFTA, nearly three-quarters of all U.S. paper exports will receive immediate duty-free treatment. Paper producers in the District, such as the Procter and Gamble facility in Oxnard, could see increased business thanks to the DR-CAFTA.
- Nearly all U.S. exports of machinery to the DR-CAFTA region will receive immediate duty-free treatment. Oxnard-based Haas Automation, Inc. is already a large exporter to the region. Under the DR-CAFTA, the company could see an increase in demand for its high-value machinery.

Los Angeles Times

Trading Up – Editorial, November 18, 2004

...The so-called CAFTA linking the U.S. market to Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica -- and a companion deal with the Dominican Republic -- would provide American exports with greater access to those countries. In return, it would offer those nations their best hope for raising their standards of living, and, as NAFTA did for Mexico, would help solidify economic reforms and bolster the rule of law in the region. As a political gesture, the trade deal would be a fitting tribute for a region that has come so far from the chaotic, often deadly, instability of 20 years ago...

- 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 of the Agreement to enhance the effectiveness of these multilateral agreements.
- The DR-CAFTA will protect the District's manufacturers and farmers 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.
- 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

TOP IMPORTERS TO DR-CAFTA COUNTRIES IN CALIFORNIA'S 23rd DISTRICT

APIO	Guadalupe
Babe Farm	Santa Maria
Evaki	San Luis Obispo
Herbert Burch	Santa Maria
Patagonia	Ventura

finer. 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 \$248 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.
- The elimination of agricultural subsidies will level the playing field for U.S. farmers and open new markets for U.S. agricultural products.

In Short ...

Trade matters importantly to the 23rd 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 23rd District.

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