

# MICHIGAN: Leveling the Playing Field

*"In order to keep jobs here, we'll insist on a level playing field when it comes to trade. Listen, we want Traverse City cherries being sold and purchased all around the world. We can compete with anybody, anywhere, anyplace, so long as the rules are fair. . . Farm income is up, and one of the reasons it's up, is because of exports of agricultural products are on the rise, and I intend to keep it that way.... "*

*-- President George W. Bush  
Traverse City, Michigan*

**Trade Plays a Significant Role in Michigan's Growing Economy:** People from all over the world are buying Michigan's products, which helps fuel Michigan's economy and create jobs. And free and fair trade has led foreign companies to invest in Michigan and hire Michigan workers.

- ✓ Michigan exported \$32.9 billion in goods to 185 foreign markets in 2003.
- ✓ Michigan's top exports are motor vehicles and motor vehicles parts, totaling \$17.65 billion in 2003. The auto industry employs some 42,260 workers in Michigan, with production valued at \$52 billion.
- ✓ Michigan was the 5<sup>th</sup> largest exporting state in 2003, with goods exports valued at \$32.9 billion.
- ✓ 13,216 Michigan companies exported goods in 2001. Of those 88% were small and medium sized businesses.
- ✓ More than one-quarter of all manufacturing jobs in Michigan depend on exports. Manufacturing jobs pay an estimated 13% to 18% more than the U.S. national average wage.
- ✓ There are 1,040 foreign companies in Michigan employing 204,100 Michigan workers, and 47% of these are manufacturing jobs.

**Michigan Benefits as President Bush Levels the Playing Field:** The Bush Administration has worked aggressively to level the playing field for Michigan's manufacturers, farmers, ranchers, workers, and businesses by opening new markets, removing barriers that hurt Michigan's exporters, enforcing our trade laws and combating unfair trade practices, and promoting Michigan's exports.

- **Opening New Markets for Michigan:** Michigan workers and businesses benefit from the Bush Administration's free trade policy which open is:
  - **Opening the Chinese market for Michigan's auto makers.** Following high-level discussions with the U.S., China significantly increased the number of vehicles U.S. firms could import into China. China also committed to lower its tariffs on autos by up to 75% and on auto parts significantly, and to open its market for motor vehicle financing. Michigan exported over \$80 million in transportation equipment to China in 2003.
  - **Expanding Australian markets for Michigan's manufactured goods.** The U.S.-Australia Free Trade Agreement (FTA) provides immediate benefits for Michigan's manufacturing sectors, including autos and auto parts, chemicals, electrical equipment and appliances, and information technology by eliminating duties that

limit access to Australian markets. U.S. industry estimates that, as a result of this agreement, U.S. manufacturing exports to Australia could increase by \$2 billion. Michigan is the 5<sup>th</sup> largest exporting state to Australia.

- **Opening the Chilean market for Michigan's motor vehicles and parts.** DaimlerChrysler reported that since the implementation of the U.S.-Chile FTA on January 1 this year, auto sales have increased by 50% due to tariff reductions and a decrease in the Chilean auto luxury tax as a result of the FTA.
  - **Opening the Chinese market for Michigan's soybean farmers.** After two years of working together, China issued final safety certificates for biotech soybeans, corn and canola assuring that China's quick-growing multi-billion dollar market for these U.S. agricultural products will remain open to Michigan and other U.S. farmers. U.S. soybean sales to China hit an all time high last year of \$2.9 billion, and China is the largest market for U.S. soybeans. Michigan is the 11<sup>th</sup> largest U.S. exporter of soybeans, and soybeans are the state's top agricultural export.
  - **Opening Central American markets for Michigan's fruit and vegetable farmers.** Under the U.S.-Central American FTA, which includes the Dominican Republic, Michigan's fruit and vegetables farmers will enjoy immediate duty free access for apples, pears, cherries, grapes, raisins, tree nuts, and sweet corn. Michigan is the nation's 8<sup>th</sup> largest exporter of vegetables and preparations, with nearly \$122 million in exports in 2003.
- **Removing Barriers that Hurt State's Exporters:** The Bush Administration's aggressive actions to remove barriers for American exporters help Michigan manufacturers, high-tech industry, and workers by:
- **Eliminating tariffs and reducing barriers on Michigan's autos and auto parts exports to Australia, Morocco, Chile, Singapore, Bahrain, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and the Dominican Republic.** Motor vehicles and motor vehicle parts are Michigan's leading exports to the world, totaling \$17.6 billion in 2003.
  - **Negotiating favorable tax schedules and regulations for auto exports to the Philippines.** In 2003, the Philippines enacted an overhaul of its auto excise tax regime, long advocated for by the U.S. auto industry and supported by the U.S. Government. The final legislation provides a favorable tax schedule and eliminates troublesome loopholes that existed under the previous system, thus further facilitating \$80-85 million in annual U.S. auto sales in the Philippines.
  - **Negotiating duty-free exports for Michigan's chemical manufacturers for pharmaceuticals, plastics and resins sold to Australia, Chile, Singapore, Morocco, Bahrain, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and the Dominican Republic.** Michigan exported nearly \$2.8 billion in chemical manufactures to the world in 2003.
  - **Eliminating tariffs for Michigan's exports of information technology to Australia, Morocco, Singapore, Bahrain, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and the Dominican Republic.** Michigan exported over \$1.4 billion in computer and electronic products to the world in 2003.

- **Enforcing Trade Laws and Combating Unfair Trade Practices:** The President's enforcement of trade laws and vigorous pursuit of allegations of unfair trade have produced real results for Michigan, including:
- **Ensuring a level playing field for Michigan's automotive producers.** The Administration stopped the Korean Government from closing its market to U.S. Dodge Dakotas – which are made in Michigan – because of questionable tax classification methods.
  - **Ensuring fair access to India and the Philippines for Michigan's auto parts.** The Administration successfully challenged India and the Philippines at the WTO against unfair restrictions on imports of U.S. auto parts.
  - **Ensuring fair access to Taiwan for Michigan manufacturers.** Following U.S. consultations, Taiwan lifted unnecessarily burdensome registration and other requirements for imports of large motorcycles, home appliances, and certain alcohol products.
  - **Ensuring fair access to Mexico for Michigan's tire manufacturers.** A revision of Mexican regulations threatened the ability of Michigan's tire manufacturers to compete in Mexico. As a result of the Administration's intervention, Mexico reaffirmed its acceptance of U.S. tire certification in accordance with the U.S.-Mexico 1996 Tire Certification Agreement.
- **Promoting Michigan's Exports:** The Administration actively works with Michigan businesses to promote exports by leveraging the benefits of our international trade agreements. Some of Michigan's export successes include:
- **A&R Hydraulics in Warren, MI,** refurbishes hydraulic parts for a wide range of pumps for various industries. In 2002, the Administration provided A&R Hydraulics with market research, video conferencing, and business facilitation information for a variety of international markets. As a result, A&R Hydraulics made successful export sales to Chile and Singapore.
  - **Abonmarche Group in Benton Harbor, MI,** was awarded the initial "concept design" contract in Shanghai, China in early 2003 as a result of the Administration's counseling and advocacy assistance.
  - **Horner Flooring Company in Dollar Bay, MI,** a small manufacturer of hardwood products used for basketball courts reported a significant export to a new Chinese client after the Administration identified potential export opportunities.
  - **Mscee, Inc. in Macomb, MI,** a small minority woman-owned manufacturer of skin care products, made its first export sale to Kuwait after the Administration arranged for one-on-one meetings for potential export opportunities.