



Benefits from CAFTA-DR

Alabama

U. S. DEPARTMENT OF COMMERCE
INTERNATIONAL TRADE ADMINISTRATION
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Alabama's export shipments of merchandise—manufactures and non-manufactures—to the CAFTA-DR region (Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua) totaled \$472 million in 2004, the eighth-largest total among the 50 states.

Shipments to the CAFTA-DR region in 2004 accounted for 5 percent of the state's total world exports, the sixth-largest share among the states.

Alabama's exports to the CAFTA-DR region increased from 2000 to 2004 by \$158 million, the sixth-largest dollar gain among the states. Exports to the CAFTA-DR group in 2004 were 50 percent above the 2000 level, more than triple the 16 percent increase in overall U.S. exports to the region.

Collectively, the countries of CAFTA-DR were Alabama's fifth-largest export destination, after Canada, Germany, Mexico, and Japan. Individually, the CAFTA-DR markets are important trading partners for Alabama. In 2004, Honduras was Alabama's 10th-largest export market, receiving shipments of merchandise totaling \$219 million. Three other CAFTA-DR countries (the Dominican Republic, El Salvador, and Guatemala) also ranked among Alabama's top 30 export markets that year.

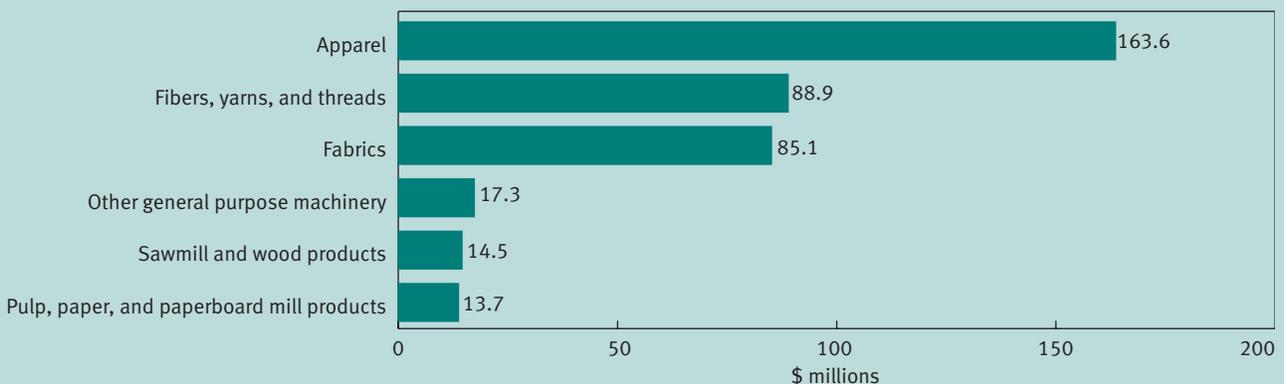
CAFTA-DR Provides Enhanced Market Access to the Dominican Republic and Central America

CAFTA-DR will boost opportunities for Alabama's exporters throughout the region, providing new market access for the state's products. More than 80 percent of U.S. exports of consumer and industrial products to Central America and the Dominican Republic will be duty-free immediately upon entry into force of the agreement, with remaining tariffs phased out over 10 years. Key U.S. exports, such as information technology products, agricultural and construction equipment, paper products, chemicals, and medical and scientific equipment, will gain immediate duty-free access to Central America and the Dominican Republic.

CAFTA-DR Moves the Trading Relationship from One-way Preferences to Reciprocity

For 20 years, most Central American and Dominican Republic exports to the United States benefited from duty-free treatment, primarily as a result of the Caribbean Basin Initiative (CBI). Currently about 80 percent

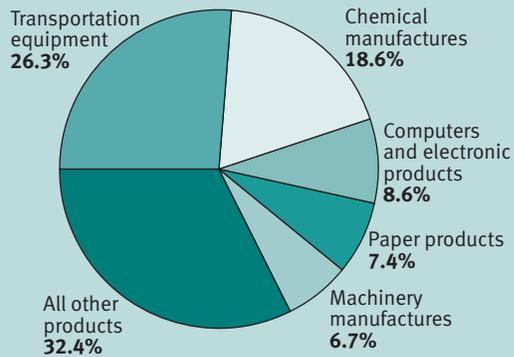
Alabama Exported \$463.3 Million Worth of Manufactured Goods to the CAFTA-DR Region in 2004 *Apparel Is Leading Export*



Source: U.S. Department of Commerce.

Alabama Exported \$9.0 Billion in Goods to the World in 2004

Transportation Equipment Leads Exports



Source: U.S. Department of Commerce.

of the region's exports enter the United States duty-free, while U.S. goods exported to the CAFTA-DR countries face significant tariffs.

CAFTA-DR Improves the Competitiveness of Alabama's Textile Manufacturers

Fabric mill product exports to the CAFTA-DR region are growing, increasing from less than \$25 million in 2000 to \$180 million in 2004. Major increases in exports to the region were registered in shipments of fibers, yarns, and threads (up \$78 million) and fabrics (up \$72 million).

CAFTA-DR provides regional garment-makers—and their U.S. suppliers of fabric and yarn—a critical advantage in competing with Asia. Garments made in the region will be duty-free under the Agreement if they use U.S. fabric and yarn, thereby supporting U.S. exports and jobs. Textile and garment factories in Central America and the Dominican Republic purchase large amounts of fabric and yarn from the United States: the region is the second-largest world market for these U.S. products.

CAFTA-DR Opens Markets for Other Key Alabama Exports

Machinery manufactures. From 2000 to 2004, Alabama's exports of machinery manufactures increased 181 percent to \$20 million. Most of this is accounted for by miscellaneous general-purpose machinery (\$17.3 million). Under CAFTA-DR, 92 percent of U.S. capital goods exports to Central America and the Dominican Republic will be duty-free immediately upon implementation, making Alabama's sales of machinery more competitive in the region.

Wood products. The state's exporters of lumber and wood products will benefit from CAFTA-DR

provisions that will eliminate the average 10 percent tariff on wood products. In 2004, Alabama's export shipments of sawmill and wood products to the CAFTA-DR countries totaled \$14.5 million. Top U.S. exports to CAFTA-DR for this sector include veneer sheets, wood doors and frames, and pallets.

Other manufactures. CAFTA-DR will provide Alabama's exporters with additional opportunities to increase sales of those products that have seen the largest increases from 2000 to 2004, such as: medical equipment and supplies; petroleum and coal products; semiconductors and other electronic components; finished and coated textile fabrics; and pesticides, fertilizers, and other agricultural chemicals.

Alabama's Farmers Will Benefit from CAFTA-DR

Despite high tariffs and other barriers on most agricultural products, including those important to Alabama's farmers—such as poultry, beef, peanuts, and cotton—U.S. exporters shipped over \$1.6 billion in U.S. farm products to the CAFTA-DR region in 2003. A primary U.S. objective was to change the “one-way-street” of duty-free access currently enjoyed by most CAFTA-DR exports into a “two-way-street” that provides U.S. suppliers with access to these markets and levels the playing field with other competitors. This objective was achieved. More than 50 agricultural industry and farm groups, including the American Farm Bureau, support the FTA.

For more information on agricultural exports and the CAFTA-DR Agreement, see the state fact sheets posted by the U.S. Department of Agriculture at www.fas.usda.gov/info/factsheets/CAFTA/state.html.

Alabama's Exports Were Spurred by Past Trade Agreements

In the first year of the U.S.-Chile FTA, Alabama's exports to Chile grew by 18 percent. Since the North American Free Trade Agreement (NAFTA) was signed in 1993, Alabama's combined exports to Canada and Mexico have increased by 169 percent.

The Central American–Dominican Republic Free Trade Agreement (CAFTA-DR) group consists of Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua.

All state export data in this report are based on the Origin of Movement (OM) series. This series allocates exports to states based on transportation origin—i.e., the state from which goods began their journey to the port (or other point) of exit from the United States. The transportation origin of exports is not always the same as the location where the goods were produced. Thus conclusions about “export production” in a state should not be made solely on the basis of the OM state export figures.

Source: Bureau of the Census, U.S. Department of Commerce, Origin of Movement series.

Prepared by the International Trade Administration, U.S. Department of Commerce.