Benefits from CAFTA-DR
Arizona

U.S. Department of Commerce
International Trade Administration
March 2005

Arizona'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 $211 million in 2004, the 15th-largest total among the 50 states.

Arizona's exports to the CAFTA-DR region increased from 2000 to 2004 by $75 million, or 55 percent, far surpassing the overall U.S. increase of 16 percent. Over the same period, Arizona's exports to the world decreased by six percent, an indication of the CAFTA-DR nations' growing importance as an export market for Arizona.

Individually, several CAFTA-DR markets are multi-million-dollar trading partners for Arizona. In 2004, Costa Rica alone received merchandise exports from Arizona totaling $179 million and was the state's 18th-largest market. El Salvador also ranked among Arizona's top 50 export markets that year.

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

CAFTA-DR will boost opportunities for Arizona's exporters throughout the region, providing new market access for the state's products. More than eighty 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 ten 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.

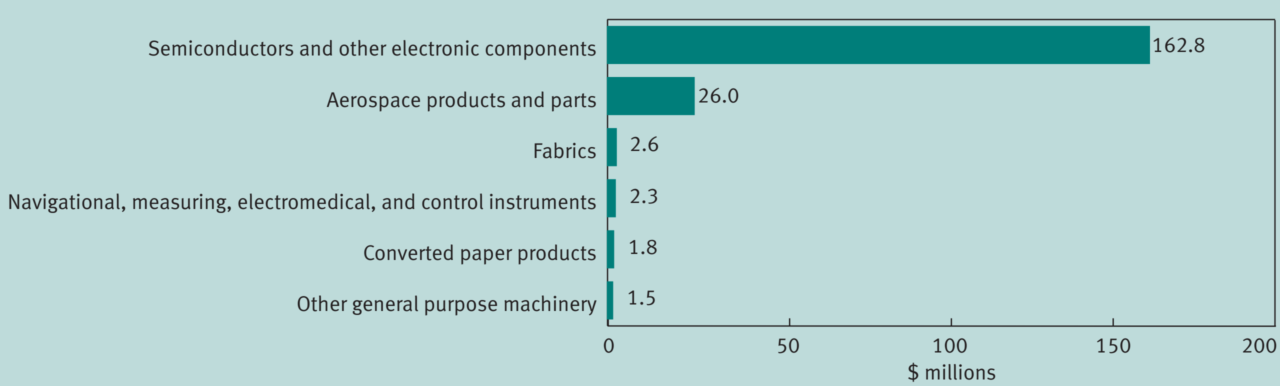
CAFTA-DR Moves the Trading Relationship from One-way Preferences to Reciprocity

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

Continued on reverse

Arizona Exported $208.9 Million Worth of Manufactured Goods to the CAFTA-DR Region in 2004

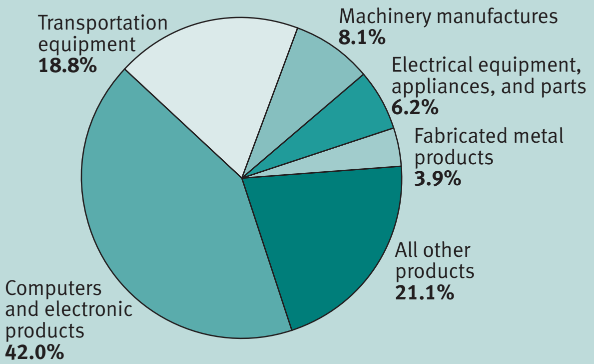
Semiconductors and Other Electronic Components Dominate



Source: U.S. Department of Commerce.

Arizona Exported $13.4 Billion in Goods to the World in 2004

Computers and Electronic Products Dominate



Source: U.S. Department of Commerce

High-Tech Exports Are Important For Arizona

Semiconductors and other electronic components dominate the state's exports to the CAFTA-DR nations. In 2004, Arizona exported semiconductors and other electronic components to the region valued at $163 million, accounting for 77 percent of the state's total exports to the CAFTA-DR region. Dollar gains in Arizona's exports to the CAFTA-DR group from 2000 to 2004 were in due largely to semiconductors and other electronic components (up $40 million).

The CAFTA-DR agreement improves market access for information technology goods and service providers. All exports of products covered by the Information Technology Agreement, including important Arizona exports such as semiconductors and electronic components, will receive duty-free treatment immediately upon implementation of the CAFTA-DR agreement.

CAFTA-DR Opens Markets for Other Key Arizona Exports

Arizona's other top manufactured exports will also benefit from the CAFTA-DR agreement:

Aerospace products and parts. This sector registered one of the biggest increases ($26 million) in Arizona's manufactured exports to the CAFTA-DR region. Central American and Dominican tariffs on aircraft and related products currently range from 0 to 20 percent, with the average varying by country from 1.4 to 4.8 percent. With respect to aircraft and related product exports, nearly one hundred percent of U.S. exports, including products such as small aircraft and aircraft engines and parts, will receive duty-free treatment immediately upon implementation of the agreement.

Fabric mill products. 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 U.S. textile fabrics and yarns. Arizona's exports of fabric mill products increased by over $2.4 million from 2000 to 2004, totaling just over $2.6 million in 2004.

Machinery manufactures. Ninety-two percent of U.S. capital goods exports to Central America and the Dominican Republic will be duty-free immediately upon implementation of the CAFTA-DR agreement. Arizona exported $2.6 million in machinery manufactures to the CAFTA-DR region in 2004.

Other manufactures. From 2000 to 2004, significant increases in Arizona's manufactured exports to the CAFTA-DR region were also registered by: foods; engines, turbines, and power transmission equipment; and medical equipment and supplies. CAFTA-DR should enhance opportunities for exports in these and other sectors. Particularly timely is the tariff elimination on high-value electrical power generation and distribution equipment. This sector is an excellent prospect for exports to CAFTA-DR nations as the region upgrades its energy infrastructure.

Arizona's Exports Were Spurred by Past Trade Agreements

In the first year of the U.S-Chile FTA, Arizona's exports to Chile grew by 45 percent. Since the North American Free Trade Agreement (NAFTA) was signed in 1993, Arizona's combined exports to Canada and Mexico have increased by more than 114 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.