Benefits from CAFTA-DR
Arkansas

U.S. DEPARTMENT OF COMMERCE
INTERNATIONAL TRADE ADMINISTRATION
MARCH 2005

Arkansas' export shipments of merchandise—manufactures and non-manufactures—to the CAFTA-DR nations (Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua, plus the Dominican Republic) totaled $37 million in 2004.

Arkansas' exports to the CAFTA-DR region accounted for 1.1 percent of the state's total exports to the world in 2004. This was the 24th largest share among all 50 states.

Arkansas' leading market in the CAFTA-DR region is El Salvador (2004 exports of $14 million), followed by Costa Rica ($6.7 million), the Dominican Republic ($6.6 million), Guatemala ($5.2 million), Nicaragua ($2.4 million) and Honduras ($2.2 million). As Arkansas' largest CAFTA-DR trading partner, El Salvador ranked as Arkansas' 34th-largest market, out of the state's 154 total export destinations that year. Costa Rica, the Dominican Republic, and Guatemala also ranked among the state's top 50 export destinations in 2004.

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

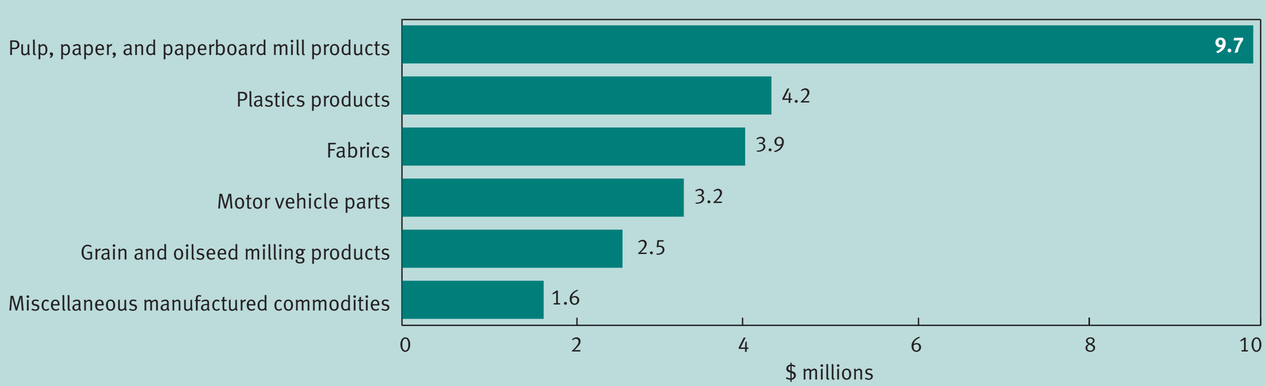
CAFTA-DR will boost opportunities for Arkansas' exporters throughout the region, providing new market access for the state's products. More than 80 percent of U.S. exports of consumer and industrial products to Central America and the Dominican Republic will be duty-free immediately upon entry into force 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 of the region's exports enter the United States duty-free, while U.S. goods exported to the CAFTA-DR countries face significant average tariffs.

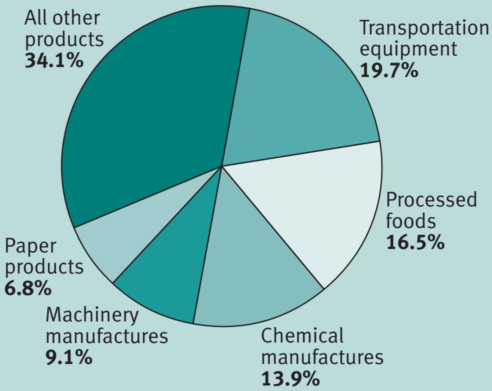
Continued on reverse

Arkansas Exported $35.0 Million Worth of Manufactured Goods to the CAFTA-DR Region in 2004
Pulp, Paper, and Paperboard Mill Products Dominate



Source: U.S. Department of Commerce.

Arkansas Exports a Wide Range of Goods to the World: $3.5 Billion in 2004



Source: U.S. Department of Commerce.

CAFTA-DR Opens Markets for Key Arkansas Exports

Manufactured goods accounted for 94 percent of Arkansas' merchandise exports to the CAFTA-DR region in 2004.

Paper products. The state's top manufactured export category to the CAFTA-DR group is pulp, paper, and paperboard mill products. In 2004, Arkansas' exports of these products to the region were valued at $9.7 million, up $6.5 million since 2000. Overall, 78 percent of U.S. exports to Central America and the Dominican Republic will receive duty-free treatment immediately upon implementation of the agreement. Tariffs on high value paper products including writing paper, coated paper, paperboard, cartons, and boxes will, in most cases, be phased out immediately or in 5 years.

Fabrics. Arkansas exported $3.9 million in fabrics to the CAFTA-DR region in 2004, more than double its 2000 exports of $1.8 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 U.S. textile fabric and yarns.

Motor vehicle parts. Arkansas exported $3.2 million in motor vehicle parts to the CAFTA-DR region in 2004, an increase of $2.9 million over 2000. CAFTA-DR will eliminate the eleven percent average tariff that Central America and the Dominican Republic impose on autos and parts.

Other manufactures. Between 2000 and 2004, Arkansas' manufactured exports to the CAFTA-DR group also registered significant export sales in the following sectors: plastics products ($4.2 million, up $3.1 million over 2000), and grain and oilseed milling products ($2.5 million, up $1.4 million). The tariff elimination provisions of CAFTA-DR will better position U.S. exporters to take advantage of expanding market demand in these and other sectors.

Arkansas' Farmers Benefit From CAFTA-DR

Despite high tariffs and other barriers on most agricultural products, including important Arkansas products such as poultry, soybeans, and rice, U.S. exporters shipped over $1.6 billion in U.S. farm exports to the CAFTA-DR region in 2003. In the free trade agreement, 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. Over 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*.

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.