



Benefits from CAFTA-DR

Kentucky

U. S. DEPARTMENT OF COMMERCE
INTERNATIONAL TRADE ADMINISTRATION
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Kentucky'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 \$164 million in 2004, the 19th-largest total among the 50 states. In percentage terms, Kentucky's increase in exports to the CAFTA-DR region from 2000 to 2004 was the eighth-largest in the nation, with exports leaping 144 percent from \$67 million to \$164 million.

Individually, the CAFTA-DR markets are multi-million-dollar trading partners for Kentucky. In 2004, El Salvador alone received merchandise exports from Kentucky totaling \$75 million, making it the state's 22nd-largest market. Honduras ranked as Kentucky's 24th-largest export market, with shipments in 2004 totaling \$58 million. The Dominican Republic also ranked among Kentucky's top 50 export markets that year.

Kentucky's exports to the CAFTA-DR region increased by \$97 million from 2000 to 2004, and by \$48 million from 2003 to 2004. From 2000 to 2004, Kentucky had the 10th-largest dollar increase in exports among the 50 states, and from 2003-2004, the seventh-largest increase.

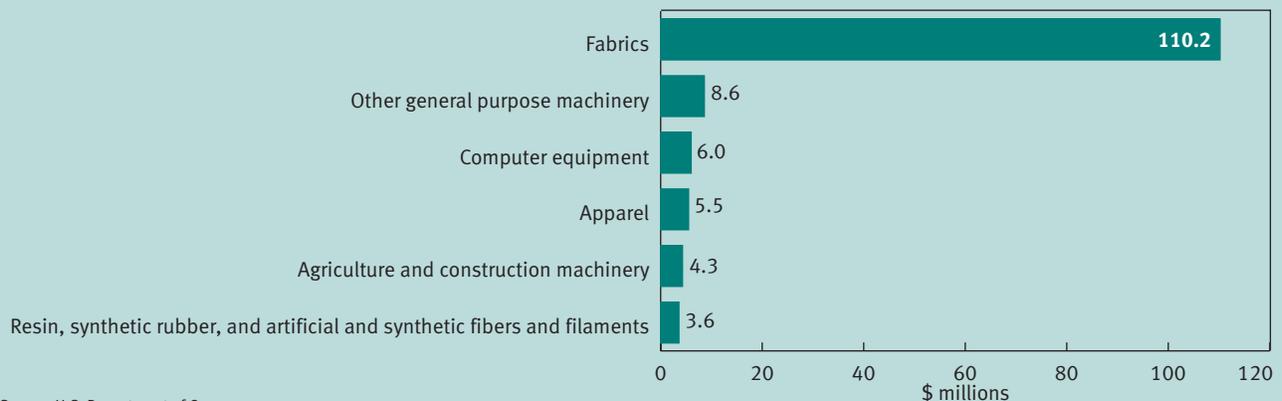
Manufactures accounted for 98 percent of Kentucky's total merchandise exports to the CAFTA-DR region in 2004. During 2000 to 2004 the biggest percentage increases in Kentucky's manufactured exports to the CAFTA-DR region were registered by fabrics; household and institutional furniture and kitchen cabinets; cutlery and hand tools; bolts, nuts, screws, rivets, washers and other turned products; and navigational, measuring, electromedical, and control instruments.

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

CAFTA-DR will boost opportunities for Kentucky'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.

Kentucky Exported \$160.9 Million Worth of Manufactured Goods to the CAFTA-DR Region in 2004

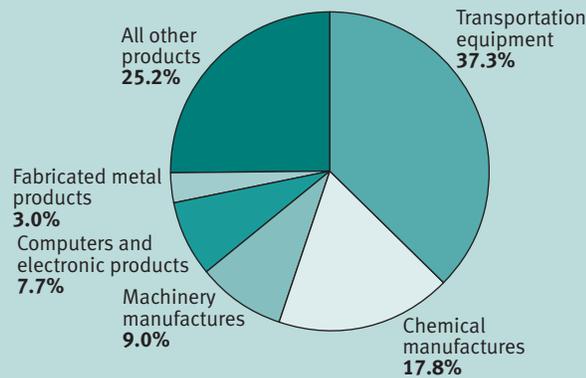
Fabrics Category Dominates Exports



Source: U.S. Department of Commerce.

Kentucky Exported \$13.0 Billion in Goods to the World in 2004

Transportation Equipment Leads Exports



Source: U.S. Department of Commerce.

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.

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

The state's largest export category to the CAFTA-DR group is fabrics. In 2004, Kentucky exported fabrics to the CAFTA-DR region valued at \$110.2 million, or 67 percent of the state's total exports to the region.

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 Kentucky Exports

Machinery manufactures. Kentucky's exports of machinery jumped to \$16 million in 2004, increasing almost \$11 million from 2000. Exporters will be able to take advantage of CAFTA-DR provisions that immediately eliminate tariffs on 92 percent of U.S. capital goods exports to Central America and the Dominican Republic. Remaining tariffs will be phased out over 10 years.

Chemical manufactures. Kentucky exporters of chemical and related products will benefit from CAFTA-DR tariff reductions. Tariffs on high-value chemical products, such as residual pharmaceuticals, medications, and insecticides/herbicides, will, in most cases, be phased out immediately or over five years. Chemical manufactures are among Kentucky's top global exports.

Computer and electronic products. Computer and electronic products were Kentucky's fourth-ranked global export category in 2004, totaling almost \$1 billion. CAFTA-DR improves market access for information technology goods and services. All exports of products covered by the Information Technology Agreement, including important Kentucky exports of computer equipment and communications equipment, will receive duty-free treatment immediately upon implementation of the CAFTA-DR agreement.

Kentucky's Exports Were Spurred by Past Trade Agreements

Since the North American Free Trade Agreement (NAFTA) was signed in 1993, Kentucky's combined exports to Canada and Mexico have increased by more than 267 percent. In the first year of the U.S.-Chile FTA, Kentucky's exports to Chile increased by 25 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.