Benefits from CAFTA-DR
Nebraska

U.S. Department of Commerce
International Trade Administration
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Nebraska'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 $19.6 million in 2004—nearly 50 percent higher than the $13.2 million worth of goods the state shipped to these markets in 2000.

Nebraska's leading market in the CAFTA-DR region is the Dominican Republic ($5.6 million in 2004), followed by El Salvador ($4.2 million), Honduras ($3.6 million), Guatemala ($3.2 million), Costa Rica ($1.7 million), and Nicaragua ($1.3 million).

Despite large sales of agricultural commodities to CAFTA-DR markets, Nebraska's exports to these countries are still dominated by manufactured goods categories, totaling 92 percent.

The state's top export to the CAFTA-DR region is pharmaceuticals and medicines. Nebraska's other leading exports in 2004 included meat products and meat packaging products ($2.9 million), fabrics ($1.9 million), basic chemicals ($1.8 million), and leathers and tanned hides ($1.8 million).

Between 2000 and 2004, the largest percentage increases in Nebraska's manufactured exports to the CAFTA-DR group were recorded in these areas: basic chemicals; fabrics; ventilation, heating, air conditioning, and commercial refrigeration equipment; soaps, cleaning compounds, and toilet preparations; and motor vehicle parts.

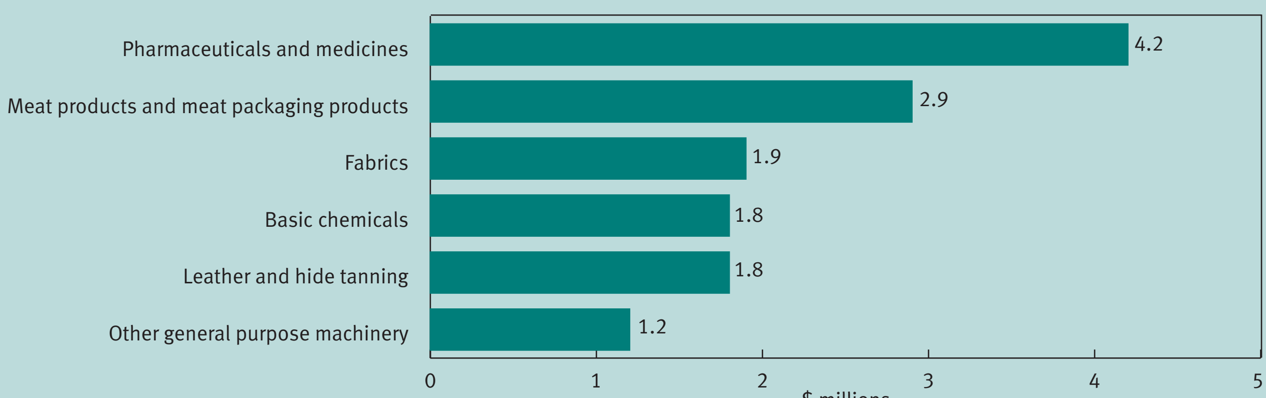
CAFTA-DR Provides Enhanced Market Access to the Dominican Republic and Central America

CAFTA-DR will boost opportunities for Nebraska's exporters throughout the region by 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

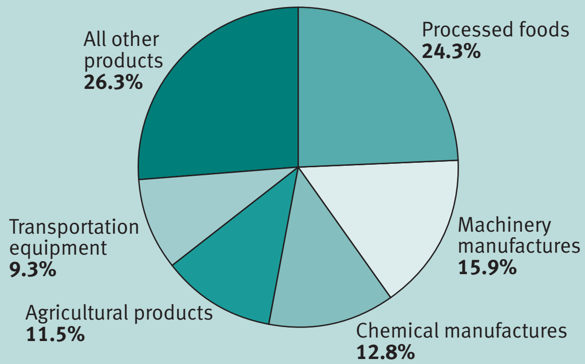
Nebraska Exported $18.1 Million Worth of Manufactured Goods to the CAFTA-DR Region in 2004
Pharmaceuticals and Medicines Lead Exports



Source: U.S. Department of Commerce.

Nebraska Exported $2.3 Billion in Goods to the World in 2004

Processed Foods Lead Exports



Source: U.S. Department of Commerce.

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 Opens Markets for Key Nebraska Exports

Pharmaceuticals and medicines. The state's top exports to the CAFTA-DR region are pharmaceuticals and medicines: in 2004, Nebraska's exports from this category were valued at $4.2 million, accounting for 21 percent of the state's total shipments to the region. Under CAFTA-DR, tariffs on high-value chemical products, such as residual pharmaceuticals and medicines, will, in most cases, be phased out immediately or in five years.

Textiles. Fabric mill products were an important export for Nebraska in 2004, totaling just over $2 million in shipments to the CAFTA-DR region. The CAFTA-DR agreement 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 only 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. exports.

Processed foods. Processed foods are Nebraska's top export worldwide. The CAFTA-DR agreement, when implemented, will stimulate new opportunities for Nebraska businesses in this sector. Demand in Central America and the Dominican Republic for imported processed food products has been expanding substantially in recent years, despite high tariffs. U.S. suppliers of pet food, cereals, cookies, and food preparations will benefit from immediate duty elimination in some countries, and tariff phase-outs—generally over five to 10 years—in other countries.

Other manufactures. CAFTA-DR will provide Nebraska's exporters with additional opportunities to increase sales of those products that have seen the largest increases from 2000 to 2004, such as: fabrics; ventilation, heating, air conditioning and commercial refrigeration equipment; soaps, cleaning compounds and toilet preparations; and motor vehicle parts. CAFTA-DR will eliminate the high tariffs currently assessed on some of these products.

Nebraska's Farmers Will Benefit from CAFTA-DR

Despite high tariffs and other barriers on most agricultural products, including rice, cotton, beef, corn, and soybeans, U.S. exporters shipped more than $1.6 billion in U.S. farm products 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 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 fact sheets posted by the U.S. Department of Agriculture at *http://www.fas.usda.gov/itp/cafta/cafta.html*.

Nebraska's Exports Were Spurred by Past Trade Agreements

Since the North American Free Trade Agreement (NAFTA) was signed in 1993, Nebraska's combined exports to Canada and Mexico have increased by more than 160 percent. In the first year of the U.S-Chile FTA, Nebraska's exports to Chile grew 3 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.