Benefits from CAFTA-DR
New Mexico

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

New Mexico'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 $234 million in 2004, the 13th-largest total among the 50 states. Exports to the CAFTA-DR region accounted for 11.4 percent of the state's total world exports, the largest share among all 50 states and significantly higher than the U.S. average of 1.9 percent.

New Mexico's exports to the CAFTA-DR group grew by $171 million from 2000 to 2004, the fifth-largest dollar increase among the states. This represents a five-year gain of 273 percent, the third-fastest growth nationally, and far higher than the 16.4 percent rise in total U.S. exports to the region. Furthermore, the robust growth in New Mexico's exports to the CAFTA-DR area during that five-year period contrasts markedly with the 14 percent drop that New Mexico suffered in total world exports.

In 2004, Costa Rica alone received merchandise exports from New Mexico totaling $232 million and was the state's second-largest market.

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

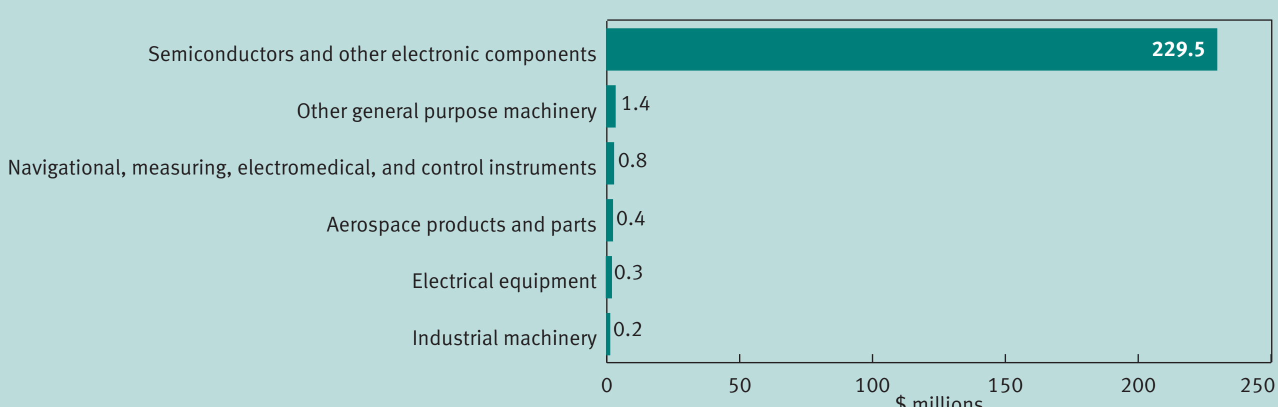
CAFTA-DR will boost opportunities for New Mexico's exporters throughout the region, providing new market access for the state's products. More than 80 percent of U.S. exports of consumer and industrial products to Central America and the Dominican Republic will be duty-free immediately upon entry into 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

Continued on reverse

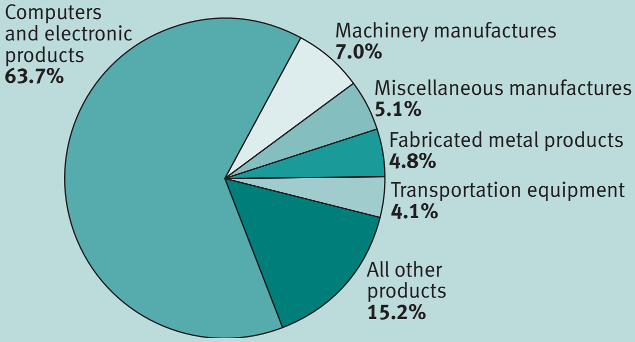
New Mexico Exported $233.9 Million Worth of Manufactured Goods to the CAFTA-DR Region in 2004
Semiconductors and Other Electronic Components Dominate



Source: U.S. Department of Commerce.

New Mexico Exported $2.0 Billion in Goods to the World in 2004

Computers and Electronic Products Nearly Two-Thirds



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.

Electronics and Instrumentation Exports Are Important for New Mexico

The state's top manufactured export category to the CAFTA-DR group is, by far, semiconductors and other electronic components. In 2004, New Mexico exported semiconductors and other electronic components to this region valued at $230 million. These products alone accounted for 98 percent of New Mexico's total exports to the region (including non-manufactures). CAFTA-DR improves market access for information technology goods and service providers. All exports of products covered by the Information Technology Agreement, including important New Mexican exports of semiconductor and electronic components, will receive duty-free treatment immediately upon implementation of the CAFTA-DR agreement.

CAFTA-DR Opens Markets for Other Key New Mexico Exports

New Mexico's trade with the CAFTA-DR region and the rest of the world is dominated by the computers and electronic products sector. Other important global manufactured exports include machinery manufactures, miscellaneous manufactures, and fabricated metal products. These sectors have all registered strong global growth in exports from 2000 through 2004—machinery manufactures rose by $97 million, miscellaneous manufactures by $89 million, and fabricated metal products by $63 million. The tariff elimination provisions of CAFTA-DR will provide New Mexico exporters of these products enhanced opportunities for sales to Central America and the Dominican Republic.

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 CAFTA-DR. U.S. exporters of food processing, storage and packaging equipment, agricultural machinery (including irrigation equipment), and heating and cooling equipment will benefit significantly from the agreement. The construction and tourism boom, coupled with an increase in non-traditional agricultural production in Guatemala and Honduras and the increase in the processed food market, will continue to fuel demand for specialized machinery. The CAFTA-DR better positions U.S. exporters to take advantage of this expanding market, particularly in the heating and cooling equipment sub-sectors, where tariffs currently range up to fifteen percent.

Other manufactured products. Between 2000 and 2004, the biggest percentage increases in New Mexico's manufactured exports to the CAFTA-DR group were registered by: motor vehicle parts; navigational, measuring, electromedical, and control instruments; other general purpose machinery; miscellaneous manufactured commodities; and fabrics. Tariff elimination under CAFTA-DR should improve the competitiveness of U.S. exporters, particularly in the motor vehicle parts sector, where the Central American and Dominican Republic tariffs average 11 percent.

New Mexico's Exports Were Spurred by Past Trade Agreements

In the first year of the U.S.-Chile FTA, New Mexico's exports to Chile increased by more than 2,300 percent. Since the North American Free Trade Agreement (NAFTA) was signed in 1993, New Mexico's combined exports to Canada and Mexico have increased by more than 300 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.