Benefits from CAFTA-DR
North Carolina

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

North Carolina'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) in 2004 totaled $1.7 billion, the third-largest total among the 50 states. Only Florida and Texas recorded greater totals, with $3.2 billion and $1.8 billion, respectively.

The CAFTA-DR region is a significant market for North Carolina. Exports to this group accounted for 9.5 percent of the state's total global exports in 2004. This was the third-largest share among the states; only New Mexico and Florida were more reliant on CAFTA-DR markets.

North Carolina's exports to the CAFTA-DR region grew by $678 million from 2000 to 2004, the largest dollar gain among the states. This amount represents a five-year increase of 65 percent, far higher than the total U.S. increase of 16 percent in exports to the region.

Collectively, the countries of the CAFTA-DR region were North Carolina's second-largest export destination in 2004, behind Canada and ahead of Mexico. Individually, several CAFTA-DR markets are important trading partners of North Carolina. In 2004, Honduras alone received merchandise exports from North Carolina totaling $671 million and was the state's fifth-largest market.

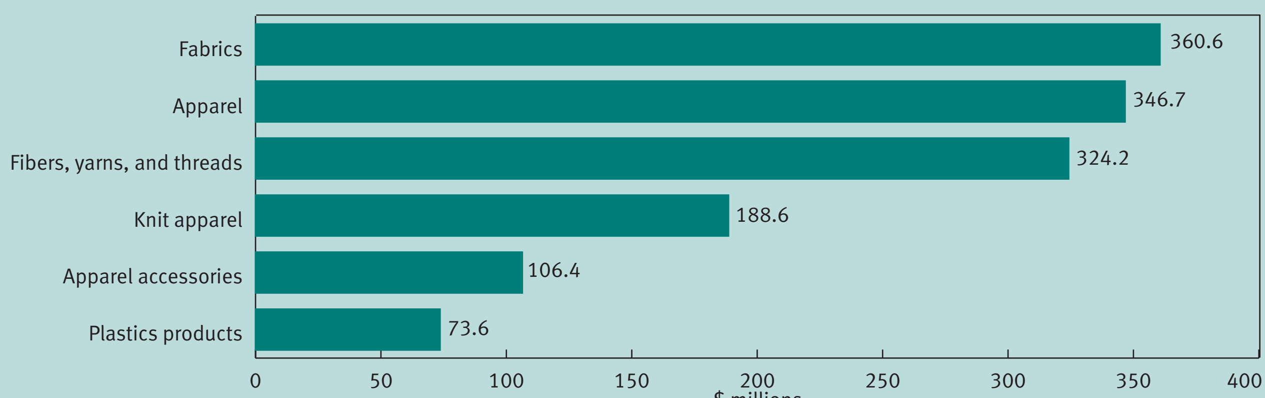
Manufactured goods accounted for nearly all of North Carolina's total merchandise exports to the CAFTA-DR region in 2004. Shipments of manufactures were concentrated in five textile and apparel categories, which together comprised 77 percent of the state's total merchandise exports to the region.

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

CAFTA-DR will boost opportunities for North Carolina'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.

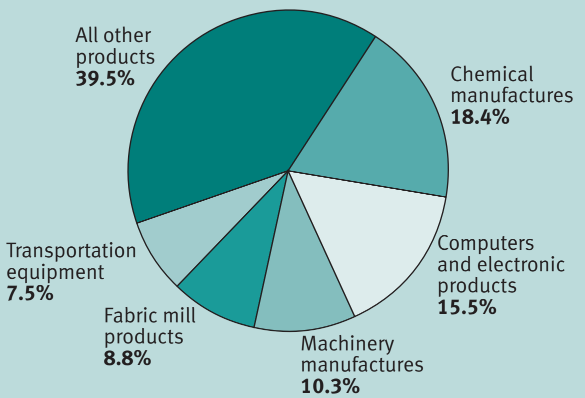
During 2000-2004 the biggest percentage increases in North Carolina's manufactured exports to the CAFTA-DR group were registered mostly by non-textile categories: fruit

North Carolina Exported $1.7 Billion Worth of Manufactured Goods to the CAFTA-DR Region in 2004
Textile Categories Dominate Exports



Source: U.S. Department of Commerce.

North Carolina Exports a Wide Range of Goods to the World: $18.1 Billion in 2004



Source: U.S. Department of Commerce.

and vegetable preserves, springs and wire products, household appliances and miscellaneous machines, finished and coated textile fabrics, and cement and concrete products. CAFTA-DR should enhance opportunities for exports in these and other sectors. Chemicals, plastics, and rubber products are important export sectors for North Carolina businesses. CAFTA-DR will eliminate tariffs that currently range from 0 to 20 percent in these sectors.

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 North Carolina's Textile Manufacturers

North Carolina's top manufactured export to the CAFTA-DR group is fabrics: in 2004, the state exported fabrics valued at $361 million. North Carolina's other four leading exports to the CAFTA-DR area in 2004 were apparel ($347 million); fibers, yarns, and threads ($324 million); knit apparel ($189 million); and apparel accessories ($106 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 and quota-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. products.

High-Tech Exports are Important for North Carolina

CAFTA-DR improves market access for information technology goods and services. All exports of products covered by the Information Technology Agreement, including important North Carolina exports of computer equipment and communications equipment, will receive duty-free treatment immediately upon implementation of the CAFTA-DR agreement.

North Carolina Farmers Will Benefit from CAFTA-DR

Despite high tariffs and other barriers on most agricultural products, including those important to North Carolina's farmers—such as pork, poultry, cotton, and soybeans—U.S. exporters shipped over $1.6 billion in U.S. farm products to the CAFTA-DR region in 2003. 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. 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 state fact sheets posted by the U.S. Department of Agriculture at *www.fas.usda.gov/info/factsheets/CAFTA/state.html*.

North Carolina's Exports Were Spurred by Past Trade Agreements

In the first year of the U.S-Chile FTA, North Carolina's exports to Chile grew by 33 percent. Since the North American Free Trade Agreement (NAFTA) was signed in 1993, North Carolina's exports to Canada and Mexico more than doubled.

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.