Benefits from CAFTA-DR
Pennsylvania

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

Pennsylvania'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 $353 million in 2004, the ninth-largest total among the 50 states. Pennsylvania's exports to the CAFTA-DR region accounted for 1.9 percent of the state's total exports to the world in 2004, the 12th-largest share among the states.

Pennsylvania's exports to the CAFTA-DR region grew from 2000 to 2004 by $60 million, the 16th-largest dollar gain among the states. This represents a five-year gain of 21 percent, slightly higher than the national increase of 16 percent.

Collectively, the countries of the CAFTA-DR were Pennsylvania's 12th-largest export destination, just behind Australia, but ahead of FTA partners Singapore and Chile. Individually, several CAFTA-DR markets are multi-million-dollar trading partners for Pennsylvania. In 2004, the Dominican Republic and Honduras each received merchandise exports from Pennsylvania totaling $87 million and were ranked, respectively, the 29th and 30th largest markets. Three other CAFTA-DR countries (Guatemala, Costa Rica, and El Salvador) ranked among Pennsylvania's top 50 export destinations that year.

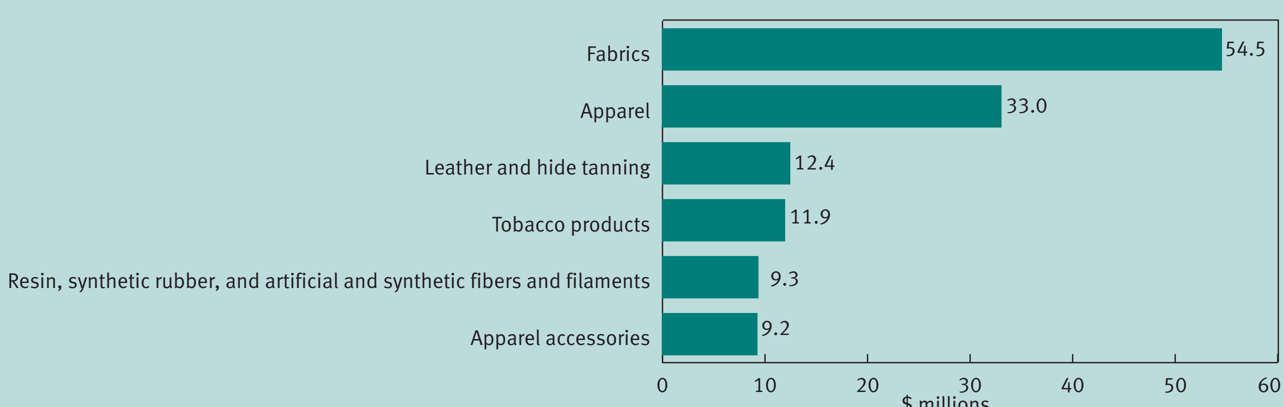
CAFTA-DR Provides Enhanced Market Access to the Dominican Republic and Central America

CAFTA-DR will boost opportunities for Pennsylvania'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

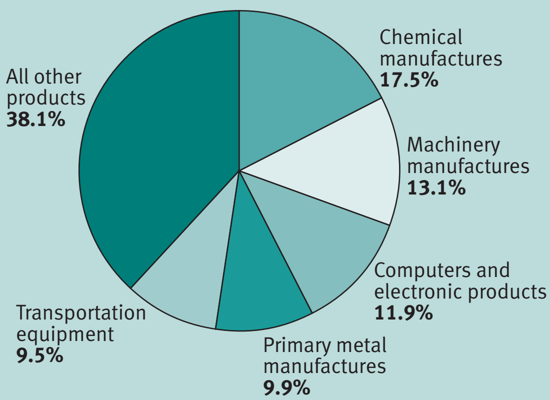
For 20 years, most Central American and Dominican Republic exports to the United States benefited from duty-free treatment, primarily as a result of the Caribbean Basin Initiative (CBI). Currently about 80 percent of the region's exports enter the United States duty-free, while U.S. goods exported to the CAFTA-DR countries face significant tariffs.

Pennsylvania Exported $239.1 Million Worth of Manufactured Goods to the CAFTA-DR Region in 2004
Fabrics and Apparel Top the List



Source: U.S. Department of Commerce.

Pennsylvania Exports a Wide Range of Goods to the World: $18.5 Billion in 2004



Source: U.S. Department of Commerce.

CAFTA–DR Improves the Competitiveness of Pennsylvania's Textile Manufacturers

The state's top manufactured export category to the CAFTA-DR region is fabrics. In 2004, Pennsylvania exported fabrics to the CAFTA-DR region valued at $55 million, up $39 million over 2000 export levels. 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 fabrics and yarns.

CAFTA-DR Opens Markets for Other Key Pennsylvania Exports

Manufactures accounted for 68 percent of total merchandise exports to the CAFTA-DR region in 2004. Pennsylvania's other leading manufactured exports to the CAFTA-DR group in 2004 were apparel ($33 million), leathers and tanned hides ($12 million), and tobacco products ($12 million). Between 2000 and 2004, the biggest percentage increases in Pennsylvania's manufactured exports to the CAFTA-DR group were registered by: leather and tanned hides; magnetic and optical media; grain and oilseed milling products; veneer, plywood, and engineered wood products; and bakery and tortilla products. CAFTA-DR should enhance opportunities for exports in these and other sectors, such as chemical manufactures, computers and electronics products, and transportation equipment, where Pennsylvania has strong global export interests.

Chemical manufactures. 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.

Technology and computer equipment. All exports of products covered by the Information Technology Agreement, including important Pennsylvania exports such as computer and electronic equipment, will receive duty-free treatment immediately upon implementation of the CAFTA-DR agreement.

Transportation equipment. CAFTA-DR will eliminate the 11 percent average tariff that Central American nations and the Dominican Republic impose on autos and parts. Of particular note, CAFTA-DR will eliminate a 30 percent tariff on autos imported into El Salvador.

Pennsylvania Farmers Will Benefit from CAFTA-DR

Despite high tariffs and other barriers on most agricultural products, including those important to Pennsylvania's farmers, such as dairy, poultry, and beef, 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. 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*.

Pennsylvania's Exports Were Spurred by Past Trade Agreements

In the first year of the U.S-Chile FTA, Pennsylvania's exports to Chile increased by almost six percent. Since the North American Free Trade Agreement (NAFTA) was signed in 1993, Pennsylvania's combined exports to Canada and Mexico have increased by 79 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.