



Benefits from CAFTA-DR Tennessee

U. S. DEPARTMENT OF COMMERCE
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Tennessee'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 \$271 million, the 11th-largest total among the 50 states.

Tennessee's exports to the CAFTA-DR region grew by \$71 million from 2000 to 2004, the 14th-largest dollar increase among the states. This represents a five-year gain of 35 percent, more than double the 16 percent gain for total U.S. exports to the region.

Individually, several CAFTA-DR markets are multi-million-dollar trading partners for Tennessee. In 2004, Honduras alone received merchandise exports from Tennessee totaling \$82 million and was the state's 27th-largest market.

The state's top manufactured export category in the CAFTA-DR region is apparel. In 2004, Tennessee exported apparel to the CAFTA-DR group valued at \$32 million, representing 12 percent of the state's total merchandise exports to the region (including non-manufactures). Tennessee's other significant manufactured exports to the CAFTA-DR region that year were

navigational, measuring, electromedical, and control instruments (\$28 million), fabrics (\$27 million), basic chemicals (\$13 million), and medical equipment and supplies (\$13 million).

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

CAFTA-DR will boost opportunities for Tennessee'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.

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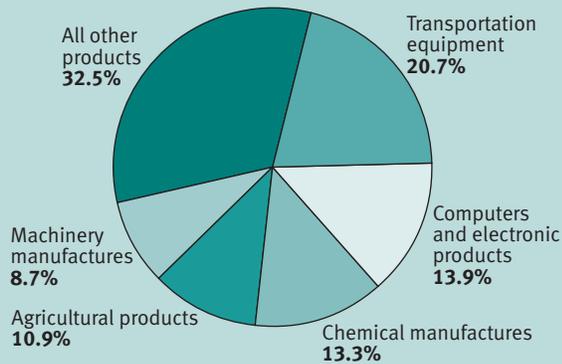
Tennessee Exported \$201.9 Million Worth of Manufactured Goods to the CAFTA-DR Region in 2004 Apparel Tops the Export List



Source: U.S. Department of Commerce.

Tennessee Exported \$16.1 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.

High-Tech Exports Are Important for Tennessee

Tennessee exporters shipped \$37 million worth of computers and electronics products to the CAFTA-DR region in 2004, an amount more than three times higher than in 2000. All exports of products covered by the Information Technology Agreement, and important Tennessee exports such as navigational, measuring, electromedical, and control instruments, will receive duty-free treatment immediately upon implementation of CAFTA-DR.

CAFTA-DR Opens Markets for Other Key Tennessee Exports

Manufactures accounted for 74 percent of Tennessee's total merchandise exports to the CAFTA-DR region in 2004.

Chemical manufactures. The state's 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.

Fabric mill products. 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. Tennessee's exports of fabric mill products doubled from 2000 to 2004 to \$35 million.

Tennessee Farmers Will Benefit from CAFTA-DR

Despite high tariffs and other barriers on most agricultural products, U.S. exporters shipped more than \$1.6 billion in U.S. farm exports 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 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 fact sheets posted by the U.S. Department of Agriculture at <http://www.fas.usda.gov/itp/CAFTA/cafta.html>.

Tennessee's Exports Were Spurred by Past Trade Agreements

Since the North American Free Trade Agreement (NAFTA) was signed in 1993, Tennessee's combined exports to Canada and Mexico have increased by more than 190 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.