Benefits from CAFTA-DR
Washington

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

Washington'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 $113 million in 2004.

Washington's exports to the CAFTA-DR region grew by $81 million from 2000 to 2004, the 12th-largest dollar gain among the states. In percentage terms, Washington's exports to the CAFTA-DR group grew by 251 percent over that period, fourth nationally and far above the 16 percent growth of total U.S exports to the region.

Individually, several CAFTA-DR markets are multi-million-dollar trading partners for Washington. In 2004, Guatemala alone received merchandise exports from Washington totaling $86 million.

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

CAFTA-DR will boost opportunities for Washington'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.

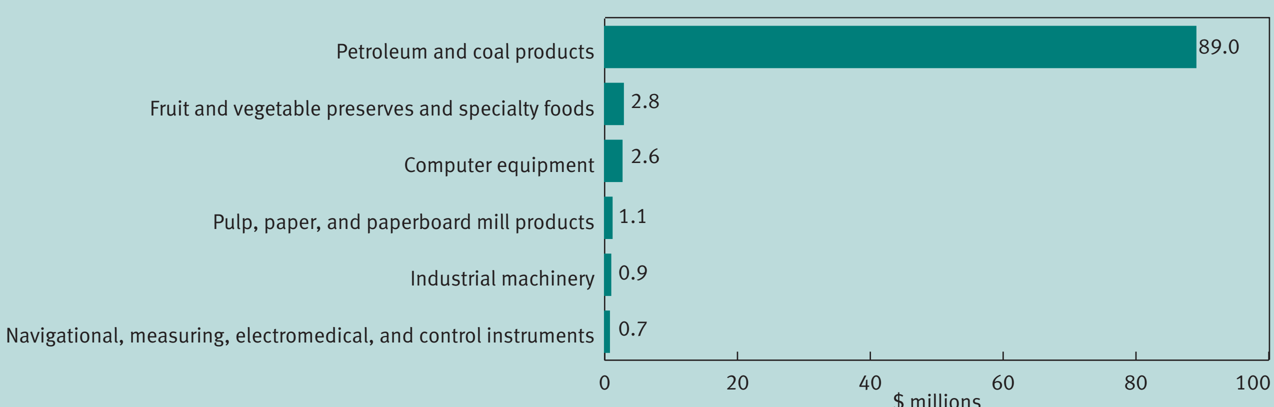
CAFTA-DR Moves the Trading Relationship from One-way Preferences to Reciprocity

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.

CAFTA-DR: Fuel for Washington's Export-Oriented Industries and Economy

Petroleum and coal products dominate Washington's exports to the CAFTA-DR group, with 2004 shipments valued at $89 million. This represented 79 percent of the state's total exports to the region

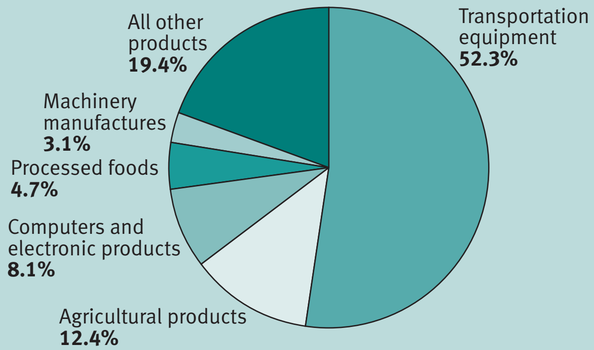
Washington Exported $105.8 Million Worth of Manufactured Goods to the CAFTA-DR Region in 2004
Petroleum and Coal Products Dominate Exports



Source: U.S. Department of Commerce.

Washington Exported $33.8 Billion in Goods to the World in 2004

Transportation Equipment Accounts for More than Half



Source: U.S. Department of Commerce.

(including non-manufactures) in that year. More than 90 percent of these exports will receive duty-free treatment immediately upon implementation of the CAFTA-DR agreement.

CAFTA-DR Opens Markets for Other Key Washington Exports

High-tech products. The CAFTA-DR agreement improves market access for computer and electronic products, which are among Washington's top global exports. All exports of products covered by the Information Technology Agreement, including important Washington exports such as computer equipment and communications equipment, will receive duty-free treatment immediately upon implementation of the CAFTA-DR agreement.

Processed foods. Fruit and vegetable preserves are a key component of Washington's exports to the region, accounting for almost $3 million in 2004. The CAFTA-DR agreement, when implemented, will stimulate new opportunities for Washington 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 processed foods, including cereal, pet food, 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.

Machinery manufactures. Machinery manufactures were an important Washington export to the CAFTA-DR region in 2004, totaling approximately $2.8 million. Ninety-two percent of U.S. capital goods exports to Central America and the Dominican Republic will be duty-free immediately upon implementation of the CAFTA-DR agreement.

Paper products. Paper products are important export commodities for Washington. In 2004, exporters shipped $1.8 million in paper products to the CAFTA-DR region. Tariffs on high-value paper products, including writing paper, coated paper, paperboard, cartons, and boxes will, in most cases, be phased out immediately or over five years. Overall, 78 percent of paper exports to Central America and the Dominican Republic will receive duty-free treatment immediately upon implementation of the agreement.

Washington 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 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 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*.

Washington's Exports Were Spurred by Past Trade Agreements

In the first year of the U.S-Chile FTA, Washington's exports to Chile more than doubled. Since the North American Free Trade Agreement (NAFTA) was signed in 1993, Washington's combined exports to Canada and Mexico have increased by more than 130 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.