U.S.-Dominican Republic & Central America Free Trade Agreement[1]
Market Access Results

Chemicals

Trade and Tariffs

The Chemical Harmonization and Pharmaceuticals Agreements define the scope of the chemicals sector, and include pharmaceuticals, fertilizers and agro-chemicals, and cosmetics. Chemical products accounted for 18 percent of total U.S. industrial exports to Central America and the Dominican Republic in 2003, totaling about $1.3 billion. Plastics & polymers, medications, and insecticides lead U.S. exports in this sector. Costa Rica is the United States' leading export market in the sector, accounting for 30 percent of total U.S. chemical exports to the region.

Central American and Dominican tariffs on chemicals range from 0 to 20 percent, with the average varying by country from 2.0 to 5.5 percent. The highest tariffs in this sector generally apply to plastics and cosmetics.

Central American and Dominican exports to the United States in this sector were about $281 million in 2003, or about 6 percent of the region's total industrial exports to the United States. Dominican Republic is the leading exporter of the six countries, accounting for 50 percent of Central American and Dominican exports in the sector.

The United States, as a party to the Chemical Harmonization Agreement, applies MFN duties ranging from zero to 6.5 percent on most chemicals, with some 8 and 14 percent duties on rubber products. All products in this sector receive duty-free treatment under the Caribbean Basin Initiative (CBI) and Caribbean Basin Trade Partnership Act (CBTPA), however.

Tariff Elimination

Tariffs will be phased out according to four tariff elimination categories: immediate elimination, equal cuts over five years, equal cuts over 10 years, and non-equal cuts over 10 years. Duties on products in the last category will decrease by 2 percent for the first two years, by 8 percent for the next four years, and by 16 percent for the last four years.

Overall, 74 percent of U.S. industrial exports will receive duty-free treatment immediately upon implementation of the agreement. Tariffs on 9 percent of exports will be eliminated over five years. Duties on the remaining 17 percent of U.S. exports will be eliminated over ten years. Only 3 percent of exports will be subject to non-linear tariff elimination. Plastic sacks and bags, pneumatic tires, some cleaning agents, plastic pipes and fittings, and soap are examples of products that will be subject to non-linear 10-year staging. Tariffs on high value chemical products such as residual pharmaceuticals, medications, and insecticides/herbicides will, in most cases, be phased out immediately or in 5 years.

Pharmaceuticals: Eighty-eight percent of U.S. pharmaceuticals exports will be duty-free immediately upon implementation of the agreement. Tariffs the remaining 12 percent of exports will be eliminated over five years.

[1] The U.S.-Central America Free Trade Agreement includes seven signatories: the United States, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua.

Fertilizers & Agro-Chemicals: Ninety-one percent of U.S. fertilizers and agro-chemicals exports will be duty-free immediately upon implementation of the agreement. Tariffs on the remaining 9 percent of exports will be eliminated over five years.

Cosmetics: Thirty-three percent of U.S. cosmetics exports will be duty-free immediately upon implementation of the agreement. Tariffs on 35 percent of cosmetics exports will be eliminated over five years. Duties on the remaining 32 percent of exports will be eliminated over ten years. Only 4 percent of exports will be subject to non-linear tariff elimination.

The United States agreed to consolidate all CBI and CBTPA tariff preferences into the final tariff elimination schedules. As a result, all Central American and Dominican chemicals exports will continue to receive duty-free treatment.

Non-Tariff Barriers

Many U.S. exporters face consular transactions – complex paperwork requirements stipulating that documents be certified in the United States at the embassy or consulate of the partner country that will receive the goods. Consular transactions will be eliminated immediately upon implementation of the agreement for exports to Central America and the Dominican Republic.

Dealer protection laws have led to severe consequences for U.S. exporters when they terminate a contract with a dealer or distributor in Central America. The agreement requires each partner country to amend its laws such that U.S. products cannot be denied the right of importation due to contract disputes.