

# U.S.-Dominican Republic & Central America Free Trade Agreement<sup>1</sup>

## Market Access Results

### Consumer Goods

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#### Trade and Tariffs

The consumer goods sector is composed of various product groups, including the toy and furniture Uruguay Round sectoral agreements, appliances, and various recreational goods. Consumer goods accounted for about 10 percent of total U.S. industrial exports to Central America and the Dominican Republic in 2003, totaling about \$802 million. Appliances lead U.S. exports in the sector. The Dominican Republic is the United States' leading export market in the sector, accounting for about 33 percent of total U.S. consumer goods exports to the region.

Central American and Dominican tariffs on consumer goods range from 0 to 30 percent, with the average varying by country from 8.2 to 16.2. The highest tariffs generally apply to recreational vehicles and clocks.

Central American and Dominican exports to the United States in this sector were about \$673 million in 2003, or about 15 percent of the region's total industrial exports to the United States. The Dominican Republic is the leading exporter of the six countries, accounting for about 53 percent of Central American and Dominican exports in the sector.

U.S. tariffs on consumer goods range from 0 to 109 percent, with an average of 3.6 percent. Tariffs are highest on broom corn brooms. All products in this sector receive duty-free treatment under the Caribbean Basin Initiative (CBI) and Caribbean Basin Trade Partnership Act (CBTPA).

#### 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, 39 percent of U.S. consumer goods exports receive duty-free treatment immediately upon implementation of the agreement. Tariffs on 10 percent of exports will be eliminated over five years. Duties on the remaining 50 percent of U.S. exports will be eliminated over ten years. Only 10 percent of exports will be subject to non-linear tariff elimination. Printed matter, refrigerator/freezers, motorcycles, and wooden furniture are examples of products that will be subject to non-linear 10-year staging.

**Furniture:** Six percent of U.S. furniture exports to Central America and the Dominican Republic will be duty-free immediately upon implementation of the agreement. Tariffs on another 13 percent of exports will be eliminated over five years. Duties on the remaining 81 percent of U.S. exports will be eliminated over ten years. Twenty-six percent of exports will be subject to non-linear tariff elimination.

**Toys:** Thirty-one percent of U.S. toy exports to Central America and the Dominican Republic will be duty-free immediately upon implementation of the agreement. Tariffs on 4 percent of

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

exports will be eliminated over five years. Duties on the remaining 65 percent of U.S. exports will be eliminated over ten years. No toy exports will be subject to non-linear tariff elimination.

Gems & Jewelry: Ninety-two percent of U.S. gems and jewelry goods exports to Central America and the Dominican Republic will be duty-free immediately upon implementation of the agreement. Tariffs on 1 percent of exports will be eliminated over five years. Duties on the remaining 7 percent of U.S. exports will be eliminated over ten years. No gem and jewelry exports will be subject to non-linear tariff elimination.

Recreational & Sporting Goods: Fifty-six percent of U.S. recreational and sporting goods exports to Central America and the Dominican Republic will be duty-free immediately upon implementation of the agreement. Tariffs on 16 percent of exports will be eliminated over five years. Duties on the remaining 28 percent of U.S. exports will be eliminated over ten years. Only 6 percent of recreational and sporting goods 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 exports of consumer goods 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.