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

Energy

Trade and Tariffs

The energy sector includes a variety of products used in energy production and distribution, including fuels, generators, electrical machinery, and batteries. Energy products accounted for 7 percent of total U.S. industrial exports to Central America and the Dominican Republic in 2003, totaling $548 million. Natural gas, switches, converters, and pumps lead U.S. exports in the sector. The Dominican Republic is the United States' leading export market in the sector, accounting for 41 percent of total U.S. energy product exports to the region.

Central American and Dominican tariffs on energy products range from 0 to 20 percent, with the average varying by country from 1.5 to 5.4 percent. The highest tariffs in this sector apply to drilling derricks, pipes, and batteries.

Central American and Dominican exports to the United States in this sector were about $291 million in 2003, or about 6.7 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 82 percent of Central American and Dominican exports in the sector.

The United States applies MFN tariffs on energy products of zero to 6.5 percent, with an average of 1.2 percent. The highest tariffs are applied to electric motors. 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, 96 percent of U.S. exports will receive duty-free treatment immediately upon implementation of the agreement. Tariffs on 2 percent of exports will be eliminated over five years. Duties on the remaining 2 percent of exports will be eliminated over ten years. Tariffs on electrical controls and plugs will be phased out immediately or in 5 years, depending on the country.

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 energy products 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.

[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.

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.