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

Ferrous Ores and Metals

Trade and Tariffs

The scope of the ferrous ores and metals sector is primarily defined by the Uruguay Round sectoral initiative on steel. Ferrous ores and metals accounted for less than 1 percent of total U.S. industrial goods exports to Central America and the Dominican Republic in 2003, totaling $62 million. Top U.S. exports in the sector are flat rolled coils, pipes, and ingots. The Dominican Republic is the United States' leading export market in the sector, accounting for 39 percent of total U.S. ferrous ores and metal exports to the region.

Central American and Dominican tariffs on ferrous metals products range from 0 to 20 percent, with average duties varying by country from 1.5 to 7.6 percent. The highest tariffs in this sector are applied to iron and steel bars and rods.

Central American and Dominican exports to the United States in this sector were about $121 million in 2003, or almost 3 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 88 percent of Central American and Dominican exports in the sector.

The United States, as a party to the Uruguay Round zero-for-zero sectoral agreement on steel, applies duty-free treatment on an MFN basis to these products. MFN tariffs on non-steel products range from zero to 10 percent. The highest tariffs are applied to ferrosilicon chromium. 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, 73 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 25 percent of exports will be eliminated over ten years. Fourteen percent of exports will be subject to non-linear tariff elimination. Nails, barbed wire, concrete reinforcement, and other wire and bars are examples of products that will be subject to non-linear 10-year staging. Tariffs on pipe and fittings will, in most cases, be phased out immediately or in 5 years, depending on the country.

<u>Steel</u>: Seventy percent of U.S. steel exports to Central America and the Dominican Republic will receive duty-free treatment immediately upon implementation of the agreement. Tariffs on another 1 percent of exports will be eliminated over five years. Duties on the remaining 29 percent of exports will be eliminated over ten years. Sixteen percent of U.S. steel exports will be subject to non-linear tariff elimination.

[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.

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 ferrous ores and metals 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.