

U.S.-Dominican Republic & Central America Free Trade Agreement¹

Market Access Results

Footwear, Leather, and Leather Goods

Trade and Tariffs

The footwear, leather, and leather goods sector is defined by footwear, its components, leather goods, and travel goods. Footwear, leather, and leather goods accounted for almost 2 percent of total U.S. exports to Central America and the Dominican Republic in 2003, totaling \$144 million. Top U.S. exports in the sector are specific footwear items, tanned leather, and handbags. The Dominican Republic is the United States' leading export market in the sector, accounting for 45 percent of total U.S. footwear, leather, and leather goods exports to the region.

Central American and Dominican tariffs on paper products range from 0 to 23 percent, with the average varying by country from 8.6 to 11.7 percent. The highest tariffs in this sector apply to footwear.

Central American and Dominican exports to the United States in this sector were about \$189 million in 2003, or 4.4 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 80 percent of Central American and Dominican exports in the sector.

The United States applies MFN tariffs of 0 to 61 percent on products in this sector, with the highest effective tariffs on rubber footwear. Many products in this sector receive duty-free treatment under the Caribbean Basin Initiative (CBI) and Caribbean Basin Trade Partnership Act (CBTPA), and all products may be imported from Central America under decreased tariff rates under 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. exports will receive duty-free treatment immediately upon implementation of the agreement. Tariffs on 25 percent of exports will be eliminated over five years. Duties on the remaining 36 percent of U.S. exports will be eliminated over ten years. Twenty-seven percent of exports will be subject to non-linear tariff elimination. Rubber footwear, sandals, boots, and belts are examples of products that will be subject to non-linear 10-year staging in certain countries.

The United States agreed to provide immediate duty-free treatment to all products in this sector except for 17 rubber footwear items. The base rate from which tariff elimination will begin for these 17 products will be the 2005 CBTPA preference rates. The duties will be phased out according to a 10-year non-linear staging schedule.

Non-Tariff Barriers

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.

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.