

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

Market Access Results

Lumber and Wood

Trade and Tariffs

The lumber and wood sector is defined by chapter 44 of the Harmonized Tariff System. Lumber and wood accounted for less than 1 percent of total U.S. industrial exports to Central America and the Dominican Republic in 2003, totaling \$59 million. Top U.S. exports in this sector are veneer sheets, wood doors and frames, and pallets. The Dominican Republic is the United States' leading export market in the sector, accounting for 61 percent of total U.S. lumber and wood exports to the region.

Central American and Dominican tariffs on paper products range from 0 to 20 percent, with the average varying by country from 8.4 to 6.7 percent. The highest tariffs in this sector apply to manufactured wood products (tableware, statuettes, etc.) and wood building products.

Central America and Dominican exports to the United States in this sector were about \$63 million in 2003, or 1.5 percent of the region's total industrial exports to the United States. Honduras is the leading exporter of the six countries, accounting for 38 percent of Central American and Dominican exports in the sector.

The United States applies MFN tariffs of 0 to 10.7 percent to these products, with an average of 2 percent. All products in this sector are duty-free under the Caribbean Basin Initiative (CBI) and Caribbean Basin Trade Promotion Authority (CBTPA) tariff preferences, 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, 79 percent of U.S. exports to Central America and the Dominican Republic will receive duty-free treatment immediately upon implementation of the agreement. Tariffs on 6 percent of exports will be eliminated over five years. Duties on the remaining 15 percent of U.S. exports will be eliminated over ten years. Tariffs on most wood products, including fiberboard and plywood will be phased out either 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 wood 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.