

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

Market Access Results

Paper and Paper Products

Trade and Tariffs

The paper and paper products sector is defined by the Uruguay Round sectoral initiative on paper. Paper and paper products accounted for 7 percent of total U.S. industrial exports to Central America and the Dominican Republic in 2003, totaling \$537 million. U.S. exports in the sector are lead by uncoated kraftliner, newsprint, and cartons. Costa Rica is the leading export market for U.S. paper products, accounting for 26 percent of total U.S. paper exports to the region.

Central American and Dominican tariffs on paper products range from 0 to 20 percent, with averages of 3.5 to 7.2 percent, depending on the country. The highest tariffs in this sector apply to sanitary paper products and paperboard.

Central American and Dominican exports in this sector were about \$33 million in 2003, or less than 1 percent of the region's total industrial exports to the United States. El Salvador is the leading exporter of the six countries, accounting for 62 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 paper, applies duty-free treatment on an MFN basis to these products.

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, 78 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 5 percent of exports will be eliminated over five years. Duties on the remaining 17 percent of U.S. exports will be eliminated over ten years. Only 3 percent of exports will be subject to non-linear tariff elimination. Tariffs on high value paper products including writing paper, coated paper, paperboard, cartons and boxes will, in most cases, be phased out immediately or in 5 years. Toilet paper, handkerchiefs, tablecloths, and gummed or adhesive paper are examples of products that will be subject to non-linear 10-year staging in certain countries.

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

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.

country to amend its laws such that U.S. products cannot be denied the right of importation due to contract disputes.