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

Transportation Equipment

Trade and Tariffs

The transportation sector covers motor vehicles and parts, including tires. Transportation equipment accounted for 4 percent of total U.S. industrial exports to Central America and the Dominican Republic in 2003, totaling $324 million. U.S. exports in the sector are led by medium-sized autos and parts. The Dominican Republic is the U.S.'s leading export market for transportation equipment, accounting for 29 percent of total U.S. transportation exports to the region.

Central American and Dominican tariffs on transportation products range from 0 to 30 percent, and average from 3.9 to 9.2 percent, depending on the country. The highest tariffs in this sector apply to motor vehicles.

Central American and Dominican exports to the United States in this sector were about $205 million in 2003, or about 5 percent of the region's total industrial exports to the United States. Honduras is the leading exporter of the six countries, accounting for 48 percent of Central American and Dominican exports in the sector.

U.S. MFN tariffs applied to the transportation sector range from 0 to 25 percent, with an average of 2.4 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 five tariff elimination categories: immediate elimination, equal cuts over five years, cuts over 5 years where there is a one year deferment and four years of equal cuts, 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, 49 percent of U.S. exports will receive duty-free treatment immediately upon implementation of the agreement. Tariffs on 11 percent of exports will be eliminated over five years with equal cuts and another 2 percent will be eliminated over five years with a one-year deferment of cuts. Duties on the remaining 38 percent of U.S. exports will be eliminated over ten years.

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 transportation equipment 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.