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

Industrial Goods

Trade and Tariffs

The category of industrial products includes all products subject to neither the WTO Agreement on Agriculture or the Agreement on Textiles and Clothing. Industrial goods represented approximately 53 percent of total U.S. exports to Central America in 2003, totaling nearly $7.7 billion. U.S. industrial exports to Central America and the Dominican Republic are greatest in the information technology, chemicals, and capital goods sectors. Costa Rica is the United States' leading export market in the industrial sector among the parties, accounting for 31 percent of total U.S. industrial exports to the region.

Central American tariffs on industrial products range from 0 to 30 percent, with the average varying by country from 3.4 to 7.6 percent. The highest tariffs on industrial goods apply to automobiles, clocks, footwear, and weaponry in El Salvador and Guatemala.

Central America industrial goods exports to the United States were about $4.3 billion in 2003, or 26 percent of the region's total exports to the United States. Costa Rica is the leading exporter of the six countries, accounting for 39 percent of Central American and Dominican industrial exports to the United States.

The United States applies tariffs of zero to specific tariffs equivalent to 109 percent on industrial products. Almost all industrial import from Central America and the Dominican Republic are eligible to enter the United States free of duty under the Generalized System of Preferences (GSP), Caribbean Basin Initiative (CBI), or Caribbean Basin Trade Partnership Act (CBTPA).

Tariff Elimination

The CAFTA will eliminate all industrial tariffs in the United States and the five Central American partner countries within 10 years of implementation. While the U.S. schedule for tariff elimination is identical for all six partner countries, the Central American and Dominican schedules vary by country. The tariff elimination categories under which all industrial tariffs are placed are the same for all countries, however.

Tariffs will be phased out according to five tariff elimination categories: immediate elimination, equal cuts over five years, non-equal cuts over 5 years, equal cuts over 10 years, and non-equal cuts over 10 years. Duties on products in the non-equal 5-year category will be subject to no tariff reduction the first year, then reductions of 25 percent the last four years. Duties on products in the non-equal 10-year 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, 81 percent of U.S. industrial exports 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 14 percent of U.S. exports will be eliminated over ten years. Six percent of exports will be subject to non-linear tariff elimination. Some products subject to non-

[1] The U.S.-Dominican Republic and Central America Free Trade Agreement includes seven signatories: the United States, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua.

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linear 10-years staging include some motor vehicles; some plastic sheets, sacks, and bags; some paints, some metals items, furniture, and some footwear.

Priority products that will be provided rapid tariff elimination in Central America and/or the Dominican Republic include fish, fertilizers and agro-chemicals, pharmaceuticals, polymers and resins, travel goods, certain paper products, certain manufactured metal products, medical and scientific equipment, information technology products, wood, and certain appliances.

Of the six DR-CAFTA participants, Costa Rica and El Salvador are already signatories to the Information Technology Agreement. The other four countries (Guatemala, Honduras, Nicaragua, and the Dominican Republic) agreed to join the ITA multilaterally as part of the DR-CAFTA.

The United States agreed to consolidate all CBI and CBTPA tariff preferences into the final tariff elimination schedules. As a result, all Central American exports of industrial goods to the United States will continue to receive duty-free treatment with the exception of 16 rubber footwear items and two canned tuna fish lines.

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