U.S.-Dominican Republic and Central America Free Trade Agreement

Key Market Access Results and Benefits

The United States, the five Central American countries of Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua and the Dominican Republic concluded an historic and comprehensive free trade agreement (FTA) in January 2004. The Agreement, designed to eliminate and reduce tariffs and other trade barriers, will dramatically increase market access in the region for U.S. manufacturers and service providers.

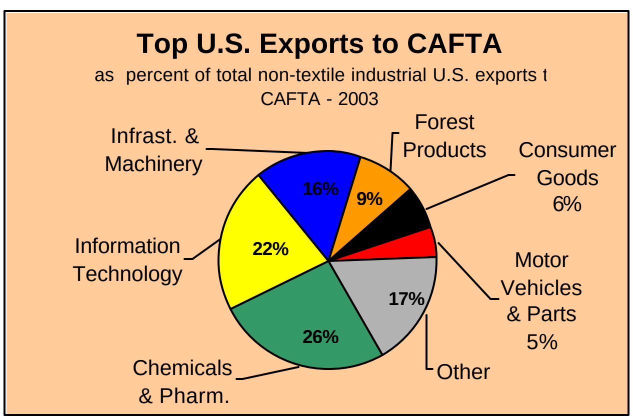
The U.S.-Dominican Republic and Central America Free Trade Agreement, or CAFTA-DR, is the fourth FTA between the United States and a Western Hemisphere country, after the U.S.-Canada FTA, NAFTA, and the U.S.-Chile FTA. It is a 21st Century, state-of-the-art agreement that reflects the modern globalized economy, opening markets and streamlining mutual access in intellectual property, services, government procurement, ecommerce, and investment. Cumulatively, Central America is a major trade and investment partner of the United States, and in 2003 was America's 15th largest export market for goods. The Dominican Republic is a major trade and investment partner of the United States as well. In 2003, the Dominican Republic was America's 26th largest export market for goods, and the fourth largest in the Western Hemisphere, behind Canada, Mexico, and Brazil. The region forms a key export market for important U.S. manufacturing sectors such as information technology products, agricultural and construction equipment, paper products, wood, chemicals, pharmaceuticals, and medical and scientific equipment.

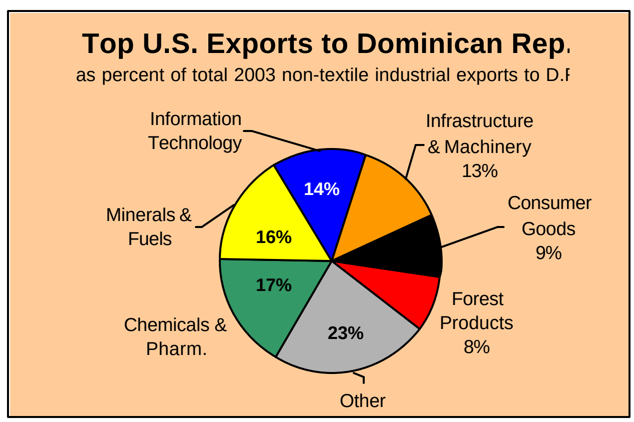
Our combined CAFTA-DR partners are the 2nd largest market for U.S. exports in Latin America.

Manufactured Goods

U.S. exports of manufactured goods to Central America and the Dominican Republic reached $7.7 billion in 2003. The region's manufactured goods exports to the United States totaled $4.3 billion. Average tariff rates across the six CAFTA-DR countries vary from 3.4 to 7.6 percent, with absolute tariffs ranging from zero to 30 percent. The highest tariffs faced by U.S. exporters apply to autos, clocks, footwear and weaponry.

- There will be significant benefits for such key U.S. manufacturing sectors as fish, fertilizers and agro-chemicals, pharmaceuticals, polymers and resins, travel goods, paper products, manufactured metal products, information technology products, aerospace equipment, medical and scientific equipment and appliances.





- More than 80 percent of U.S. manufactured exports to Central America and the Dominican Republic will be duty-free immediately upon entry into force of the Agreement. Tariffs on remaining U.S. manufactured exports will be phased out over five and ten years.

- American firms currently face asymmetric market access barriers as almost all CAFTA-DR exports to the United States are eligible for preferential tariff treatment under the Caribbean Basin Initiative and Caribbean Basin Trade Partnership Act. This Agreement will level the playing field.

Prepared by the Office of Trade Policy Analysis, Manufacturing and Services, International Trade Administration. November 2004.

Textiles and Apparel

- Textile and apparel tariffs will be eliminated retroactively to January 1, 2004 for goods that meet the Agreement's rule of origin.

Services

Central America and the Dominican Republic form a large and growing market for U.S. service suppliers.

- The CAFTA-DR countries will accord substantial access to U.S. services suppliers, subject to very few exceptions, based on the "negative list" approach. Central American commitments cover both cross-border supply of services (such as services supplied through electronic means, or through the travel of nationals) as well as the right to invest and establish a local presence.

- The Parties have agreed to change "dealer protection regimes" and loosen restrictions that lock many different types of U.S. service firms into exclusive or inefficient distributor arrangements.

- The Agreement results in increased market access for U.S. exporters in a variety of sectors: advertising; architecture, construction and engineering; distribution services; education and training; energy; entertainment (including broadcasting and audiovisual); environmental; express delivery; healthcare; information services (including computer services); professional services (including management consulting, accounting, and legal); telecommunications; real estate; and tourism.

- For broadcasting and audiovisual services, the FTA contains important provisions to improve market access for U.S. films and television programs over a variety of media including cable, satellite, and the Internet.

- *Telecommunications and Insurance.* Costa Rica agreed to undertake significant regulatory reforms to open its state-monopoly telecommunications and insurance markets. The other four Central American countries also made significant commitments, such as permitting insurance branching within 3-4 years.

- *Financial Services*. U.S. financial service suppliers have full rights to establish subsidiaries, joint ventures, or branches for banks and insurance companies.

- *E-Commerce*. Digital products will receive non-discriminatory treatment and will not be subject to customs duties.

Government Procurement

- U.S. suppliers are granted rights to bid on contracts to supply all key ministries and state-owned enterprises. Low-value contracts are excluded, and the U.S. small business set-asides program remains unchanged.

- Central American government purchases to which U.S. firms now have access are estimated at $8-$12 billion annually. Dominican government purchases to which U.S. firms now have access are estimated at $400 million annually.

Best Prospects

While the benefits of CAFTA-DR will be felt broadly throughout U.S. industry, certain sectors are particularly well positioned to capitalize on the results of this Agreement.

U.S. Exports of Manufactured Goods to Central America. Best export prospects include chemicals such as insecticides, carbonates, medicaments, vitamins and coloring matter; beauty and hair products; consumer goods including dental products, processed foods, washing machines, lamps and light fittings, furniture, air conditioning machines; office paper products; information technology products such as optical fibers cables, semiconductor devices; office machinery, refrigerator, freezers and heat pumps, industrial furnaces; special purpose vehicles; and environmental/pollution control technologies, construction equipment, and hotel and restaurant equipment.

For example, the FTA will offer duty free access to U.S. exports of consumer goods such as household and beauty products with pre-FTA tariffs from 10 to 15 percent, and medical and dental hygiene products with pre-FTA tariffs of 15 percent.

U.S. Exports of Manufactured Goods to the Dominican Republic. Best export prospects include aerospace parts, prefabricated buildings and other building products, inks, beauty products and bath preparations, insecticides and fungicides, certain polymers and plastics, pharmaceuticals, air conditioning equipment, exercise equipment, frozen fish, various paper products, computers and electronic equipment, steam generation equipment, engines, heat pumps and refrigeration equipment, harvesting and construction machinery, electrical switches, iron/steel pipe fittings, X-rays and other medical equipment, motor vehicles parts.

For example, the FTA will offer duty free access to U.S. exports of appliances such as household refrigerators with pre-FTA tariffs of 20 percent, and electrical products with pre-FTA tariffs of 14 percent.

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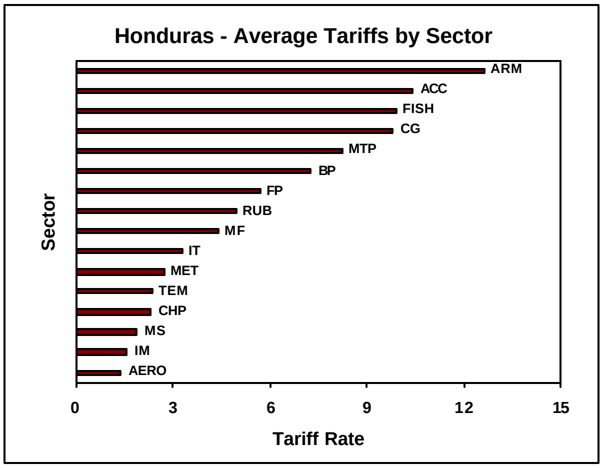
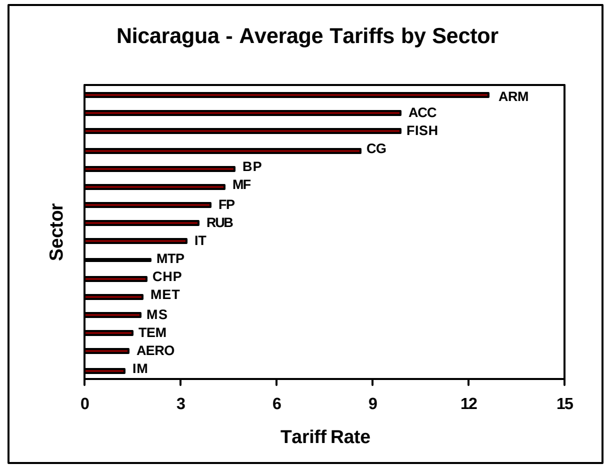
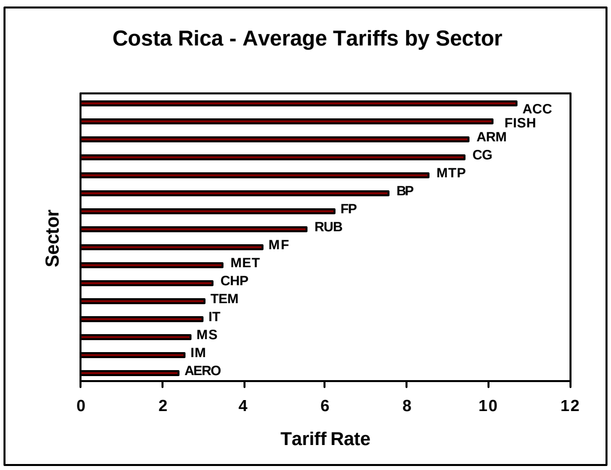
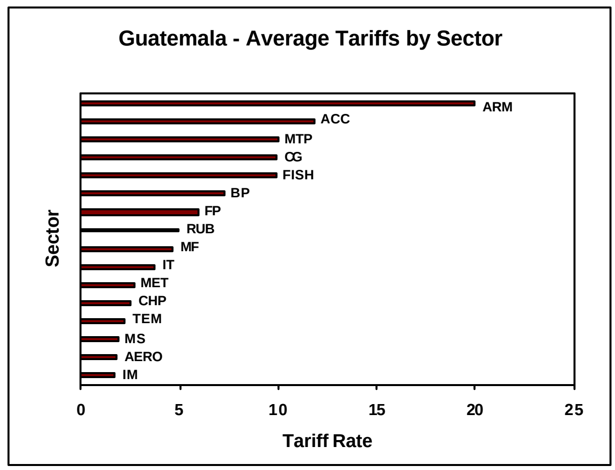
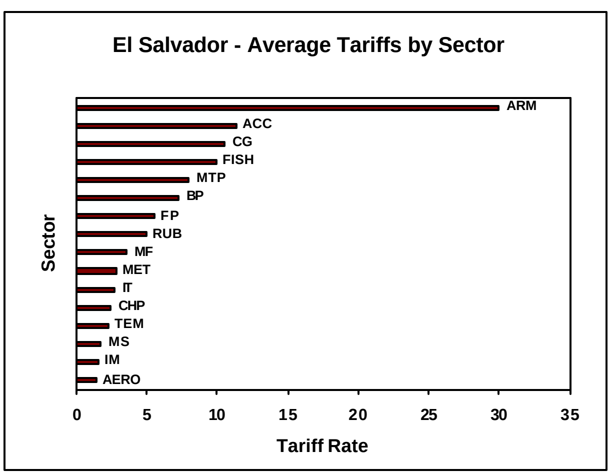
CAFTA-DR: Average Tariffs by Sector in 2003

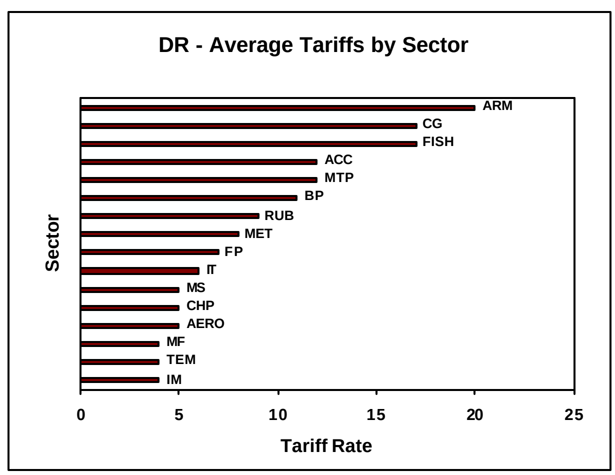












ARM = Arms & Ammunition	FP = Forest Products
CG = Consumer Goods	IT = Information Technology
FISH = Fish	MS = Medical & Scientific Equip.
ACC = Accessories	CHP = Chemicals & Pharm.
MTP = Motor Vehicles & Parts	AERO = Aerospace
BP = Building Products	MF = Minerals & Fuels
RUB = Rubber	TEM = Transport Equipment
MET = Metals & Ores	IM = Infrastructure & Machinery

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