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

Capital Goods

Trade and Tariffs

The capital goods sector includes the agriculture and construction equipment sectoral initiatives, as well as other machinery and equipment products. Capital goods accounted for approximately 14 percent of total U.S. industrial exports to Central America and the Dominican Republic in 2004, totaling $1.1 billion. Machinery parts, tractors, pumps, and switches lead U.S. exports in this sector. The Dominican Republic is the United States' leading export market in the sector, accounting for 38 percent of total U.S. capital goods exports to the region.

Central American and Dominican tariffs on capital goods range from 0 to 20 percent, with the average varying by country from 1.1 to 3.4 percent. Tariffs in this sector tend to be highest on air conditioning and refrigeration equipment, and hand tools.

Central American and Dominican exports to the United States in this sector were about $285 million in 2004, or about 6 percent of the region's total industrial exports to the United States. The Dominican Republic is the leading exporter of the six countries, accounting for 75 percent of Central American and Dominican capital goods exports in the sector.

The United States imposes MFNN tariffs on capital goods of 0 to 14 percent, with an average of 1.8. The highest tariffs are applied to railway cars. All products in this sector receive duty-free treatment under the Caribbean Basin Initiative (CBI) and Caribbean Basin Trade Partnership Act (CBTPA), 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, 92 percent of U.S. industrial exports will receive duty-free treatment immediately upon implementation of the agreement. Tariffs on 2 percent of exports will be eliminated over five years. Duties on the remaining 6 percent of U.S. exports will be eliminated over ten years. Only 1 percent of exports will be subject to non-linear tariff elimination. Trailers and semi-trailers, pneumatic tires, air-conditioning machinery, and refrigeration display counters are examples of products that will be subject to non-linear 10-year staging. Tariffs on high value capital goods including air-conditioning equipment and dumpers will, in most cases, be phased out immediately or in 5 years.

<u>Agricultural Equipment</u>: One hundred percent of U.S. agricultural equipment exports will be duty-free immediately upon implementation of the agreement.

[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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Construction Equipment: Ninety-five percent of U.S. construction equipment exports will be duty-free immediately upon implementation of the agreement. Duties on 4 percent of U.S. exports will be eliminated over five years, and duties on the remaining 1 percent will be eliminated over 10 years.

Printing, Publishing, and Converting Equipment: One hundred percent of U.S. printing, publishing and converting equipment exports will be duty-free immediately upon implementation of the agreement.

Woodworking Machinery: Ninety-four percent of U.S. woodworking machinery exports will be duty-free immediately upon implementation of the agreement. Duties on the remaining 6 percent of 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 capital goods exports 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.

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.

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