



CAFTA-DR Facts

Office of the United States Trade Representative
CAFTA Policy Brief – July 2007

www.ustr.gov

Ethanol Provisions in the CAFTA-DR

- The U.S. Free Trade Agreement with Central America and the Dominican Republic (CAFTA-DR) does not increase overall access to the U.S. ethanol market.
- Under the Caribbean Basin Initiative (CBI), countries in Central America and the Caribbean have had duty-free access to the United States since 1989 for ethanol produced from regional feedstocks. Access for ethanol derived from non-regional feedstocks has been limited by a CBI quota equal to 7 percent of total U.S. ethanol consumption.
- The CAFTA-DR allows the Central American countries and the Dominican Republic to continue to share in the CBI quota, without increasing the overall size of the quota. The Agreement also establishes country-specific shares for Costa Rica and El Salvador within the overall CBI quota.
- Costa Rica, El Salvador, Jamaica, and Trinidad & Tobago are the only countries that have ever exported ethanol under the CBI quota.
- Strict rules of origin in the CBI and under the CAFTA-DR prevent transshipment of ethanol from other countries.
- U.S. ethanol consumption grew 28 percent from 2005 to 2006 due to the 2005 U.S. Renewable Fuel Standard and is expected to increase substantially again in 2007.

Ethanol Production and Imports (2006)

- U.S. Production: 5.4 billion gallons.
- U.S. Total Imports: 653 million gallons.
- CBI imports are duty-free, unlimited if made from local feedstocks.
 - CBI (non-local feedstock) quota: 268 million gallons.
 - CBI Imports: 156 million gallons - (from local and non-local feedstocks).
- U.S. Imports from CAFTA-DR countries:
 - El Salvador: 38.3 million gallons.
 - Costa Rica: 35.8 million gallons.

CAFTA-DR Country-Specific Allocations (for Non-Local Feedstock Quota)

- El Salvador: 5.2 million gallons in first year (2006); annual increase of 1.3 million gallons per year (6.6 million gallons in 2007), not to exceed 10% of CBI quota.
- Costa Rica: 31 million gallons annually (once the CAFTA-DR enters-into-force; still awaiting Costa Rica's ratification of the agreement).