United States-Central America-Dominican Republic Free Trade Agreement

Commodity Fact Sheet

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What's at Stake for Beef?

On August 5, 2004, the United States signed the United States-Central America-Dominican Republic Free Trade Agreement (CAFTA-DR) with Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua. The agreement, which Congress must now approve and enact implementing legislation, will provide America's farmers, ranchers, food processors, and the businesses they support with improved, and in many cases, new access to this growing regional market of 44 million consumers. The CAFTA-DR calls for eventual duty-free, quota-free access on essentially all products, and addresses other trade measures among the parties as well. Under the existing terms of the Caribbean Basin Initiative, which the CAFTA-DR replaces, nearly all agricultural exports from the CAFTA-DR countries to the United States already receive duty free treatment. The CAFTA-DR levels the playing field, providing U.S. exporters market access that is better than, or at a minimum equal to, that given to other competitor countries.

U.S. Gains Improved Access to the Dominican and Central American Dynamic Economies

Before CAFTA-DR. . . U.S. beef, including offals, faced applied import tariffs of 15 to 30 percent depending on the product and country, and the WTO permits duties as high as 79 percent. From 2001 through 2003, U.S. suppliers annually shipped on average 4,424 metric tons (mt) valued at $10.6 million to all six countries combined, and the U.S. share of their import markets was over 60 percent (in value terms). U.S. beef exports in 2004 were severely impacted by BSE.

After CAFTA-DR. . . U.S. Prime and Choice cuts of beef gain preferential access as tariffs applied to these products are immediately eliminated (except the Dominican Republic) while those applied to other cuts are phased-out over 15 years. Immediate duty-free access will be provided by certain countries on other beef cuts through an initial TRQ totaling 1,165 mt, expanding annually until duties are fully phased-out. Tariffs on beef offal and other beef products are phased out over 5 to 10 years. As part of the agreement, all 6 CAFTA-DR countries are working toward the recognition of the U.S. meat inspection and certification systems in order to facilitate U.S. exports.

Costa Rica

Tariffs on Prime and Choice cuts of beef and offal are immediately eliminated. Tariffs on other products are phased out over 15 years. The tariff reduction schedule is back-loaded and safeguards apply.

Dominican Republic
The United States gains immediate duty-free access for 1,100 mt of Prime and Choice beef through a tariff rate quota (TRQ). During the 15-year linear phase out of the out-of-quota duty, the quota will grow by 100 mt per year. A TRQ of 220 mt for beef trimmings is also established and grows by 10 percent annually.

El Salvador
Tariffs on Prime and Choice cuts of beef are immediately eliminated. A TRQ of 105 mt for other beef cuts is established, expanding by 5 percent per year. Tariffs on offal are phased out over 5 years. Tariffs on other products will be phased out over 15-years with a back-loaded reduction schedule.

Guatemala
Tariffs on Prime and Choice cuts of beef are immediately eliminated, and tariffs on other products are phased out over 15-years. A TRQ of 1,060 mt for other beef cuts is established and expands by 6 percent annually.

Honduras
Tariffs on Prime and Choice cuts of beef are immediately eliminated, tariffs on offal are phased out over 5 years, and tariffs on all other products are phased out over 15 years.

Nicaragua
Tariffs on Prime and Choice cuts of beef are immediately eliminated, and tariffs on offal are phased out over 5 years. There is a 15-year tariff phase out on other products with a back-loaded reduction schedule and safeguards apply.

In addition to providing market access through TRQs and tariff reductions, CAFTA-DR countries are working toward the recognition of the U.S. meat inspection and certification systems in order to facilitate U.S. exports.

U.S. Consumers Benefit

Before CAFTA-DR. . . Beef from the CAFTA-DR countries entering the United States faced an out-of-quota tariff of 26 percent. From 2002 through 2004, U.S. companies annually imported on average 27,364 mt valued at $66.6 million from all six countries combined, and their share of the U.S. import market was 2 percent (in value terms).

After CAFTA-DR. . . Beef from all the CAFTA-DR countries gains preferential access as out-of-quota tariffs are phased out over 15 years and then eliminated. TRQ access is established for all countries except Guatemala, with different quantity bases in the first year. The CAFTA-DR TRQ access will open once the existing U.S. WTO TRQ fills.

Costa Rica
Initial TRQ of 10,536 mt, growing by 5 percent per year

Dominican Republic
Initial TRQ of 1,320 mt, growing by 10 percent per year

El Salvador
Initial TRQ of 105 mt, growing by 5 percent per year

Honduras
Initial TRQ of 525 mt, growing by 5 percent per year

Nicaragua
Initial TRQ of 10,500 mt, growing by 5 percent per year