

# United States-Central America-Dominican Republic Free Trade Agreement

## Commodity Fact Sheet May 2005

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### What's at Stake for Dog and Cat Food?

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.

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

*Before CAFTA-DR.* . . U.S. dog and cat food face import tariffs of 15 percent in all 5 Central American countries and a 20 percent duty in the Dominican Republic. The WTO permits tariffs as high as 60 percent. Without preferential access, U.S. dog and cat food is at a disadvantage to products from Mexico, Canada, and the European Union. From 2002 through 2004, U.S. suppliers annually shipped on average 15,500 metric tons (mt) valued at \$9.3 million to all six countries combined, and the U.S. share of the CAFTA-DR import market was 63 percent.

*After CAFTA-DR.* . . U.S. dog and cat food gains preferential access as El Salvador and Guatemala immediately eliminate tariffs, while the other Central American countries eliminate duties over 5 to 15 years. The Dominican Republic will immediately eliminate the tariff for canned pet food, while tariffs will be eliminated over 10 years for dry pet food.

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### U.S. Consumers Benefit

*Before CAFTA-DR.* . . Dog and cat food are permitted to enter the United States duty-free from all six countries. Currently, only Costa Rica exports dog and cat food to the United States.

From 2002 through 2004, U.S. annual imports from Costa Rica averaged 62 metric tons valued at \$42,000, and its share of the U.S. import market was under 1 percent.

*After CAFTA-DR. . .* Dog and cat food from all six countries gain preferential access as U.S. import tariffs are immediately locked in at zero.