United States-Central America-Dominican Republic Free Trade Agreement

Commodity Fact Sheet

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What's at Stake for Fruit and Nuts?

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. . . In the six CAFTA-DR countries, U.S. fruits and nut products faced average import tariffs of 15 percent, but these tariffs can rise to 25 percent on U.S. exports such as apples, grapes, raisins, peaches, pears, cherries, almonds, walnuts and pistachios, and are higher on other products. The WTO permits tariffs as high as 138 percent on certain of these fruits and 60 percent on certain tree nuts in some countries. Without preferential access, U.S. fruits and nuts are at a disadvantage to products from Argentina, Chile, and Mexico. From 2002 through 2004, U.S. suppliers annually shipped on average 43,540 metric tons (mt) of fruit and nuts valued at $55.5 million to all 6 countries combined, and the U.S. share of their import market was approximately 40 percent in 2002.

After CAFTA-DR. . . U.S. fruits and nuts gain preferential access to the markets of all 6 countries. Over 70 percent of U.S. fruit and nut products are eligible for immediate duty-free access, while another 26 percent of all fruit and nut products will have their import tariffs phased out over the next 5 to 10 years. Tariffs on all fruits and nut products will be phased-out within 15 years.

U.S. suppliers will gain immediate duty-free access for apples, peaches, pears, grapes, cherries, almonds, walnuts, pistachios, raisins, canned peaches, canned pears and frozen concentrated grapefruit juice in all six countries, and on frozen concentrate orange juice in all Central

American countries. These results will allow U.S. suppliers to compete in these growing markets on equal terms with suppliers from other countries.

U.S. Consumers Benefit

Before CAFTA-DR. . . Fruits and nut products from the 6 CAFTA-DR countries enter the U.S. duty-free as a result of benefits granted under the provisions of the Caribbean Basin Initiative. From 2002 through 2004, U.S. companies annually imported on average 3.5 million mt of fruits and nuts valued at $1.1 billion from the six countries combined, and their share of the U.S. import market was 39 percent.

After CAFTA-DR. . . All 6 CAFTA-DR countries lock-in duty-free access to the U.S. market for all fruit and nut products.