United States-Central America-Dominican Republic Free Trade Agreement

Commodity Fact Sheet

May 2005

What's at Stake for Pork?

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. pork, including offals, faced applied import tariffs of 15 to 47 percent depending on the product and country, and the WTO permits tariffs as high as 60 percent. From 2002 through 2004, U.S. suppliers annually shipped on average 11,770 metric tons (mt) valued at $20.5 million to all six countries combined, and the U.S. share of their import markets was 75 percent (in value terms).

After CAFTA-DR. . . The United States gains preferential access for pork as tariffs are reduced to complete elimination over 15 years. Tariffs on bacon and some offal products will be eliminated immediately. Duty-free in-quota tariff rate quotas (TRQs) amounting to 13,613 mt are established in the first year and will grow 5 to 15 percent a year, depending on the country. As part of the agreement, all six CAFTA-DR countries are working toward recognition of the U.S. meat inspection and certification systems, which would replace the existing policy of plant-by-plant inspections and approval.

Costa Rica

Tariffs on bacon and most offal products are eliminated immediately, while remaining tariffs on other pork products are phased out over a 15-year period. U.S. producers gain duty-free in-quota access in the form of a TRQ that starts with a base of 1,100 mt and grows 10 percent in the first 5 years, 12 percent in the next 5 years, and 15 percent in the last 4 years. The out-of-quota tariff shall remain at base rates for the first 6 years and is then reduced in equal annual increments over the final 9 years. Safeguards are available during the tariff phase-out period.

Dominican Republic
Tariffs on most pork and pork products will be eliminated over 15 years with safeguards available on some products during the phase out period. U.S. producers gain duty-free in-quota access in the form of a TRQ that starts with a base of 3,465 mt and grows 10 percent annually. Additionally, TRQs for bacon and fat will be established at quantities of 220 and 550 mt respectively.

El Salvador
Tariffs on bacon and most offal products are eliminated immediately, while remaining tariffs on other pork products are phased out over a 15-year period. U.S. producers gain duty-free in-quota access in the form of a TRQ that starts with a base of 1,650 mt and grows 10 percent annually. The out-of-quota tariffs shall remain at base rates for the first 6 years and then reduced by 40 percent over the next 5 years, and completely eliminated over the last 4 years. Safeguards are available during the tariff phase-out period.

Guatemala
Tariffs on bacon and offal products are eliminated immediately, while remaining tariffs on other pork products are phased out over a 15-year period. A duty-free TRQ will be provided for U.S. exports of pork with a base of 4,148 mt growing at 5 percent annually. Safeguards are available during the tariff phase-out period.

Honduras
Tariffs on bacon and some offal products are eliminated immediately, while remaining tariffs on other pork products are phased out over a 15-year period. U.S. pork producers receive access to TRQ with a base of 2,150 mt that grows by 7.5 percent annually. The out-of-quota tariff shall remain at base rates for the first 6 years and is then reduced by 40 percent over the next 5 years, and completely eliminated over the last 4 years. Safeguards are available during the tariff phase-out period.

Nicaragua
Tariffs on bacon and offal products are eliminated immediately, while remaining tariffs on other pork products are phased out over a 15-year period. U.S. producers gain a duty-free TRQ starting with a base of 1,100 mt and growing at 10 percent annually. Safeguards are available during the tariff phase-out period.

U.S. Consumers Benefit

Before CAFTA-DR. . . Pork imports from the CAFTA-DR countries are not subject to import duties in the United States as a result of benefits granted under the Caribbean Basin Initiative. However, pork from all six CAFTA-DR countries is prohibited from entering the U.S. market since the countries have not yet met USDA sanitary and phytosanitary (SPS) requirements in their meat inspection systems.

After CAFTA-DR. . All six CAFTA-DR countries lock-in duty free access for pork to the U.S. market. Imports are permitted once all outstanding SPS and technical issues affecting bilateral trade are adequately addressed through ongoing consultations.