United States-Central America-Dominican Republic Free Trade Agreement

Commodity Fact Sheet

May 2005

What's at Stake for Poultry Meat?

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. poultry meat suppliers currently face tariffs as high as 164 percent on both fresh and frozen products in some countries, and the WTO permits duties as high as 250 percent. From 2002 through 2004, U.S. poultry meat suppliers annually shipped on average 73,195 metric tons (mt) valued at $51.4 million to all six countries combined. During this period, chicken leg quarters accounted for approximately 55 percent (in value terms) of total U.S. poultry exports to the Dominican Republic and Central America.

Non-science based sanitary-phytosanitary (SPS) restrictions coupled with stringent import requirements further restrict U.S. poultry meat exports to the CAFTA-DR region.

After CAFTA-DR. . . Under the agreement, each CAFTA-DR country will provide immediate duty-free access on chicken leg quarters, a product where the United States is the world's most competitive exporter, through country-specific TRQs that expand annually as duties are eliminated in 17 to 20 years. Some tariffs on poultry products, such as wings, breast meat and mechanically de-boned meat will be reduced more quickly, with many eliminated within 10 years.

Costa Rica will establish a 330 mt TRQ for chicken leg quarters in year 1, growing by 10 percent annually. The other Central American countries will establish a total initial regional TRQ of

21,810 mt (with individual country minimum quota levels). After year 12, the TRQ quantity will be no less than 5 percent of regional chicken production. The tariffs on chicken leg quarters will be eliminated in 17 years in Costa Rica and 18 years in the other four Central American countries.

The Dominican Republic will establish an initial TRQ for chicken leg quarters of 550 mt, growing by 10 percent annually. The Dominican Republic will also establish a 440 mt TRQ for mechanically de-boned chicken, growing by 10 percent a year, which will be phased out over 10 years, and a 3,850 met TRQ for turkey products, which will be phased out over 15 years.

In addition to providing market access through TRQs and tariff reductions, each CAFTA-DR country is 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… U.S. tariffs on imported poultry meat from CAFTA-DR countries are currently zero due to preferences granted under the Caribbean Basin Initiative. In the recent years, the United States has not imported any poultry meat from CAFTA-DR countries.

After CAFTA-DR. . . Under this agreement, the zero duty on poultry and poultry products is locked in immediately.