United States-Central America-Dominican Republic Free Trade Agreement

Commodity Fact Sheet

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What's at Stake for Pulses*?

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. pulses faced applied import tariffs of 5 to 89 percent. The WTO permits tariffs as high as 110 percent. From 2002 through 2004, U.S. suppliers of pulses annually shipped on average 23,500 metric tons (mt) valued at nearly $ 11million to all six countries combined. Over 59 percent of these shipments were to the Dominican Republic, where the United States maintains over 55 percent of the import market for all pulses. The U.S. import market share in the Central American countries was 48 percent.

After CAFTA-DR. . . U.S. pulses gain preferential access as tariffs are immediately eliminated for some products, while for others the tariffs are eliminated over a period of 5 to 15 years.

Costa Rica
The tariffs for peas and lentils are phased out in equal increments over 10 years and 5 years, respectively. The tariff for beans is phased out over 15 years. Safeguards are available during the transition period with an initial trigger of 1,200 mt, growing by 10 percent annually. At no time will the safeguard surpass the base tariff rate.

El Salvador
The tariff for peas is phased out in equal increments over 5 years, while the tariff for lentils is immediately eliminated. The tariffs for white beans are phased out in equal increments over 12 years. The tariffs for black beans, red beans and other beans are phased out in equal increments over 15 years. Safeguards are available during the transition period for black beans, red beans and other beans, with an initial trigger of 60 mt, growing by 10 percent annually. At no time will the safeguard surpass the base tariff rate.

Guatemala
The tariffs for red beans and split black beans are immediately eliminated. The tariffs for peas, white beans and other beans are phased out in equal increments over 10 years. The tariff for whole black beans is phased out over 15 years. Tariffs remain unchanged during the first 6 years of implementation; face a 40-percent reduction over the next 5 years, and a 60-percent reduction over the final 5 years until complete tariff elimination in year 15. Safeguards are available during the transition period for whole black beans with an initial trigger of 50 mt, growing by 5 percent annually. At no time will the safeguard surpass the base tariff rate.

Honduras
The tariff for white beans is phased out in equal increments over 5 years. The tariffs for peas and lentils are phased out in equal increments over 10 years. The tariffs for red beans, black beans and other beans are phased out in equal increments over 15 years.

Nicaragua
The tariffs for peas and lentils are phased out in equal increments over 5 years. The tariff for beans is phased out in equal increments over 15 years. Safeguards are available during the transition period for red beans with an initial trigger of 700 mt, growing by 10 percent annually. At no time will the safeguard surpass the base tariff rate.

Dominican Republic
The 20 percent tariffs for peas and lentils are phased out immediately. U.S. producers of red, black, and white beans gain a preferential duty-free TRQ of 8,560 mt that grows 7 percent annually. Safeguards are available during the transition period if imports exceed the quota by more than 30 percent in any given year.

U.S. Consumers Benefit

Before CAFTA-DR. . . The United States permits pulses from the Dominican Republic and Central America to enter duty free. From 2002 through 2004, U.S. companies annually imported on average 4,100 mt of pulses valued at approximately $3.8 million from all six countries combined, and their share of the U.S. import market was 3 percent.

After CAFTA-DR. . . Pulses from all six countries retain preferential access as U.S. tariffs are immediately locked in at zero.

* The product group “pulses” includes all HS Code 0713 (peas, beans, and lentils) except for seed.