

United States-Central America-Dominican Republic Free Trade Agreement

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What's at Stake for Soups and Broths (Dried)?

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. soups and broths face import tariffs of 15 percent in the five Central American countries and a 20 percent tariff in the Dominican Republic, and the WTO permits tariffs as high as 60 percent. Without preferential access, U.S. soups and broths are at a disadvantage to products from Mexico and Taiwan. From 2002 through 2004, U.S. suppliers annually shipped on average product worth \$11 million to all six countries combined, and the U.S. share of their import market in 2002 was 45 percent.

After CAFTA-DR. . . U.S. soups and broths gain preferential access to the five Central American countries as tariffs in Costa Rica and Honduras are eliminated immediately, while tariffs in the other three Central American countries are eliminated in 5 years. Tariffs on soups and broths are eliminated over 15 years in the Dominican Republic.

U.S. Consumers Benefit

Before CAFTA-DR. . . Soups and broths are permitted to enter the United States duty-free from all six countries as a result of benefits granted under the Caribbean Basin Initiative. From 2002 through 2004, U.S. annual imports from all six countries averaged \$6.6 million.

After CAFTA-DR. . . Soups and broths from all six countries lock in duty-free access to the U.S. market.