United States-Central America-Dominican Republic Free Trade Agreement

Commodity Fact Sheet

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What's at Stake for Soybean Oil?

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. soybean oil faced applied import tariffs of 0 to 20 percent depending on the country and the level of processing, while the WTO permits tariffs as high as 232 percent. El Salvador, Nicaragua, and Guatemala also maintained tariff rate quotas (TRQs) for soybean oil. From 2002 through 2004, U.S. suppliers annually shipped on average 76,286 metric tons (mt) valued at $38 million to all six countries combined, and the U.S. share of their import market was 22 percent in 2004.

Costa Rica
Costa Rica applied import tariffs of 6 percent on crude soybean oil and 15 percent on refined soybean oil. The WTO permits Costa Rica to apply rates of 25 percent on soybean oils.

El Salvador
El Salvador applied a 15 percent tariff on refined soybean oil, but permitted crude soybean oil to enter duty-free. Under WTO rules, El Salvador may implement a TRQ on soybean oil with an over-quota duty of 88 percent.

Guatemala
Guatemala applied a 15 percent tariff on refined soybean oil, but permitted crude soybean oil to enter duty-free. Under WTO rules, Guatemala may implement a TRQ on soybean oil with an over quota-duty of 232 percent.

Honduras
Honduras applied tariffs of 5 percent on crude soybean oil and 15 percent on refined soybean oil. The WTO permits Honduras to apply tariff rates of 35 percent.

Nicaragua
Nicaragua applied a 15 percent tariff on refined soybean oil, but permitted crude soybean oil to enter duty-free. Under WTO rules, Nicaragua may implement a TRQ on soybean oil with both in-quota and over-quota duties as high as 60 percent.

Dominican Republic
The Dominican Republic applied a 3 percent tariff to crude soybean oil and a 20 percent tariff on refined soybean oil. The WTO permits the Dominican Republic to implement tariff rates of 40 percent.

After CAFTA-DR. . . U.S. soybean oil gains preferential access as some tariffs are immediately eliminated, while others are eliminated after 12 or 15 years.

Costa Rica
Tariffs of 6 percent on crude soybean oil and 15 percent on refined soybean oil are eliminated over 15 years with most of the reduction occurring during the last five years. Refined soybean oil is subject to a safeguard with an initial trigger limit of 1,178 metric tons (mt) that increases by 60 mt per year. The safeguard tariff on refined soybean oil is set at 15 percent during the first 9 years of the agreement, after which it is reduced and then eliminated by the 15th year.

El Salvador
The tariff on crude soybean oil is immediately eliminated, while the tariff on refined soybean oil is reduced from 15 percent to 0, over 12 years. Refined soybean oil is subject to a safeguard with an initial trigger of 8,000 mt that increases by 400 mt per year. The safeguard tariff on refined soybean oil is set at 15 percent during the first 4 years of the agreement, after which it is reduced and then eliminated by the 12th year.

Guatemala
The tariff on crude soybean oil is immediately eliminated, while the tariff on refined soybean oil is reduced from 15 percent to 0, over 15 years. Refined soybean oil is subject to a safeguard with an initial trigger of 2,600 mt that increases by 130 mt per year. The safeguard tariff on refined soybean oil is set at 15 percent during the first 4 years of the agreement, after which it is reduced and then eliminated by the 15th year.

Honduras
The tariff on crude soybean oil is eliminated over 12 years, and the tariff on refined soybean oil is eliminated over 15 years. Refined soybean oil is subject to a safeguard with an initial trigger of 3,500 mt that increases by 175 mt per year. The safeguard tariff on refined soybean oil is set at 10 percent during the first 4 years of the agreement, after which and is reduced and then eliminated by the 15th year.

Nicaragua
Tariffs on soybean oil are phased-out over 15 years.

Dominican Republic
The tariff on crude soybean oil is eliminated immediately, and the tariff on refined soybean oil is eliminated over 15 years. Refined soybean oil is subject to a safeguard with an initial trigger of 3,200 mt that increases by 320 mt per year. The safeguard tariff will be eliminated when the tariff is eliminated and may never exceed the current applied base rate of 20 percent.

U.S. Consumers Benefit

Before CAFTA-DR. . . Soybean oil imports from all six countries enter the United States duty-free. While the U.S. does not import soybean oil from the Dominican Republic or Central America, it does import peanut oil and other vegetable oils from this region. From 2002 through 2004, U.S. companies annually imported on average 3,705 metric tons of vegetable oil valued at $3.7 million from all six countries combined.

After CAFTA-DR. . . Soybean oil and other vegetable oils from all six countries lock in duty-free access to the U.S. market.