

CAFTA - AGRICULTURE

Specific Fact Sheet

Background

Currently the Central American countries are allowed to charge very high tariffs, limited only by WTO commitments. The average allowed tariff on agricultural products is 42% in Costa Rica, 41% in El Salvador, 49% in Guatemala, 35% in Honduras, and 60% in Nicaragua. Applied tariffs may be lower on specific products, but in many cases these tariffs restrict U.S. exports. Moreover, there is no assurance the Central American countries will not raise tariff to their WTO limits. In contrast, under permanent legislation passed through the Congress, the United States allows in over 99% of Central American exports into our market duty-free (trade weighted basis), effectively preserving tariff protection only for out-of-quota imports of products under U.S. TRQ programs.

Key Elements of the Agreement

Market Access. No products are excluded from the agreement. Liberalization will occur through tariff reductions, tariff-rate quota expansion and combination approaches. Each Central American country will have a separate schedule of commitments providing access for U.S. products. The United States will provide the same tariff treatment to each of the five countries, but will make country-specific commitments on tariff-rate quotas. Tariffs will be eliminated for all products, except sugar for the United States, fresh potatoes and fresh onions for Costa Rica, and white corn for the other Central Americans.

Tariff Elimination. Tariffs will be phased-out according to specific schedules negotiated on a product and country-specific basis. Phase-outs will be immediate, 5 years, 10 years, 12 years or 15 years (18 years - 20 years for chicken leg quarters, rice and dairy products). As a general rule, tariffs will be reduced in equal annual installments over the phase-out period. For specified sensitive products, tariff reductions will be back-loaded, with no cuts in the initial years of the phase-out period and larger cuts in the later years of the phase-out period.

Tariff-Rate Quotas. For some products, immediate market access will be provided through the creation and expansion of tariff-rate quotas (zero duty access for a specified quantity of imports). General principles, and specific commitments in some cases, on TRQ administration will be established to encourage TRQ fill.

Safeguards. Safeguard measures will be available for specified products, allowing for tariff increases after import quantities increase to specified levels. Specific triggers to activate the safeguards and duty increases are established in the agreement. Safeguards will expire when tariff protection has been phased-out. The United States will apply safeguards on out-of-quota imports of dairy, peanuts, and peanut butter. If all parties agree, safeguard coverage could be extended.

Sanitary and Phytosanitary Measures. The parties agree to apply the science-based disciplines of the WTO Agreement on Sanitary and Phytosanitary (SPS) Measures. An SPS working group is

established to expedite resolution of technical issues. Additional commitments to resolve specific unjustified measures restricting trade among the parties have also been agreed.

Export Subsidies. The parties agree not to use export subsidies into another party's market except to compete with third party export subsidies.

Specific Products

Beef. WTO bindings range from 35% to 79%, with applied rates 15% - 30%. Under the agreement, all Central American tariffs will be eliminated by 15 years. Tariffs on prime and choice cuts will be eliminated immediately. Tariffs on some other products, such as offals, will be phased-out earlier than 15 years in a number of cases.

Costa Rica: Immediate tariff elimination on Prime and Choice cuts. 15-year phase-out on other products, with a backloaded reduction schedule and safeguard. Tariffs on offals phased-out immediately.

El Salvador: Immediate tariff elimination on Prime and Choice cuts. 15-year phase-out on other products, with a backloaded reduction schedule. Tariffs on offals phased-out over 5 years. A TRQ for beef is established with a base quantity of 100 MT with 5 percent growth per year.

Guatemala: Immediate tariff elimination on Prime and Choice cuts. 15-year phase-out on other products. A TRQ for beef is established with a base quantity of 1,000 MT with 6 percent growth per year.

Honduras: Immediate tariff elimination on Prime and Choice cuts. 15-year phase-out on other products. Tariffs on offals phased-out over 5 years.

Nicaragua: Immediate tariff elimination on Prime and Choice cuts. 15-year phase-out on other products with safeguard, with a backloaded reduction schedule. Tariffs on offals phase-out over 5 years.

The United States' 26% out-of-quota tariff on beef will be phased out over a 15-year period. TRQ access will be established for the following countries. The CAFTA TRQ will open only if the existing WTO TRQ fills.

Costa Rica: TRQ of 10,340 MT, growing at 5% per year

El Salvador: TRQ of 100 MT, growing at 5% per year

Honduras: TRQ of 500 MT, growing at 5% per year

Nicaragua: TRQ of 10,000 MT, growing at 5% per year

Pork. WTO bindings range from 35% to 60%, with applied rates 15% - 47%. Under the agreement, all Central American tariffs will be eliminated by 15 years. Tariffs on bacon and some offal products will be eliminated immediately. TRQs amounting to 9,450 MT will be established and grow from 5% to 15% a year. The United States will be allowed to administer exports under the TRQ through an export trading company in four of the countries, if it chooses to do so.

- Costa Rica:* 15-year phase-out for all tariffs, except for bacon and most offal, which will be eliminated immediately. Tariffs on cuts will be backloaded and subject to a safeguard beyond a base TRQ of 1,000 MT, which grows by 10% in the first five years, 12% the next five years, and 15 % the last four years.
- El Salvador:* 15-year phase-out for all tariffs, except for bacon and most offal, which will be eliminated immediately. Tariffs on cuts will be backloaded and subject to a safeguard beyond a base TRQ of 1,500 MT, which grows by 10% per year. A fixed part of the TRQ will be subject to a performance requirement, which will be eliminated in 15 years.
- Guatemala:* 15-year phase-out for all tariffs, except for bacon and offal, which will be eliminated immediately. Tariffs on cuts will be subject to a safeguard beyond a base TRQ of 3,950 MT, which grows by 5% per year.
- Honduras:* 15-year phase-out for all tariffs, except for bacon, which will be eliminated immediately and some offal products. Tariffs on cuts will be backloaded and subject to a safeguard beyond a base TRQ of 2,000 MT, growing by 7.5% per year.
- Nicaragua:* 15-year phase-out for all tariffs, except for bacon and offal, which will be eliminated immediately. Base TRQ of 1,000 MT, growing by 10% per year.

U.S. tariffs on pork are currently zero. The tariff will be set at zero immediately.

Poultry. WTO bindings range from 35% to 250%, with applied rates exceeding 164% on chicken leg quarters in some countries. Under the agreement, all Central American tariffs will be eliminated over 18 years. Tariffs on poultry products will be reduced more quickly, with many eliminated within 10 years. The tariff on chicken leg quarters will be eliminated in 17 years in Costa Rica and 18 years in the other four countries. Costa Rica will establish a 300 MT base TRQ for chicken leg quarters in year 1, growing by 10% a year. The rest of the countries will establish a total regional (four countries) TRQ of 21,810 MT or 5% percent of regional poultry production; whichever is greater, with individual country minimum TRQ levels.

U.S. tariffs on poultry imports are currently zero. The tariff will be set at zero immediately.

Dairy. WTO bindings range from 35% to 100%, with applied rates as high as 60%. Under the agreement, all Central American tariffs will be eliminated by 20 years, with tariff cuts backloaded and safeguards applied. Reciprocal TRQs will be established for nearly 6,000 MT across the five countries, growing at a 5% compound rate. Tariffs on some dairy products will be eliminated earlier.

- Costa Rica:* Initial TRQ of 1,050 MT, growing by 5% per year
- El Salvador:* Initial TRQ of 1,070 MT, growing by 5% per year
- Guatemala:* Initial TRQ of 1,250 MT, growing by 5% per year.
- Honduras:* Initial TRQ of 1,050 MT, growing by 5% per year.
- Nicaragua:* Initial TRQ of 1,500 MT, growing by 5% per year.

U.S. tariffs on dairy, which are as high as 60% on import-sensitive products, will be phased out over a 20-year period, with tariffs backloaded and safeguards applied. Reciprocal access for TRQs will be established.

Vegetables. WTO bindings range from 30% to 60%, with applied rates generally around 15%. All tariffs will be eliminated on vegetables, except for fresh onions in Costa Rica, where there will be no out-of-quota duty cut and liberalization will occur through expanded TRQ access. The following products of will have tariffs phased-out according the following timetables:

	<u>Costa Rica</u>	<u>El Salvador</u>	<u>Guatemala</u>	<u>Honduras</u>	<u>Nicaragua</u>
Sweet Corn, fresh.....0709.9010 ...	Immediate	Immediate	Immediate	Immediate	5 years
Sweet Corn, frozen.....0710.40	Immediate	5 years.....	Immediate	5 years.....	Immediate
Sweet Corn, canned ...2005.80	Immediate	Immediate	Immediate	Immediate	Immediate
Lettuce	0705.19	10 years.....	5 years.....	5 years.....	10 years.....
Mushrooms	0709.50	Immediate	Immediate	Immediate	Immediate
Frozen vegetables	0710.80	12 years	10 years.....	10 years.....	10 years.....
Tomato Paste	2002.90	Immediate	Immediate	10 years.....	Immediate
Canned Asparagus	2005.60	5 years	Immediate	5 years.....	5 years.....
Mixed Vegetables	2005.90	5 years	5 years.....	10 years.....	5 years.....

U.S. tariffs on Central American imports are currently zero. The tariff will be set at zero immediately.

Fruits. WTO bindings generally range from 20% to 60%, with some nearly 150%. Applied rates are generally around 15%. Central American tariffs will be phased out on specific schedules. The following products of will have tariffs phased-out according the following timetables:

	<u>Costa Rica</u>	<u>El Salvador</u>	<u>Guatemala</u>	<u>Honduras</u>	<u>Nicaragua</u>
Walnuts, shelled.....0802.32	Immediate	Immediate	Immediate	Immediate	Immediate
Oranges.....0805.10	5 years.....	5 years.....	5 years.....	10 years.....	10 years
Grapes.....0806.10	Immediate	Immediate	Immediate	Immediate	Immediate
Raisins.....0806.90	Immediate	Immediate	Immediate	Immediate	Immediate
Apples.....0808.10	Immediate	Immediate	Immediate	Immediate	Immediate
Pears	0808.2010 ...	Immediate	Immediate	Immediate	Immediate
Cherries.....0809.20	Immediate	Immediate	Immediate	Immediate	Immediate
Peaches/nectarines	0809.30	Immediate	Immediate	Immediate	Immediate
Kiwis.....0810.50	5 years.....	Immediate	Immediate	Immediate	Immediate
Canned Pears	2008.40	Immediate	Immediate	Immediate	Immediate
Canned Peaches	2008.70	Immediate	Immediate	Immediate	Immediate
Mixed canned fruit.....	2008.92	Immediate	Immediate	Immediate	Immediate
Frozen Orange Juice ..	2009.11	Immediate	Immediate	Immediate	Immediate
Grapefruit Juice	2009.29	Immediate	Immediate	Immediate	Immediate
Cranberry Juice.....	2009.8090 ...	Immediate	Immediate	Immediate	Immediate
Mixed Concentrates ...	2009.90	5 years.....	5 years.....	10 years.....	Immediate

Almonds and pistachios will have immediate duty-free access, eliminating the 1% duty in Costa Rica and locking in current treatment in the other countries.

U.S. tariffs on Central American imports are currently zero. The tariff will be set at zero immediately.

Dry Peas, Beans and Lentils. WTO bindings range from 25% to 110%, with applied rates 5% - 20%. Under the agreement, all Central American tariffs will be eliminated over a period of 5-15 years, with some immediate. Safeguards will be applied on some products.

	<u>Costa Rica</u>	<u>El Salvador</u>	<u>Guatemala</u>	<u>Honduras</u>	<u>Nicaragua</u>
Peas.....0713.10	10 years.....	5 years.....	10 years.....	10 years.....	5 years
Red Beans .....0713.32	15 years.....	15 years.....	Immediate	15 years.....	15 years
Black Beans (whole)..0713.3310	15 years.....	12 years.....	15 years.....	15 years.....	15 years
Black Beans (split)....0713.3310	15 years.....	12 years.....	Immediate	15 years.....	15 years
White Beans.....0713.3320	15 years.....	12 years.....	10 years.....	5 years.....	15 years
Other Beans .....0713.3390	15 years.....	15 years.....	10 years.....	15 years.....	15 years
Lentils .....0713.40	5 years.....	Immediate	5 years.....	10 years.....	5 years

U.S. tariffs on dried beans and lentils are currently zero. The zero tariff will be locked-in immediately.

Potatoes. WTO bindings range from 25% to 60%, with applied rates generally around 15%, except for sensitive products. Under the agreement, all tariffs on potatoes will be eliminated over 15 years, except for fresh potatoes in Costa Rica, where there will be on cut in the out-of-quota duty and liberalization will occur through expanded TRQ access. Access for frozen french fries into Costa Rica will be on the same basis as Canada: 6 year tariff phase out with a 2,631 MT TRQ growing at a 5% compound rate.

	<u>Costa Rica</u>	<u>El Salvador</u>	<u>Guatemala</u>	<u>Honduras</u>	<u>Nicaragua</u>
Fresh Potatoes.....0701.90	TRQ increase ..	12 years.....	15 years.....	15 years.....	15 years
Potato Flour .....1105.10	Immediate	Immediate	Immediate	Immediate	Immediate
Dehydrated granules ..1105.2010	Immediate	Immediate	Immediate	Immediate	Immediate
Dehydrated pellets .....1105.2020	Immediate	Immediate	10 years.....	Immediate	Immediate
Frozen French Fries ...2004.10	6 years (TRQ).	Immediate	Immediate	Immediate	Immediate
Potato Chips.....2005.20	15 years.....	10 years.....	10 years.....	5 years.....	Immediate

U.S. tariffs on Central American imports are currently zero. The tariff will be set at zero immediately.

Wheat and Barley. WTO bindings generally range from 35% to 60%, but can exceed 100%. Costa Rica currently applies a 1% duty while the other countries have zero tariffs on wheat, barley, and barley malt. Under the agreement, duty free access for U.S. to Central America will be locked in for all countries for these products. The applied rate for wheat flour is generally 10%. Tariffs on wheat flour will be eliminated in 15 years.

U.S. tariffs on Central American imports are currently zero. The tariff will be set at zero immediately.

White Corn. WTO bindings range from 35% to 75%, with applied rates at 20%. Under the agreement, Costa Rica will eliminate its tariff while the other countries will not reduce the out-of-quota duty, but liberalization will occur through a TRQ which will grow 2% per year into perpetuity.

Costa Rica: 15-year phase-out, with safeguard.

El Salvador: Base TRQ of 35,000 MT. A fixed part of the TRQ will be subject to a performance requirement, which will be eliminated in 15 years.

Guatemala: Base TRQ of 20,000 MT.

Honduras: Base TRQ of 23,000 MT.

Nicaragua: Base TRQ of 5,000 MT.

U.S. tariffs on Central American imports are currently zero. The tariff will be set at zero immediately.

Yellow Corn. WTO bindings range from 15% to 75%, with applied rates 15% - 35%, except in Costa Rica where the duty is 1%. Under the agreement, all Central American tariffs will be eliminated by 15 years and TRQs will be established. Tariff cuts will be backloaded and out-of-quota duty imports subject to safeguards in some countries.

Costa Rica: Immediate tariff elimination.

El Salvador: 15-year duty phase-out. Base TRQ of 350,000 MT, growing by 5% per year. A fixed part of the TRQ will be subject to a performance requirement, which will be eliminated in 15 years. Tariff cuts will be backloaded.

Guatemala: 10-year duty phase-out. Base TRQ of 500,000, growing by 5% per year.

Honduras: 15-year duty phase-out. Base TRQ of 181,437 MT, growing by 5% per year. Tariff cuts will be backloaded.

Nicaragua: 15-year duty phase-out. Base TRQ of 65,000, growing by 5% per year. Tariff cuts will be backloaded and out-of-quota imports will be subject to a safeguard.

U.S. tariffs on Central American imports are currently zero. The tariff will be set at zero immediately.

Corn Products. All tariffs on corn products (such as corn flour, corn oil, corn gluten feed, and high fructose corn syrup) will be eliminated in no later than 15 years.

U.S. tariffs on Central American imports are currently zero. The tariff will be set at zero immediately.

Rice. WTO bindings range from 35% to 90%, with applied rates 15% - 60%. Under the agreement, all Central American tariffs will be eliminated in 18 years (20 years for Costa Rica). All tariff cuts will be backloaded, with out-of-quota imports subject to a safeguard. TRQs will be established for rough and milled rice.

- Costa Rica:* Base TRQ of 50,000 MT for rough rice growing by 2% a year, subject to a performance requirement, which will be eliminated in 20 years. Base TRQ of 5,000 MT for milled rice, growing by 5% per year.
- El Salvador:* Base TRQ of 61,000 MT for rough rice, growing by 2% per year, with an extra increase in year 6. Imports under the TRQ will be subject to a performance requirement, which will be eliminated in 18 years. Base TRQ of 5,250 MT for milled rice, growing by 375 mt per year for the first five years, 1,000 mt increase in year 6, and 325 mt per year after that.
- Guatemala:* Base TRQ of 52,000 MT for rough rice and 8,000 MT for milled rice, growing by 5% per year.
- Honduras:* Base TRQ of 90,000 MT for rough rice, growing by 2% per year. Imports under the TRQ will be subject to a performance requirement, which will be eliminated in 18 years. Base TRQ of 8,500 MT for milled rice, growing by 5% per year.
- Nicaragua:* Base TRQ of 90,000 MT for rough rice growing at 3% a year and 13,000 MT for milled rice, growing by 5% per year.

U.S. tariffs on Central American imports are currently zero. The tariff will be set at zero immediately.

Soybeans. WTO bindings range from 20% to 90%, with applied rates 0 - 15%. Costa Rica currently applies a 1% duty while the other countries have zero tariff on soybeans. Under the agreement, duty free access for U.S. soybeans to Central America will be locked in for all countries. Duties on soybean meal and flour will be eliminated immediately in most countries. Vegetable oil duties will be phased out over 15 years; with duties on crude soybean oil locked in at zero immediately in most countries, and refined oil phased out over 12 - 15 years. Safeguards will be applied to refined soybean oil imports in most countries.

	<u>Costa Rica</u>	<u>El Salvador</u>	<u>Guatemala</u>	<u>Honduras</u>	<u>Nicaragua</u>
Soybeans	1201.00	..... Immediate	..... Immediate	..... Immediate	..... Immediate
Soybean Flour	1208.10	..... 15 years	..... Immediate	..... Immediate	..... 10 years
Crude Soybean Oil.....	1507.10	..... 15 years	..... Immediate	..... Immediate	..... 12 years
Refined Soybean Oil..	1507.90	..... 15 years	..... 12 years	..... 15 years	..... 15 years
Protein Concentrates ..	2106.10	..... Immediate	..... Immediate	..... Immediate	..... Immediate
Soybean Meal	2304	..... 15 years	..... Immediate	..... Immediate	..... Immediate

U.S. tariffs on Central American imports are currently zero. The tariff will be set at zero immediately.

Peanuts. WTO bindings generally range from 30% to 60%, except in Costa Rica where the tariff is bound at 1%. Applied rates range from 10% - 15%. Under the agreement, all Peanut tariffs will be eliminated, with peanut butter tariffs eliminated immediately in all countries, except for Nicaragua.

The U.S. tariff on peanuts will be phased out over a 15-year period. TRQ access will be established.

El Salvador: An initial TRQ of 500 MT, growing by 5% per year.

Nicaragua: An initial TRQ of 10,000 MT, with no growth for five years, then growing by 10% per year.

A TRQ for peanut butter will be established for Nicaragua at 280 MT, growing at 10% a year.

Sugar. The Central American countries will phase out their sugar tariffs over 15 years.

The approximately 100% out-of-quota duty in the United States will not be cut. The United States will establish TRQs for Central American countries, starting at 97,000 MT and growing to about 140,000 MT in year 15, thereafter growing by 2% a year into perpetuity. A 2,000 MT TRQ, with no growth, was allocated to Costa Rica for organic sugar under the U.S. specialty sugar TRQ. Provisions will ensure only net surplus exporting countries in the region have access to the new access, and provisions have been agreed to allow alternative forms of compensation to be established to facilitate sugar stock management by the United States. New TRQ access will be as follows:

	<u>Costa Rica</u>	<u>El Salvador</u>	<u>Guatemala</u>	<u>Honduras</u>	<u>Nicaragua</u>
Year 1	11,000	24,000	32,000	8,000	22,000
Year 2	11,220	24,480	32,640	8,160	22,440
Year 3	11,440	24,960	33,280	8,320	22,880
Year 4	11,660	28,000	37,000	8,480	23,320
Year 5	11,880	28,560	37,740	8,640	23,760
Year 6	12,100	29,120	38,480	8,800	24,200
Year 7	12,320	29,680	39,220	8,960	24,640
Year 8	12,540	31,000	42,000	9,120	25,080
Year 9	12,760	31,620	42,840	9,280	25,520
Year 10	12,980	32,240	43,680	9,440	25,960
Year 11	13,200	32,860	44,520	9,600	26,400
Year 12	13,420	34,000	47,000	9,760	26,840
Year 13	13,640	34,680	47,940	9,920	27,280
Year 14	13,860	35,360	48,880	10,080	27,720
Year 15	14,860	36,040	49,820	10,240	28,160
annual increase.....	220	680	940	160	440

Processed Products. Central American tariffs will be phased out on specific schedules. Immediate tariff elimination will occur for some breakfast cereal, biscuits, canned fruits, many juices, wine, whiskey, gin, and some pet food products.

	<u>Costa Rica</u>	<u>El Salvador</u>	<u>Guatemala</u>	<u>Honduras</u>	<u>Nicaragua</u>
Food preparations 1901.9090 ...	Immediate	Immediate	Immediate	Immediate	Immediate
Pasta..... 1902	15 years	10 years	10 years	10 years	10 years
Brkfast cereal (rice) ... 1904.10	Immediate	Immediate	Immediate	Immediate	Immediate
Brkfast cereal (other) . 1904.20	12 years	10 years	10 years	5 years	Immediate
Biscuits/cookies	1905.3110 ... Immediate	Immediate	Immediate	Immediate	Immediate
Soups and broths..... 2104.10	5 years	5 years	5 years	Immediate	5 years

Sparkling wine	2204.10	.....	5 years.....	5 years.....	5 years.....	5 years.....	5 years.....	5 years
Wine in bottles	2204.21	.....	Immediate	Immediate	Immediate	Immediate	Immediate	Immediate
Whisky.....	2208.30	.....	Immediate	Immediate	Immediate	Immediate	Immediate	Immediate
Gin	2208.50	.....	Immediate	Immediate	Immediate	Immediate	Immediate	Immediate
Liquors.....	2208.70	.....	5 years.....	5 years.....	5 years.....	Immediate	5 years	5 years
Dog and cat food.....	2309.10	.....	12 years.....	Immediate	Immediate	12 years.....	5 years	5 years
Other pet food.....	2309.9019	...	15 years.....	10 years.....	5 years.....	15 years.....	12 years	12 years

U.S. tariffs on Central American imports are currently zero. The tariff will be set at zero immediately.

Tobacco. Tariffs will be eliminated on U.S. exports by 15 years, many immediately.

U.S. tariffs on tobacco will be phased out over a 15 year period, except where current duty treatment under CBI grants duty-free access. For those products, the tariff will be set at zero immediately.

Cotton. Duty free commitments for raw cotton will be locked-in immediately.

U.S. cotton tariffs will be phased out over 15 years.

Ethanol. Duty free access conditions into the U.S. market under CBI will not change. El Salvador was granted a share of the non-local stock TRQ, not to exceed 10% of the total TRQ. Costa Rica was granted a fixed share of the non-local stock TRQ of 31,000,000 gallons (15% of the current regional TRQ) with no growth.