

U.S.- CAFTA-DR Free Trade Agreement

Customs Facilitation

The CAFTA-DR requires transparency and efficiency in administering customs procedures. U.S. exporters to Central America and the Dominican Republic should realize significant gains once the Agreement's custom administration and trade facilitation provisions are fully implemented.

Businesspersons have traditionally faced unclear rules, inconsistent interpretation of Customs regulations and directives, and arbitrary clearance procedures that often delay the importation of merchandise for lengthy periods. The Agreement's provisions on Customs Administration and Trade Facilitation address these and other customs-related exporter concerns.

Each day saved in shipping time is worth an estimated 0.8 percent ad-valorem for manufactured goods. See fn1. CAFTA customs and trade facilitation measures will provide significant savings to U.S. exporters in terms of time and money.

fn1. *Time as a Trade Barrier*, by Hummels, David, July 2001

- **Enhanced Transparency -The CAFTA-DR.**
The CAFTA-DR governments must publish their Customs laws, regulations and administrative procedures on the Internet, thereby greatly increasing transparency.
- **Elimination of the Consular Transaction** - The consular transaction requirement is eliminated for U.S. exports.
- **Heightened Predictability** - - Previously, U.S. exporters did not have the ability to interact with Central American Customs authorities prior to exporting goods. Under CAFTA-DR exporters may obtain binding advance rulings on tariff classification, origin determinations and other areas. This important provision provides exporters predictability through eliminating varying interpretations of product classification and minimizes related delays at the port of entry.
- **Greater Accountability** - Under CAFTA-DR's customs administration provisions, U.S. companies have rights to a level of administrative review independent of the employee or office that made the decision, and they also have recourse to use judicial review as an alternative.
- **Improved express delivery service** -The demand for express-delivery services is increasing rapidly as a result of the growth of electronic commerce, the internationalization of business, and rising demand by manufacturers for outsourced logistic services. The CAFTA-DR responds to that demand by requiring that, within one year after the date the Agreement takes effect, governments must provide a separate, expedited customs procedure for express shipments. They must also change their regulations to allow the processing of customs information related to the express shipment prior to the arrival of the shipment itself. Most importantly, the CAFTA-DR obligates the FTA countries for the first time to clear express shipments from the port within six hours of submission of all necessary documents.
- **Greater Customs efficiency through technology** - Responding to U.S. exporters' requests, the CAFTA-DR promotes the use of technology, including the electronic submission of information. This will help expedite procedures for the release of goods, thereby saving companies time and money.

CAFTA-DR customs-related obligations will phase in over three years. Central America has already made progress on customs and trade facilitation. The countries are working together to eventually harmonize documentation and procedures, allowing electronic transmission of customs information, and permitting electronic prepayment of charges, tariffs and taxes.