

June, 2010

## FACT SHEET

### Promoting Trade and Investment under CAFTA-DR

Increased free trade aids countries with economic growth by creating jobs and income from imports, exports, and services, and also provides consumers with access to lower priced and higher quality goods and services. Under the Central America-Dominican Republic-United States Free Trade Agreement (CAFTA-DR), signatory countries have committed to making improvements in their rules and procedures regarding trade and investment. However, the challenge of implementing these obligations has fallen primarily on each country's national governments.



Photo: USAID

*A customs official in the port of Acajutla in El Salvador, one of the main ports in Central America. Under CAFTA-DR, USAID is helping to modernize customs procedures to increase trade.*

Chapters 3, 4, 5 and 6 of CAFTA-DR relate primarily to the modernization of customs procedures, rules of origin (which are used to determine which imported or exported goods are allowed zero or preferential tariffs under CAFTA-DR), and measures related to food safety and animal and plant health, known as sanitary and phytosanitary (SPS) measures.



Photo: USDA

*Compliance with phytosanitary requirements allows producers to export products for consumption in the U.S., such as these colorful peppers from Nicaragua, on display in a U.S. supermarket.*

Due to requests from local governments for assistance in complying with these components of CAFTA-DR, USAID and its partners created the USAID Regional Trade Program for CAFTA-DR, and signed a cooperative agreement between USAID and the Secretariat of Economic Integration of Central America (SIECA) to aid in compliance with customs procedures and rules of origin. In addition, USAID signed an agreement with the U.S. Department of Agriculture (USDA) to build government and private sector capacity on issues of plant and animal health, and food safety systems. The SPS program assists signatory countries in diversifying their economies by supporting increased export of agricultural products to take advantage of free trade agreement preferences with the United States.

## Current Activities

- *Drafting Rules and Legislation* – USAID works with its partners to develop reforms, rules, policies, and regulations based on international standards that will improve customs administration, procedures, and the application of rules of origin.
- *Automating Customs Procedures* – Long and arduous customs procedures are a barrier to trade and investment. Because of this, USAID works to develop software that aids in the simplification and automation of customs procedures. This way, customs authorities can work in a more efficient way with fewer burdens to their employees and to customs users.



Photo: Ed Miller, USDA Consultant

*Workers at a packing plant in El Salvador inspect peppers for compliance with USDA import requirements. USAID is training individuals on how to comply with food safety and produce requirements for export to the United States.*

- *Assistance in Sanitary and Phytosanitary Measures* – USAID is providing training and technical assistance to meet U.S. and international regulatory trade requirements. This includes: laboratory capacity building, meat/poultry equivalency with the United States, good agricultural practices for fresh fruits and vegetables, training in dairy sanitation, animal disease identification, plant disease identification, and food safety.
- *Training for Improved Customs Compliance* – The many intricacies of CAFTA-DR require adequate training to be understood and implemented. USAID is providing these necessary trainings to customs officials, trade administration staff, and other private and public sector representatives from the trade community in order to aid in compliance CAFTA-DR and its implementation.

## Accomplishments

- Over 10,000 private and public sector trade representatives have received training on CAFTA-DR Chapters 4 and 5 to facilitate their implementation.
- Over 4,200 individuals have received training on different topics related to SPS, and 96 organizations throughout Central America and the Dominican Republic have strengthened their technical capacities thanks to assistance from the program.
- USAID assisted SIECA in the drafting of Common Guidelines to harmonize the application of the origin regime of CAFTA-DR between all signatory countries. Origin regime refers to the set of rules and guidelines used to determine in which country a product is produced, for example when a product is assembled in one country with primary materials from another. The guidelines are currently pending approval from the Office of the United States Trade Representative (USTR).

## Accomplishments (cont)

- In coordination with SIECA, and with USAID's assistance, customs authorities in Central America and the Dominican Republic have installed software to randomly and automatically select cargos for physical inspection. This reduces the release time of goods, provides transparency, and reduces customs officials' subjectivity.
- USAID developed risk management software application packages to better target cargos for physical inspections and facilitate customs operations for traders who comply with customs procedures and obligations.
- USAID delivered a regional manual to participating countries to aid in carrying out origin verification audits based on CAFTA-DR regulations, as well as software to determine the origin of goods and issue a certification of origin. Verifying origin is important in order to understand what tariffs and regulations apply to a particular product.



*New automated customs procedures, a product of USAID support to CAFTA-DR signatory countries, provide a speedier, more transparent customs process for everyone involved.*

### Program Investment:

|  |               |
|--|---------------|
| USAID-SIECA Cooperative Agreement:         | \$3.3 million |
| USAID Regional Trade Program for CAFTA-DR: | \$7.3 million |
| USAID Sanitary and Phytosanitary Program:  | \$6.4 million |
| Total in Regional Trade and Investment:    | \$17 million  |

### Time Period:

USAID-SIECA Cooperative Agreement: July 2006- December 2010  
 USAID Regional Trade Program for CAFTA-DR: December 2007 – September 2010.  
 USAID Sanitary and Phytosanitary program: May 2004 - March 2011

**Geographic Areas:** Dominican Republic, Guatemala, El Salvador, Honduras, Nicaragua, and Costa Rica.

**Contractors:** Chemonics International

### Partners:

- The Secretariat of Economic Integration of Central America (SIECA)
- U.S. Department of Agriculture (USDA).

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