



# Trade Facts

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## ***Adding Dominican Republic to CAFTA Combining to Create America's Second-Largest Export Market in Latin America***

*With its integration into the CAFTA, the Dominican Republic has assumed the same set of obligations and commitments as Costa Rica, Honduras, El Salvador, Guatemala, and Nicaragua. As with the Central American countries, individual market access schedules were negotiated with the Dominican Republic for goods, agriculture, services, investment, and government procurement.*

- ***New Opportunities for U.S. Workers and Manufacturers:*** Eighty percent of U.S. exports of consumer and industrial goods will become duty-free in the Dominican Republic immediately, with remaining tariffs phased out over 10 years. Key U.S. export sectors will benefit from immediate duty elimination, such as information technology products, agricultural and construction equipment, paper products, wood, pharmaceuticals, and medical and scientific equipment. Tariffs on U.S. autos and auto parts will be phased out within 5 years. The Dominican Republic will join the WTO Information Technology Agreement.
- ***Expanded Markets for U.S. Farmers and Ranchers:*** More than half of current U.S. farm exports to the Dominican Republic will become duty-free immediately, including corn, cotton, wheat, soybeans, many fruits and vegetables, and processed food products. Tariffs on most U.S. farm products will be phased out within 15 years, with all tariffs eliminated by 20 years. Duty-free access under tariff-rate quotas will be established for U.S. beef, pork, poultry, rice and dairy products. The U.S. and the Dominican Republic will work to resolve sanitary and phytosanitary barriers to agricultural trade, in particular problems and delays in food inspection procedures for meat and poultry.
- ***Sugar in Perspective:*** In the first year, additional sugar market access for the Dominican Republic will amount to about 0.12 percent of U.S. sugar production. Total CAFTA plus Dominican increased sugar imports will equate to about 1.3 percent of U.S. sugar production in the first year, growing to 1.9 percent in year 15. Sugar imports have declined by about one-third since the mid-nineties. Adding the Dominican Republic to CAFTA would not come close to returning U.S. imports to those levels. There is no change in the high above-quota U.S. tariff on sugar.
- ***Textiles and Apparel:*** Textiles and apparel will be duty-free and quota-free immediately if they meet the Agreement's rule of origin, promoting new opportunities for U.S. and Central American fiber, yarn, fabric and apparel manufacturing. The agreement's benefits for textiles and apparel will be retroactive to January 1, 2004. The Dominican Republic can participate in the CAFTA cumulation provisions, which will allow woven apparel from the Dominican Republic to contain a capped amount of Mexican and Canadian inputs. The Dominican Republic's ability to use cumulation provisions will not go into effect until cumulation provisions go into effect for the other CAFTA parties, and will expire if the Dominican Republic does not conclude an FTA providing reciprocal benefits to U.S. producers within a few

*Adding the Dominican Republic to CAFTA will create free trade with a combined market that is the second-largest U.S. export destination in Latin America. U.S. exports in 2003 to the Dominican Republic alone were 73% higher than U.S. exports to Argentina. The Dominican Republic is the largest economy in the Caribbean, and an important export market for U.S. manufactured goods and farm products.*

years. The Dominican Republic is a key export market for U.S. yarn and fabric, accounting for \$1.7 billion in exports in 2003.

- **Haiti:** The Administration will work with the Congress to enable Haiti to continue to be eligible to receive Caribbean Basin Trade Preference Act (CBTPA) for apparel containing inputs from the Dominican Republic.
- **Access to Services:** The Dominican Republic will accord substantial market access across its entire services regime, offering new access in sectors such as telecommunications, express delivery, computer and related services, tourism, energy, transport, construction and engineering, financial services, insurance, audio/visual and entertainment, professional, environmental, and other sectors. The Dominican Republic, like the Central American countries, has agreed to change “dealer protection regimes” and loosen restrictions that lock U.S. firms into exclusive or inefficient distributor arrangements.
- **A Trade Agreement for the Digital Age:** State-of-the-art protections and non-discriminatory treatment are provided for digital products such as U.S. software, music, text, and videos. Protections for U.S. patents, trademarks and trade secrets are strengthened.
- **Strong Protections for Worker Rights:** Goes beyond Chile and Singapore FTAs to create a three-part strategy on worker rights that will ensure effective enforcement of domestic labor laws, establish a cooperative program to improve labor laws and enforcement, and build the capacity of the Dominican Republic to monitor and enforce labor rights.
- **An Innovative Environment Chapter:** The Dominican Republic will participate, along with Central American countries, in a robust and unique public submissions process to ensure that views of civil society are appropriately considered, and for benchmarking of environmental cooperation activities and input from international organizations.
- **Strong Protections for U.S. Investors:** The agreement establishes a secure, predictable legal framework for U.S. investors in the Dominican Republic, and contains a commitment to develop an appellate mechanism for investor-state disputes.
- **Open and Fair Government Procurement:** Provides ground-breaking anti-corruption measures in government contracting. U.S. firms are guaranteed a fair and transparent process to sell goods and services to a wide range of Dominican government entities.
- **Increased Transparency:** The agreement’s dispute settlement mechanisms call for open public hearings, public access to documents, and the opportunity for third parties to submit views. Transparency in customs operations will aid express delivery shipments and will require more open and public processes for customs rulings and administration. Agreement also contains strong anti-bribery commitments, including criminalization.

*Two-way trade with the Dominican Republic was nearly \$9 billion in 2003. U.S. exports to the Dominican Republic were \$4.2 billion, and key exports include electrical machinery, fabric, plastics, paper, grains, medical equipment, and vehicles.*

### ***The Dominican Republic: Large Market, Stable Neighbor***

- U.S. two-way trade with the Dominican Republic is nearly \$9 billion annually. Total U.S. goods exports to the Dominican Republic in 2003 were 73% higher than total U.S. goods exports to Argentina. In 2002, economic growth in the Dominican Republic reached 3.9%. The Dominican Republic grew five times more than the average for Latin America in 2002.

- The Dominican Republic and Puerto Rico have the largest bilateral trading relationship in the Caribbean region, accounting for almost \$1.3 billion in two-way commerce. Puerto Rico exports almost \$700 million in goods and services to the Dominican Republic annually. Imports to Puerto Rico from the Dominican Republic are mostly duty free under the Caribbean Basin Initiative (Puerto Rico is part of the customs territory of the United States). This agreement will create reciprocal market access for Puerto Rican exports to the Dominican Republic.
- The Dominican Republic is the largest Caribbean economy, and the second-largest Caribbean country in population and landmass. Its proximity to Haiti and the United States make it an important U.S. partner in hemispheric affairs.
- Most Dominican goods already enter the U.S. duty-free. Under the Caribbean Basin Initiative (CBI) and other U.S. preference programs, 74% of regional imports entered the U.S. duty-free in 2002. A free trade agreement would be reciprocal, giving U.S. goods duty-free treatment in the Dominican Republic.
- Among the training projects undertaken as part of U.S. trade capacity-building in the Dominican Republic: training on the USA Bio-Terrorism Law, seminars on technical barriers to trade, and workshops on product rules of origin. Trade capacity-building projects were designed to assist the Dominican Republic in negotiating and implementing its integration into the CAFTA.

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