



Central American Free Trade Agreement

Background: The Dominican Republic-Central American Free Trade Agreement (DR-CAFTA) covers the countries of the Dominican Republic, Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua. DR-CAFTA will gradually eliminate tariffs and other barriers to trade in goods, agriculture, services, and investment between the United States and Central America / the Dominican Republic. U.S. dairy producers and processors should benefit from increased trade opportunities within the region. The agreement was approved by Congress and signed into law by the President in the summer of 2005. The agreement was implemented in 2006, making that Year 1 of the FTA.

Eliminating tariffs on Central American and Dominican Republic imports of dairy products from the United States is expected to stimulate some additional U.S. dairy exports by overcoming the advantages of export subsidies for EU products and undercutting prices from New Zealand and Australian exports. TRQs have been created for many dairy products such as NFDM, cheese, butter and a variety of other product areas. These tariff-rate quotas are scheduled to grow each year of the FTA. In addition, the U.S. gets unrestricted access (zero duty) for whey, lactose and certain cheeses, among other products.

As of January 2009, all partner countries had approved and implemented the FTA. The implementation dates are as follows: El Salvador (FTA effective date: 3/1/06); Honduras and Nicaragua (FTA effective date: 4/1/06); Guatemala (FTA effective date: 7/1/06); Dominican Republic (FTA effective date: 3/1/07); and Costa Rica (effective date: 1/1/2009).



The agreement takes effect with our partner countries as they approve and successfully implement the agreement. As of October 2007, all partner countries had approved and implemented the FTA except for Costa Rica. In early October, a Costa Rican referendum came out in favor of the trade deal but its legislature must still vote on the agreement and pass implementing legislation. The implementation dates are as follows: El Salvador (FTA effective date: 3/1/06); Honduras and Nicaragua (FTA effective date: 4/1/06); Guatemala (FTA effective date: 7/1/06) and Dominican Republic (FTA effective date: 3/1/07). Costa Rica is expected to implement the agreement by the end of 2008.

Details of the agreement can be found at the following USTR website:
http://www.ustr.gov/Trade_Agreements/Regional/CAFTA/CAFTA-DR_Final_Texts/Section_Index.html. USDEC has also created a [Summary](#) of the FTA's terms.

USDEC Position: USDEC will work with U.S. companies to facilitate U.S. exports into the CAFTA countries. Companies interested in exporting should contact Angelique Hollister (ahollister@usdec.org) as the point person for these countries.