



Commercial Service Caribbean Region Santo Domingo

IMPACT OF CAFTA-DR ON THE INFORMATION TECHNOLOGY AND TELECOMMUNICATION SECTOR

CAFTA-DR Facts:

The United States and Dominican Congresses recently approved the Central American Free Trade Agreement-Dominican Republic (CAFTA-DR). The agreement will greatly expand the bilateral trade between the participating countries; it will also allow for greater access for U.S. exports into the region. The member states of CAFTA-DR, combined, already constitute the 10th largest market for U.S. exports in the world. In 2004, the United States exported nearly \$16 billion of manufactured goods to the region, of which 27% was exported to the Dominican Republic; the largest market among the CAFTA-DR partners. The United States exports 56% of all Dominican imports and enjoys a market share of over 70% in consumer goods imports into the Dominican Republic.



CAFTA-DR is expected to be implemented on January 1, 2006. However, the CAFTA-DR partners that have ratified or approved the agreement must formally agree on an implementation date. The U.S. Chamber of Commerce estimates that upon implementation of the CAFTA-DR, US exports to the region could grow by 20% in the first year. When implemented, CAFTA-DR provides for the immediate elimination of tariffs on 80% of all manufactured goods exported from the United States. Customs duties on the remaining 20% of products will be phased out over the next five to fifteen years. In addition, the CAFTA-DR will require each member country to take steps to improve government transparency, customs procedures and the protection of foreign investments.

Under the CAFTA-DR, US imports into the Dominican Republic have been classified by categories. Each category provides for the elimination of customs duties in different stages. Some products will enter the Dominican Republic duty-free on the date the agreement enters into force, while others will receive gradual reductions on the customs duties. Most of the products in the information technology and telecommunication equipment sector have been categorized within the groups A, B, and G. An explanation of these categories follows:

Category A:

Duties on goods under this category will be eliminated entirely on the date the agreement enters into force.

Category B:

Duties on goods in this category will be removed in five equal annual stages beginning on the date the agreement enters into force and will be duty-free effective January 1 of year five.

Category G:

Products under this category are already entering the Dominican Republic duty-free and will continue to do so under the CAFTA-DR.

For the products included under each category please refer to the attached list.

It should be noted that the benefits of CAFTA-DR are for those products that comply with the "Rules of Origin" established in Chapter Four of the agreement. Under these rules, a product that is manufactured in another country, for example Japan or China, will not receive duty-free treatment even if it is imported from the United States.





Another important benefit of the CAFTA-DR is that several other taxes and fees levied on American products exported to the Dominican Republic will be eliminated. These are the Consular Invoice (current value varies), and the Exchange Surcharge (currently 13%). However, a 16% ITBIS tax (value added tax on industrialized goods and services) is required to be applied to most products sold in the Dominican Republic. As a result of the elimination of these taxes, the prices of information technology and telecommunications equipment are expected to decline, while imports from the United States are expected to increase.

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CAFTA-DR Information Technology and Telecommunication Equipment HS Codes - Dominican Republic

Category A	
HS Code	Description
851711	Line telephone sets with cordless handsets
851719	Videophones
851721	Facsimile machines
851730	Central office telephone switching systems Private branch exchange telephone switching apparatus Electronic key telephone systems Telephonic switching apparatus Telegraphic switching apparatus
851750	Telephonic apparatus (for carrier-current line or digital line, other) Telegraphic apparatus (for digital line systems, other)
851780	Telephonic intercom systems
851790	Telephonic switching apparatus and parts Telephonic apparatus and parts Telegraphic apparatus and parts
851830	Telephone handsets
	Headphones, earphones, microphone or speakers
851840	Audio frequency amps used as repeaters in line telephony
851890	Telephone handset and repeater parts
851820	Telephone answering machines
852312/3	Unrecorded magnetic tape (4-6.5mm and Gt. 6.5mm)
852320	Unrecorded magnetic discs
852510	T.V. apparatus for reception of T.V. signals by satellite Radio transmitters for civil aircraft, radio transmitters Transmission apparatus for civil aircraft Communication transmission apparatus





Category A	
HS Code	Description
852520	Radio transceivers (for civil aircraft, handheld, marine Vhf-Fm) Transmission apparatus incorporating receivers
852790	Radio reception apparatus (use with telegraphic or phonic apparatus) Paging receivers and paging alert devices Radio receivers for use in civil aircraft Radio receivers Radio telecommunication reception apparatus
852910	Antennas and parts for heading 8525-8528
852990	Parts for apparatus of headings 8525-8528
901720	Hand operated input devices which transmit positioning data
Category B	
HS Code	Description
851890	Telephone headset and repeater parts
Category G	
HS Code	Description
847110	Automatic data processing machines (analog, hybrid)
847141	Digital automatic processing machines with computer and input/output unit (with color cathode ray tube [crt], non-color crt, or excluding crt)
847149	Display units (without crt, display diagonal lt.=30.5cm, and with system) Magnetic disk drive unit with disk diameter Gt. 21cm, entered with system Flexible (floppy) magnetic disk drive units, parts of system Hard magnetic disk drive units, entered as parts of system Other storage units entered with rest of system
847150	Digital processing unit with storage (input/output, non-color crt)
847160	Combination input/output units (with color crt, non-color crt, or without crt) Keyboard units Display units (non-color crt or without crt) Laser printer units (with control and part mechanisms, Gt. 20 pages per minute) Laser type printer units (Lt. 20 pages with transport and print mechanisms) Light bar elect printer units (incorporating at least the media transport, control, and print mechanisms) Thermal transport type printer units (with media transport, control and print mechanisms) Ionographic type printer units (incorporating at least the media transport, control and printer mechanisms) Daisy wheel printer unit (incorporating transport and printer mechanisms) Dot matrix printer units (incorporating at least media transport and print mechanisms) Printer units (with control and print mechanisms) Printers (capable of producing Gt. 20 pgs/min, Lt. 20 pgs/min, light bar electronic type, ink jet, thermal transfer, ionographic, disy wheel, dot matrix, other) Input units and output devices (suitable for automatic data processing machines) Optical scanners and magnetic ink recognition device Card key and magnetic media entry devices Automatic data processing input units and output devices





Category G	
HS Code	Description
847170	Magnetic disk drive (disk diameter Gt. 21cm, without red writing)
847180	Other units for auto data processing machines
847330	Parts and accessories for automatic data processing machines and units
850440	Power supplies for automatic data processing
851750	Modems used with data processing machines 8471

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