

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 sporting goods and recreational equipment sector have been categorized within the groups A, B, C and M. An explanation of these categories follows:

Category A:

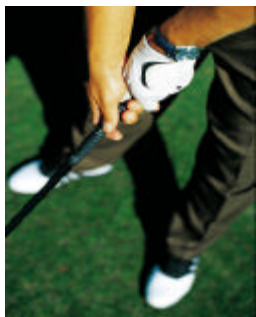
Duties on goods under this category will be eliminated entirely on the date the agreement enters into force.

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 C:

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



Category M:

Duties of goods in category M will be removed in ten stages. On the date the agreement enters into force, duties will be reduced by two percent of the base rate, and by an additional two percent of the base rate on January 1 of year two. On January 1 of year three, duties will be reduced by an additional eight percent of the base rate, and by an additional eight percent of the base rate each year thereafter through year six. On January 1 of year seven, duties will be reduced by an additional 16 percent of the base rate, and by an additional 16 percent of the base rate each year thereafter through year nine, and these products will receive a full duty-free treatment effective January 1 of year ten.



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 sporting goods and recreational equipment are expected to decline, while imports from the United States are expected to increase.

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CAFTA-DR Sporting Goods HS Codes - Dominican Republic

Category A	
HS Code	Description
630621	Tents (cotton)
630622	Tents (synthetic fibers)
630629	Tents (textile materials)
630631	Sails (synthetic fibers)
630639	Sails (textile materials)
6401923	Waterproof footwear (rubber/plastic, ski and snowboard boots)
640219	Rubber/plastic stitch sports footwear
640299	Tennis, basketball, gym training shoes
640319	Footwear (leather upper sports excluding ski-boots)
640411	Footwear (textile upper, rubber/plastic, sole sport shoes)





Category A	
HS Code	Description
650610	Lined or trimmed safety headgear (athletic, recreational and sport)
843319	Mowers (riding/non-riding, gas power for lawns, parks and sports grounds)
890399	Vessels for pleasure or sports; sailboards, parts and accessories
950621	Sailboards, parts, accessories
950629	Water skis Surf board and other water sports equipment, parts
950631	Golf clubs, complete
950632	Golf balls
950639	Parts of golf clubs; other golf equipment, parts and accessories
950640	Articles and equipment for table tennis, parts
950651	Lawn-tennis rackets, parts and accessories
950659	Badminton or similar rackets; lawn-tennis balls
950662	Soccer balls, basketballs, Inflatable balls
950669	Baseballs and softballs Balls (excluding golf and table-tennis)
950670	Roller skates, parts and accessories Ice skates, skating boots with skate attachments, parts
950691	Gymnasium, other exercise articles, equipment and parts
950699	Baseball articles, equipment (excluding balls, parts) Lawn-tennis articles and equipment (excluding balls, rackets and parts) Gymnastics articles and equipment
650710	Fishing rods, parts and accessories
950720	Fish-hooks (whether or not snelled)
950730	Fishing reels, parts and accessories
Category B	
HS Code	Description
392620	Gloves specifically designed for use in sports (plastic)
420321	Gloves, mittens and mitts for use in sports
Category C	
HS Code	Description
870310	Golf carts
871200	Bicycles with both wheels and cycles
930320	Shotguns (sporting, hunting, target-shooting)





Category C	
HS Code	Description
930330	Rifles over US\$25 but not valued over US\$50 (centerfire, rimfire)
	Rimfire rifles
950420	Articles, parts and accessories for billiards (including pocket billiards)
950490	Games machines (excluding coin- or token-operated)
	Bowling balls
	Bowling equipment, parts and accessories
Category M	
HS Code	Description
640110	Waterproof footwear (rubber/plastic, metal toe cap)
640191	Waterproof footwear (rubber/plastic, covers the knee)

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