



## Free Trade Agreements

### Summary of the U.S. - Dominican Republic-Central America Free Trade Agreement (CAFTA-DR)

**\*\*The information presented on this website is meant to serve as a guide.  
Only the agreement text and the customs regulations issued to implement the agreement  
are definitive.**

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Status: Entered into force between the United States and El Salvador on March 1, 2006, Honduras on April 1, 2006, Nicaragua on April 1, 2006, Guatemala on July 1, 2006, the Dominican Republic on March 1, 2007 and Costa Rica on January 1, 2009.

#### **How U.S. Textile and Apparel Companies Benefit**

The United States -Central America- Dominican Republic Free Trade Agreement (CAFTA-DR) includes seven signatories: the United States, Costa Rica, Dominican Republic (DR), El Salvador, Guatemala, Honduras, and Nicaragua.

The CAFTA-DR represents increased market opportunities for U.S. yarn, fabric, apparel, and footwear manufacturers, increased two-way trade potential with the Central America-DR region, and overall economic growth opportunities among all countries.

Prior to the CAFTA-DR, the textile and apparel trade with Central America and the Dominican Republic benefited from the Caribbean Basin Trade Partnership Act (CBTPA), a unilateral trade program. Under the **CBTPA**, U.S. manufacturers supplied yarns and fabrics to Central America and DR for the assembly of apparel. The apparel assembled in Central America and DR, made from the U.S. yarns and fabrics, entered the U.S. duty free.

Under the bilateral free trade agreement, the CAFTA-DR, qualifying U.S. yarns and fabrics enter the CAFTA-DR region duty-free. This duty-free market access allows for increased export opportunities for U.S. textile and apparel manufacturers. In addition, because the Agreement has no termination date, investment in the textile and apparel sector in the region is expected to continually grow, promoting increased trade and increased exports to the CAFTA-DR market.

Key benefits for U.S. textile and apparel manufacturers include:

- Duty-free (zero tariff) market access to CAFTA-DR countries for textile and apparel products.
- Yarn forward rule of origin – Qualifying textile and apparel products must be made using U.S. and / or Central America-DR yarns and fabrics.
- Effective Anti-circumvention measures – Specific textile customs procedures help prevent transshipment and circumvention of the rules of origin of the Agreement.

- Streamlined [Short Supply Process](#) - A streamlined commercial availability (short supply) determination process will allow fibers, yarns, or fabrics that are determined to be not commercially available in the U.S. and / or Central America-DR to be sourced from 3rd Parties for the production of qualifying textiles and apparel goods.

### **Tariff Elimination**

Nearly all textile and apparel products that meet the rule of origin of the Agreement trade duty-free. The few textile products that are subject to a duty rate can be found in the [Tariff Elimination Schedules](#).

Also see the International Trade Administration [FTA Tariff Tool](#) for the duty-free status or reduced duties that apply to products eligible under U.S. free trade agreements.

*Duty drawback or duty deferral* is available in the CAFTA-DR countries for U.S. products imported into a freezone and used in the manufacture of a good that is being exported. For example, a U.S. woven fabric, used in the assembly of a garment (the garment is later exported out of the country and not for local consumption), may be eligible for duty drawback or duty deferral. U.S. exporters should verify duty deferral or drawback with their consignees (customers) in the CAFTA-DR region.

### **Qualifying Products/Rules of Origin**

In order for textiles and apparel to receive duty-free (zero tariff) entry into a U.S.-CAFTA-DR country, products must qualify as "originating" under the terms of the Agreement. "Qualifying" or "originating" goods are goods that meet the Rules of Origin of the Agreement.

The textile and apparel rule of origin is commonly known as the "yarn-forward" standard, which requires that the yarn spinning and all operations "forward" (i.e., fabric weaving or knitting and apparel assembly) occur in either the United States and/or the CAFTA-DR region. However, there are some exceptions to the yarn-forward rule of origin as noted below. The Textile and Apparel Rules of Origin of the U.S.-CAFTA-DR Agreement are found on pages 44 to 66 of [Annex 4.1 - Specific Rules of Origin](#).

On October 13, 2012, an [agreement](#) between the United States and its CAFTA-DR partner countries to modify certain existing rules of origin went into effect. The [Federal Register Notice](#) enacting the agreement was published on September 26, 2012. Further guidance may be found on U.S. Customs and Border Protection's [website](#).

### ***Exceptions to the yarn-forward rule of origin***

'Cut and Assemble' Rule of Origin - Yarns and fabrics for the products listed below may come from countries outside of the CAFTA-DR region. The fabric must be cut and the good must be assembled in one or more of the CAFTA-DR countries. See [Annex 4.1 - Specific Rules of Origin](#).

U.S. Customs issued [TBT-08-006](#), with a defined list of products that follow the cut-and-assemble rule of origin.

| Product   | HS number   |
|---|---|
| Luggage   | 4202.12, 4202.22, 4202.32, 4202.92  |
| Brassieres  | 6212.10   |
| Woven Boxers  | 6207.11, 6207.19.9010, 6208.91.30,<br>6208.92.0030, 6208.92.0040  |
| Woven Nightwear   | 6207.21, 6207.22, 6207.91.3010, 6207.92.4010,<br>6208.21, 6208.22   |
| Woven Girl's Dresses  | 6204.42.3040, 6204.42.3060, 6204.43.4020,<br>6204.43.4040, 6204.44.4020   |
| Infant dresses  | 6209.20.1000  |
| Women's and girls' cotton coats   | <a href="#">category 335</a>  |
| Women's and girls' man-made fiber suits   | <a href="#">category 644</a>  |
| men's cotton yarn dyed dress shirts   | 6205.20.2016  |
| men's man made fiber yarn dyed dress shirts   | 6205.30.2010  |
| Woven women's and girl's coats or suits   | 6202.12.2050, 6202.92.20 (other than padded<br>sleeveless jackets without attachments for<br>sleeves), 6202.93.4500<br>6204.32.2010, 6204.32.2030, 6211.41.0055 |
| women's wool anoraks  | 6202.91.2011  |
| men's artificial suit jackets, 36% or less of wool  | 6203.39.9020  |
| Women's or girls' suits, ensembles, suit-type jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, shorts (other than swimwear) of synthetic fibers | 6204.23.00, 6204.29.20  |
| Suit-type jackets and blazers of synthetic fibers containing 36 percent or more by weight of flax fibers  | 6204.33.20  |
| Women's or girls' suits, ensembles, suit-type jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (other than swimwear)        | 6204.29.40, 6204.39.80  |

Wool Yarn can be sourced from outside the region in qualifying fabric and apparel - wool yarn used in qualifying textile and apparel goods can be sourced from outside the region.

[Short Supply List](#) Fibers, yarns, and fabrics on the "short supply list" have been determined to be not currently available in the region and therefore may be sourced from outside the CAFTA-DR countries for use in qualifying textile and apparel products. For example, a fabric on the short supply list may come from a non-CAFTA-DR country, be cut-and-assembled into a garment in a CAFTA-DR country and imported in to the U.S. duty free. Products may be added to or removed from the short supply list following specific [procedures](#). More information on the CAFTA-DR short supply process, including Frequently Asked Questions, may be found [here](#).

Cumulation with Mexico -Certain woven apparel, cut-and-assembled in the CAFTA-DR region, may use Mexican yarns and fabric. The provision is limited to 100 million square meter equivalent units (SME) of imported apparel annually.

The Cumulation provision has annual sub-limits for wool, denim, cotton and man-made fiber bottom weights. Of the 100 million SME total, woven wool apparel is limited to 1 million SME, woven denim apparel is limited to 20 million SME, and woven cotton and man-made trousers and skirts are limited to 45 million SME annually. The Cumulation provision is reciprocal amongst the U.S., CAFTA-DR, and NAFTA countries. For example, woven U.S. fabrics shipped to Central America, assembled into apparel, may enter Mexico duty-free under this provision.

The CAFTA-DR Cumulation provision became effective on August 15, 2008. Terms of the provision are found on page 137 of the [Annex 4.1 of the CAFTA-DR text](#). Current fill rates are found on Customs and Border Protections' webpage for quota fill utilization, reported on a weekly basis, found [here](#). Other information on the Cumulation provision may be found [here](#).

On March 1, 2012 the Dominican Republic lost Cumulation eligibility. An overview of why the D.R. lost eligibility can be found in footnote 1 of the Cumulation provision (p. 137 of [Annex 4.1 of the CAFTA-DR](#)).

Value Added Provision for Apparel made of U.S. Formed Fabric - Textile or apparel goods may be cut and assembled in the CAFTA-DR region of U.S. formed fabrics of foreign yarns. The duty paid upon entry into the United States is the MFN rate on the value of the assembled good minus the value of fabric formed in the United States. U.S. fabric makers can use foreign yarns under this provision. See [Chapter 3 of the Agreement - National Treatment and Market Access for Goods](#) (Article 3.26, page 3.21).

Certain Nylon Filament Yarn - U.S. and Central American fabric and apparel makers may source certain nylon filament yarns, other than elastomeric nylon filament yarn, from Mexico, Canada, and Israel for use in qualifying goods. See [Chapter 3 of the Agreement - National Treatment and Market Access for Goods](#) (Article 3.25, item 10, page 3-21).

De Minimis- Up to 10% of the weight of the fibers and yarns that make up the component that determines the origin of a fabric or apparel good do not have to meet the rule of origin and thus may come from outside the region.

However, an exception to *de minimis* requires that all **elastomeric** yarn used in qualifying yarns, fabrics, and apparel must come from the CAFTA-DR countries.

"Fiber forward" Rule for Knit Fabric - For qualifying knit fabric (HS Chapter 60 products, not knit apparel), fibers and yarns must be manufactured in CAFTA-DR countries. See [Annex 4.1 - Specific Rules of Origin](#).

Folklore Products - Products such as (a) hand-loomed fabrics; (b) hand-made goods made of such hand-loomed fabrics; or (c) traditional folklore handicraft goods, may be imported duty free IF the U.S. and the originating country mutually agree upon eligible goods. In the U.S., questions regarding requests for certification should be sent to the Chairman of CITA, U.S. Department of Commerce, Room 30003, 1401 Constitution Avenue, N.W., Washington, DC 20230. See [Chapter 3 of the Agreement - National Treatment and Market Access for Goods](#) (Article 3.21, page 3-13).

## ***Components that determine the tariff classification of an apparel good***

The rule of origin applies to the main component or 'essential character' of a textile or apparel good. Components such as collars, cuffs, trim, embroidery, belt loops, zippers, and similar accessories are not considered for when determining the Rule of Origin of a good. However, certain components do apply, and thus must meet rule of origin requirements. In addition to the 'essential character' of a garment, the following apparel components are considered for classification purposes:

- Narrow elastic fabrics of HTSUS 5806.20 and 6002 must be sourced in the region and meet a "fabric-forward" rule of origin (yarns permitted from anywhere).
- Visible lining fabrics must be sourced in the region and meet a "fabric-forward" rule of origin (yarns permitted from anywhere).
- Thread made in the CAFTA-DR region must be used in the assembly of qualifying apparel.
- Pocketing fabric used in qualifying apparel must be sourced from the region and meet a 'yarn-forward' rule of origin

### **Footwear**

Two rules of origin cover footwear:

1) A change to headings 6401 through 6405 from any heading outside that group (i.e., there are no restrictions on the use of imported uppers.) However, the footwear must be assembled in one or a combination of one or more countries in Central America, the Dominican Republic and/or the United States. This rule applies to all footwear, except the following 8-digit HS numbers: 6401.10.00, 6401.91.00, 6401.92.90, 6401.99.30, 6401.99.60, 6401.99.90, 6402.30.50, 6402.30.70, 6402.30.80, 6402.91.50, 6402.91.80, 6402.91.90, 6402.99.20, 6402.99.80, 6402.99.90, 6404.11.90, 6404.19.20.

2) Footwear covered in exception above (i.e., HS numbers listed above) follow a regional value content rule of not less than 55 percent of the adjusted value of the product. Under this rule of origin, to qualify for the duty benefits, uppers can only be made in the United States, Central America and/or the Dominican Republic. This is essentially the same rule of origin used in NAFTA and CBTPA.

NOTE: The regional value content is determined by the "Build-up method":

$$RVC = \frac{VOM}{AV} \times 100$$

Where RVC is the regional value content, expressed as a percentage; AV is the adjusted value (value without Cost, Insurance, Freight); and VOM is the value of originating materials used by the producer for the production of the good.

### **Travel Goods**

The rule of origin for travel goods is a change to subheading 4202.11, 4202.12, 4202.19, 4202.21, 4202.22, 4202.29, 4202.31, 4202.32, 4202.39 4202.91, 4202.92, or 4202.99 from any other chapter. That is, the travel goods must be assembled in a combination of one or more countries in Central America, the Dominican Republic and/or the United States. Inputs can be sourced from outside the CAFTA-DR region.

## [Documentation Requirements](#)

### **Measures to Prevent Circumvention of the Agreement's Rule of Origin**

The CAFTA-DR, as with other recent free trade agreements signed by the United States, contains additional measures to ensure that textile and apparel goods are not subject to fraud, such as transshipment. The parties agree that the exporting Party, at the request of the importer Party, shall conduct verification procedures to determine that a claim for origin of a textile and apparel good is accurate, allows the exchange of information between parties when suspicion occurs, and permits the importing party to suspend preferential tariff treatment to the textile and apparel good under suspicion or any textile and apparel good produced or exported by a specific company. For more information on this provision, please see [Chapter 3 of the Agreement - National Treatment and Market Access for Goods](#) (Article 3.24-Customs Cooperation, page 3-15). The Agreement includes comprehensive measures to monitor and enforce textile and apparel rules of origin.

### **Co-Production with CBTPA Members**

After entry into force of the CAFTA-DR, the six CAFTA-DR partner countries are no longer eligible for the [CBTPA](#). However, the remaining eligible CBTPA beneficiary countries are allowed to continue sourcing inputs from these countries and use them in goods that qualify for CBTPA benefits. For example a CBTPA member such as Haiti may co-produce apparel with the DR and enter the CBTPA qualifying product under the CBTPA.

### **Government Procurement**

The CAFTA-DR requires the use of fair and transparent procurement procedures, including advance notice of purchases and timely and effective bid review procedures, for procurement covered by the agreement. Under CAFTA-DR, U.S. suppliers are permitted to bid on procurements of most government entities, including key ministries and state-owned enterprises, on the same basis as domestic suppliers. The anti-corruption provisions in the agreement require each government to ensure under its domestic law that bribery in trade-related matters, including in government procurement, is treated as a criminal offense or subject to comparable penalties.

### **Intellectual Property Rights (IPR)**

Implementation of CAFTA-DR obligations with respect to IPR should strengthen and improve IPR protection in the member countries. Implementation of these obligations should also provide stronger deterrence against piracy and counterfeiting by criminalizing end user piracy and requiring each member country to authorize the seizure, forfeiture, and destruction of counterfeit and pirated goods and the equipment used to produce them. The CAFTA-DR text also mandates both statutory and actual damages for copyright and trademark infringement to help ensure that monetary damages can be awarded even when it is difficult to assign a monetary value to the violation.

### **Additional Resources**

- [Text, Legislation, Documents](#)
- [U.S. Office of the Trade Representative Dominican Republic-Central America FTA website](#)
- [U.S. Customs and Border Protection](#)
- [Textile and Apparel Trade Data](#)

### **Textile and Apparel Trade Associations in Central America / Dominican Republic**

[Costa Rica](#)

[Dominican Republic](#)

[El Salvador](#)

Guatemala  
Honduras  
Nicaragua