When One Input Decides Two Origins

CAFTA-DR accumulation as a regional competitiveness tool, and why foreign trade belongs in the room from the first decision.

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A product manufactured in Central America that incorporates a single United States input can fail to meet the Central American rule of origin and, on the same pallet, qualify as originating under CAFTA-DR. That is not a contradiction to be reconciled. It is a choice the agreements grant, and the producer who understands both regimes decides which one to claim. What follows is a practitioner's account of how that choice works, what it is worth in financial terms, and why it only materializes when the person who reads the treaties is involved from the moment a recipe changes to the moment a container is costed.

The operational problem most teams never see

The situation recurs across the region. A market is short of a SKU as a sales month closes; a warehouse one border away is long on the same SKU, holding stock that will reach its best-before date before it sells. One side faces a write-off. The other cannot fill demand. Between them sit a border, two customs regimes, and a clock.

In most organizations nothing happens, not from negligence but from structure. The planner who placed the inventory cannot move it across a border, and the person who could move it, the one who reads rules of origin, was not in the meeting where the problem was named. The pallet ages, the sale is lost, and the plant learns of both failures a quarter later, in a report, when nothing can be redirected. I have worked both sides of that outcome over fifteen years in the region, and the difference was never luck. It was whether foreign trade had built the options before anyone needed them.

There are two instruments at work, and they should not be confused.

Instrument one: moving an originating good without losing its origin

A finished good of United States origin, held in a Central American warehouse, may be shipped onward to another Central American country without losing its originating status, provided it undergoes nothing beyond unloading, reloading, and the handling required to keep it in good condition. CAFTA-DR Article 4.12 is explicit: a good loses originating status only if it undergoes production or any other operation outside the territories of the Parties, beyond such handling. A pallet that moves from Honduras to Guatemala never leaves the bloc. Nothing is produced, and Article 4.1 confers no new origin on a good that was only relocated.

There is no accumulation in this case. Accumulation under Article 4.5 applies to materials incorporated into a good produced in another Party, and here nothing is incorporated. What sustains the operation is the documentary file: the commercial invoice, the bill of lading, the import and export clearances, and the self-certification that, under Article 4.16, the importer, exporter, or producer issues and retains for five years. Under CAFTA-DR no government stamps a certificate; the burden of accuracy rests entirely on the signatory. Executed properly, the overstock in one market becomes the inventory that closes the sale in the next, the freight is absorbed by a margin that would otherwise have been zero, and the manufacturer gains the weeks it needs to direct its next production run to the correct destination.

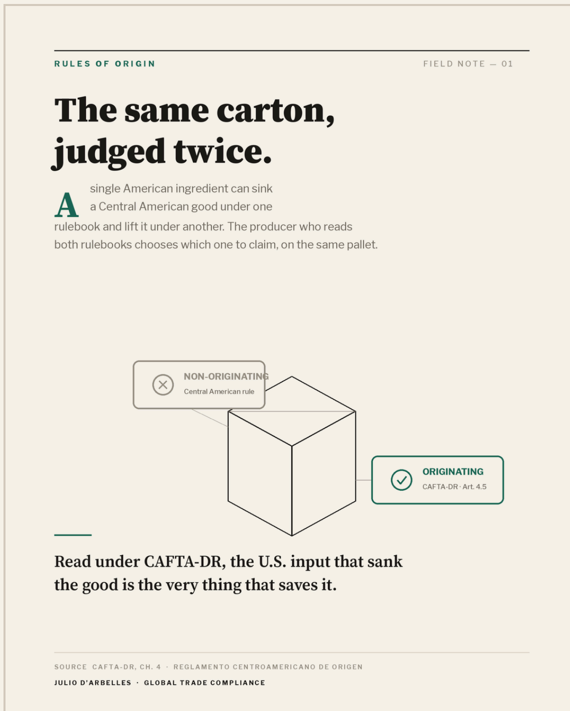
Instrument two: when one input produces two origins

The second instrument is more consequential, and it begins with a decision foreign trade is rarely invited to weigh: a plant changes an ingredient. A sweetener, a starch, a stabilizer, or a resin is now sourced from a United States supplier rather than a regional one, because the scale, technology, and volumes available there lower the unit price. Procurement records a win. What no one asks is whether the product still belongs to the region, because if that single substituted input pushes the good past the threshold, it may lose its Central American origin and, with it, the duty-free access to the neighboring markets the plant was built to serve.

This is where two origin regimes governing the same good diverge. Under the Central American regime, the Reglamento Centroamericano sobre el Origen de las Mercancías, a good qualifies only if it is wholly obtained in the member states or produced exclusively from materials originating there. The United States is not a member of that regime, so the substituted input is extra-regional and, depending on the product-specific rule, can defeat Central American origin. Certified on the regional DUCA-F, the good fails.

Under CAFTA-DR the same input is treated differently. The United States is a Party, and by Article 4.5 a United States material incorporated into a good produced in a Central American Party is considered originating. The good that failed the regional rule satisfies the CAFTA-DR rule, qualifies as a CAFTA-DR originating good, and moves duty-free between the same two countries under a different agreement.

A point of precision separates the practitioner from the commentator here: the good does not become "United States origin" because one ingredient came from there. It becomes a CAFTA-DR originating good, produced in the Central American country where the plant operates, with the United States input accumulated as originating. There is no United States certificate of origin to issue. The producer self-certifies, under Article 4.16, that the good is CAFTA-DR originating, and retains the bill of materials that proves it. Nor is this invoice engineering: the good is physically produced in Central America from inputs that are genuinely originating once the United States is counted as the Party it is. What changes is not the facts but the rulebook under which they are read. Article 3.3 grants precisely that latitude.



The same carton, judged twice. A U.S. input is extra-regional under the Central American rule, but originating under CAFTA-DR (Art. 4.5). Source: CAFTA-DR, Ch. 4; Reglamento Centroamericano de Origen.

The treaty matrix: where Mexico, Panama, and Europe change the calculation

The mechanism above is not a single switch. It is one move within a matrix of coexisting agreements, each with its own rulebook and, critically, its own accumulation partners. The sophisticated question is not "does the good originate," but "under which treaty, with which inputs."

Mexico is the clearest illustration, and it is where many analyses go wrong. Mexico relates to Central America through a separate instrument, the Tratado de Libre Comercio entre México y Centroamérica, the "TLC Único," signed in November 2011 and brought into force progressively from September 2012, which homologated the three earlier bilateral agreements Mexico had concluded with Costa Rica, Nicaragua, and the Northern Triangle. The TLC Único permits regional accumulation between Mexican and Central American originating inputs under a single certificate of origin. But Mexico is not a Party to CAFTA-DR, and the United States is not a Party to the TLC Único. The two accumulation pools do not merge. A Mexican input accumulates under the TLC Único; a United States input accumulates under CAFTA-DR; neither crosses into the other's regime.

A producer who assumes a Mexican component will help a CAFTA-DR claim, or a United States component a TLC Único claim, will be wrong at the border.

The contrast with the automotive sector to the north is instructive. Between the United States and Mexico, origin has been embedded in design and sourcing for decades; under the USMCA framework, no component changes without a calculation of regional value content, because the industry was built inside the grammar of origin. Central America has not reached that maturity. Too often a formulation changes, a supplier is approved, and the foreign-trade consequence is discovered only when a shipment is denied preference. That gap is the opportunity for those who close it first.

Panama is a separate caution precisely because it feels Central American. It is not a Party to CAFTA-DR, so Panamanian content cannot be accumulated under that agreement; it maintains its own bilateral trade promotion agreement with the United States and its own arrangement with Mexico, and it applies its own origin rules within the Central American integration subsystem. From Panama City, where I work, that is not a footnote; it is the first line to check. And for goods destined to Europe, the EU–Central America Association Agreement adds a fourth rulebook with its own origin logic, distinct again from all of the above.

> **An input is not "originating" in the abstract, but originating under a specific treaty, with specific partners, for a specific good. The producer maps each material to the agreement under which it confers origin, and routes the shipment accordingly.**

What the choice is worth, in financial terms

Three results move with a single customs decision. The first is revenue: a pallet bound for the write-off bin becomes a closed sale across the border. The second is regional EBITDA, and it is the one most teams never connect to a customs decision. For a distributor operating the entire isthmus, a product expiring in Honduras is not a Honduran problem. The bad-good charge lands on that country's profit and loss, and because the region is measured as a group, from Guatemala to Panama, the loss bleeds into the consolidated result. Failing to know that a lawful cross-border move existed does not cost an efficiency; it destroys consolidated EBITDA.

The third is the early-warning system that makes any of this possible: freshness, and the expiry windows monitored on a calendar rather than in a crisis, at 180 days and at 90 days. Read at 180 days, a slow-moving lot is an opportunity, with time to certify origin, confirm sanitary registration, and arrange freight. Read at 30 days, it is a write-off with paperwork. The value lives entirely in that gap, and capturing it requires that foreign trade see the expiry report early, beside sales and supply chain, not after the fact.

One further layer has nothing to do with tariffs and will halt the shipment regardless. A good may be flawlessly originating and still detained because its sanitary registration is not in order in the destination country. CAFTA-DR clears the duty; it does not clear the health authority. The sanitary registry cannot be obtained in the week before a sale closes, so it must exist beforehand, filed across each Central American market in advance by the regulatory function. The teams that move inventory on short notice are those that registered the SKU a year earlier. That registration is infrastructure, built before its absence is felt.

Foreign trade, from the idea to the container

Every instrument described here rests on one precondition: the person who reads the treaties is present from the moment the idea is conceived to the moment the container is received and the landed cost is struck. Foreign trade in the innovation and renovation meetings, where a recipe change wins or loses origin. In the discontinuation decisions, which carry an inventory tail. With the sales and expiry data, which is the radar. Holding the entire scope rather than a fragment of it, so that each decision is taken with its duty, origin, sanitary, and inventory consequences on the table at once. A foreign-trade lead who sees only the arriving container can audit history; one who sees the idea when it is born can change the outcome.

From the idea to the container: where foreign trade earns its seat, and what each stage is worth. Source: author analysis; SIECA, 2025.

For readers on the United States side of these flows, each thread has a familiar counterpart. The good that retains its origin across a border is the logic of transit and transshipment, and the documentary file is the recordkeeping that survives a verification under 19 CFR. The good with two origins is accumulation and substantial transformation, argued in a regional grammar rather than a federal one. The treaty matrix is portfolio thinking, the discipline of holding classification, origin, accumulation, quotas, sanitary admissibility, and the profit-and-loss in a single view.

Caveats, and a closing observation

None of this operates as a general rule. It operates good by good. Each destination country maintains its own schedule under Annex 3.3, with staging, exclusions, and tariff-rate quotas; coffee and sugar are among the most sensitive arrangements in the region. Before any certification, the question is whether the good sits in an open basket for that country or behind a quota not yet at open volume. The encouraging fact in 2026 is that the agreement has been fully phased in since the start of 2025, and most baskets are now open. According to SIECA's 2025 figures, close to two of every five export dollars from the region go to the United States, and the largest markets after that, by a wide margin, are the region's own neighbors. CAFTA-DR sits precisely on that seam.

The work this requires does not feel important while it is being done. It is a telephone call on a short deadline, a bill of materials read twice, an expiry report read at 180 days rather than 30, a registry filed a year early, a clause of an annex recalled at the right moment, and a foreign-trade lead who insisted on being in the room when the recipe changed. Its value is visible only later, when the write-offs have stopped, the borders have stayed open, the regional result has held, and a region has continued to trade with itself and with the country to its north without anyone outside the file knowing how close it came to not.

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Sources and references. CAFTA-DR, Chapter 4 (Articles 4.1, 4.5, 4.12, 4.16) and Article 3.3; Reglamento Centroamericano sobre el Origen de las Mercancías (in force January 2022); Tratado de Libre Comercio entre México y Centroamérica (TLC Único, 2011; in force from September 2012); U.S.–Panama Trade Promotion Agreement; EU–Central America Association Agreement; SIECA trade statistics, 2025. The preferential outcome in any specific case depends on the product-specific rule of origin and any applicable tariff-rate quota.