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U.S. and Costa Rica Reach Agreement on Free Trade

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Costa Rica Will Join Recently Concluded Central American Trade Pact

WASHINGTON - The United States and Costa Rica today concluded negotiations to finalize Costa Rica's participation in the U.S. -Central America Free Trade Agreement (CAFTA), phasing out tariffs and other trade barriers and promoting regional economic integration and growth. The United States concluded negotiations with El Salvador, Guatemala, Honduras and Nicaragua last month.

U.S. Trade Representative Robert B. Zoellick and Costa Rica's Minister of Foreign Trade Alberto Trejos announced the agreement in Washington.

"Costa Rica needed a little more time to complete its participation in the CAFTA, and we're very pleased it has joined its Central American neighbors in this cutting-edge, modern FTA designed to expand trade between friends and neighbors," said Zoellick. "With each Central American nation, we worked to tailor market access provisions to reflect individual circumstances, and that work is now complete with Costa Rica."

In the last few weeks the United States and Costa Rica resolved outstanding issues in areas such as market access for agriculture, textiles and apparel, and professional services. In addition, Costa Rica made specific commitments to gradually open its telecommunications market in three key areas - private network services, Internet services, and wireless services and committed to establishing a regulatory framework to help foster effective market access. Costa Rica also committed to fully open its insurance market to competition, with the vast majority of the market opening by January 1, 2008, and full opening of the sector by January 1, 2011.

CAFTA is the culmination of a year of intense negotiations, and fulfills a key U.S. objective of opening markets in Latin America while continuing to push trade liberalization globally in the Doha talks of the World Trade Organization (WTO) and regionally in the Free Trade Area of the Americas (FTAA).

"Costa Rica's full participation in CAFTA will streamline trade, promote investment, slash tariffs on goods, open trade in services, protect advanced intellectual property, and strengthen labor and environmental conditions," Zoellick said. "This is another important step toward fulfilling the vision of CAFTA. We look forward to negotiating with the Dominican Republic over the next few months to grow the ever-expanding circle of free trade in this hemisphere."

U.S. goods exports to Costa Rica in 2003 were \$3.5 billion, up about 13 percent from the previous year. Corresponding U.S. imports from Costa Rica were \$3.4 billion, up 9.7 percent. Costa Rica accounts for approximately one-third of U.S. trade with the five CAFTA countries. Joining the Dominican Republic to CAFTA would create the second-largest U.S. export market in Latin America, behind only Mexico.

The draft CAFTA text will be made public before the end of January.

New Opportunities for U.S. Workers and Manufacturers: More than 80 percent of U.S. exports of consumer and industrial goods will become duty-free in Central America immediately, with remaining tariffs phased out over 10 years. Key U.S. export sectors will benefit, such as information technology products, agricultural and construction equipment, paper products, chemicals, and medical and scientific equipment.

Expanded Markets for U.S. Farmers and Ranchers: More than half of current U.S. farm exports to Central America will become duty-free immediately, including high quality cuts of beef, cotton, wheat, soybeans, key fruits and vegetables, processed food products, and wine, among others. Tariffs on most remaining U.S. farm products will be phased out within 15 years. U.S. farm products that will benefit from improved market access include pork, dry beans, vegetable oil, poultry, rice, corn, and dairy products.

Textiles and Apparel: Textiles and apparel will be duty-free and quota-free immediately if they meet the Agreement's rule of origin, promoting new opportunities for U.S. and Central American fiber, yarn, fabric and apparel manufacturing. The agreement's benefits for textiles and apparel will be retroactive to January 1, 2004. An unprecedented provision will give duty-free benefits to some apparel made in Central America that contains certain fabrics from NAFTA partners Mexico and Canada. This provision encourages integration of the North and Central American textile industries, and is a step to prepare for an increasingly competitive global market.

Access to Services: The Central American countries will accord substantial market access across their entire services regime, offering new access in sectors such as telecommunications, express delivery, computer and related services, tourism, energy, transport, construction and engineering, financial services, insurance, audio/visual and entertainment, professional, environmental, and other sectors. Central American countries have agreed to change dealer protection regimes and loosen restrictions that lock U.S. firms into exclusive or inefficient distributor arrangements.

A Trade Agreement for the Digital Age: State-of-the-art protections and non-discriminatory treatment are provided for digital products such as U.S. software, music, text, and videos. Protections for U.S. patents, trademarks and trade secrets are strengthened.

Strong Protections for Worker Rights: Goes beyond Chile and Singapore FTAs to create a three-part strategy on worker rights that will ensure effective enforcement of domestic labor laws, establish a cooperative program to improve labor laws and enforcement, and build the capacity of Central American nations to monitor and enforce labor rights.

An Innovative Environment Chapter: Goes beyond Chile and Singapore FTAs in seeking to develop a robust public submissions process to ensure that views of civil society are appropriately considered, and for benchmarking of environmental cooperation activities and input from international organizations.

Strong Protections for U.S. Investors: The agreement establishes a secure, predictable legal framework for U.S. investors in Central America.

Open and Fair Government Procurement: Provides ground-breaking anti-corruption measures in government contracting. U.S. firms are guaranteed a fair and transparent process to sell goods and services to a wide range of Central American government entities.

Background:

President Bush announced his intention to negotiate an FTA with the CAFTA countries on January 16, 2002, at a speech before the Organization of American States. The Administration worked

with Congress throughout 2002 to secure Trade Promotion Authority (TPA). Congress enacted the Trade Act of 2002 in August 2002, and on October 1, 2002, the Administration notified Congress that it would begin the CAFTA negotiations.

CAFTA negotiations began in January 2003, and took place in 9 rounds of negotiations. These negotiations took place in San Salvador, El Salvador; San Jose, Costa Rica; Guatemala City, Guatemala; Tegucigalpa, Honduras; Managua, Nicaragua; and in the U.S., Houston; New Orleans; Cincinnati; and finally, Washington. Agreement with El Salvador, Guatemala, Honduras and Nicaragua was reached on December 17, 2003. Costa Rica said at that time it needed to undertake further consultations at home before being able to move forward. U.S. and Costa Rican trade officials met in Washington during January 19-25 to reach the agreement announced today.

The United States began negotiations with the Dominican Republic earlier this month, and will seek to bring that country fully into the CAFTA by March. Separately, the United States has also announced its intention to begin FTA negotiations with Panama, Colombia, Peru, Bolivia and Ecuador. In the Americas, the United States current and in-process U.S. FTA partners represent more than two-thirds of the hemisphere's economy, not counting the U.S.

The United States is also working to conclude FTAs with Australia and Morocco, and iscontinuing FTA negotiations with five southern African countries (Botswana, Lesotho, Namibia, South Africa and Swaziland). On Monday, January 26, the United States will begin FTA negotiations with Bahrain, and in addition has announced its intention to negotiate an FTA with Thailand.

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A fact sheet and outline of the CAFTA is available at www.ustr.gov

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