The Office of the United States Trade Representative

Dominican Republic Joins Five Central American Countries in Historic FTA with U.S.

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Creates second-largest combined market in Latin America for U.S. exports

WASHINGTON – U.S. Trade Representative Robert B. Zoellick, the Dominican Republic's Secretary for Industry and Commerce Sonia Guzman, and representatives of five Central American nations today signed the U.S. – Dominican Republic – Central America Free Trade Agreement (DR-CAFTA), an historic agreement that creates the second-largest free trade zone in Latin America for U.S. exports. The agreement will eliminate eighty percent of the tariffs immediately, with the remaining tariffs phased out over 10 years.

With this agreement, the Dominican Republic joins the Central American Free Trade Agreement signed earlier this year with Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua. Trade ministers and senior officials of those countries attended the event and signed the agreement on behalf of their nations.

Eighty percent of DR-CAFTA imports already enter the United States duty free. The DRCAFTA levels the playing field by expanding access for U.S. products and services.

"This is a significant agreement with a large regional U.S. trading partner, and I'm very pleased to see the Dominican Republic joining the CAFTA to create a new and larger trade agreement. It's a top notch agreement that levels the playing field and expands opportunities for the peoples of both countries. Our signing today, and the joining of the Dominican Republic into the Central American FTA, caps off a great summer in the drive to open markets. We've extended the African Growth and Opportunity Act, had two large majority votes in Congress for the Australia and Morocco FTAs, helped achieve an historic framework to guide the WTO negotiations, and the President just signed on Tuesday the implementing legislation for Australia," said Zoellick, who visited the Dominican Republic in January as the negotiations began.

"This agreement significantly cuts trade barriers and expands regional opportunities for the workers, manufacturers, consumers, farmers, ranchers and service providers of all our countries," said Zoellick. "Adding the Dominican Republic to CAFTA will create new economic opportunities, by eliminating tariffs, opening markets, promoting transparency, and establishing state-of-the-art rules for 21st-Century commerce.

"Today, with a signature and a handshake, we are tearing down economic barriers, we are bridging the distance that separates us and we are linking our histories," said Zoellick. "Together we will set an example for the rest of the world of what a large, developed democracy and smaller, developing democracies can accomplish together."

Negotiations with the five Central American countries began in January 2003. Many members of Congress, including Congressman Jerry Weller (R-IL) and Congressman Charles Rangel (DNY) expressed interest in adding the Dominican Republic to the negotiations.

DR-CAFTA has been endorsed by every national business association and virtually every farm association. Zoellick notified Congress on August 4, 2003, of the Administration's intent to negotiate an FTA with the Dominican Republic. Negotiations were launched in January 2004 and concluded on March 15. President Bush formally notified Congress of his plan to sign an FTA with the Dominican Republic on March 25.

The DR-CAFTA is a regional trade agreement among all seven signatories, and will contribute to the transformation of a region that was consumed in internal strife and border disputes just a decade ago but is now a successful regional economy with flourishing democracies. The Administration plans to submit a single legislative package to Congress to implement the new trade agreement with the five Central American countries and the Dominican Republic.

In 2003, the U.S. exported $15 billion of goods to the Dominican Republic and Central American countries. Combined total goods trade between the U.S. and the original five CAFTA countries was $23.6 billion in 2003. The addition of the Dominican Republic represents an additional $8.7 billion in annual two-way trade, for a combined total trade relationship of approximately $32 billion.

DR-CAFTA is a key export market for important U.S. manufacturing sectors such as information technology products, agricultural and construction equipment, paper products, chemicals and medical and scientific equipment, all of which will enjoy immediate duty-free access. More than half of current U.S. farm exports to the Dominican Republic and 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. Each of the 50 U.S. states and the District of Columbia export to the CAFTA region. The leading states exporting to DR-CAFTA countries are Florida, North Carolina, Texas, Louisiana, California, Georgia, Alabama, Massachusetts, South Carolina, and Pennsylvania.

The Dominican Republic and Puerto Rico have the largest bilateral trading relationship in the Caribbean region, accounting for almost $1.3 billion in two-way commerce. Puerto Rico exports almost $700 million in goods and services to the Dominican Republic annually.

The U.S. is also strengthening ties with the DR-CAFTA countries by entering into an Environmental Cooperation Agreement. This agreement will promote environmental cooperation as a complement to the trade liberalization efforts.

The ceremony took place in the Indian Treaty room in the Eisenhower Executive Office building, where the UN Charter and the treaty establishing the International Monetary Fund (IMF), were signed.

Background

The U.S. Congress recently approved free trade greements with Australia and Morocco by wide margins (Australia passed the House 314 to 109 and the Senate 80 to 16; Morocco passed the House 323 to 99 and the Senate 85 to 13). In addition, Congress also recently passed the African Growth and Opportunity Act (AGOA) Acceleration Act, a duty-free preference program designed to promote economic development in sub-Saharan Africa's by expanding access to the U.S. market.

Adding to the three FTAs ratified under this Administration (Jordan in 2001, Chile and Singapore in 2003), the United States has completed FTAs with nine countries – Australia, Bahrain, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Morocco and Nicaragua - over the past eight months. The agreement with Australia was signed into law by President Bush earlier this week and the agreement with Morocco was approved by Congress recently and is next in line to be signed into law.

Negotiations are under way with ten countries - Colombia, Ecuador, Peru, Panama, Thailand, and the five nations of the Southern African Customs Union (SACU). New and pending FTA partners, taken together, would constitute America's third largest export market and the sixth largest economy in the world. The United States has FTAs in force with Israel, Canada and Mexico (NAFTA), Jordan, Chile and Singapore.

The United States is working to open markets globally in the Doha World Trade Organization (WTO) negotiations. On July 31, WTO negotiations were moved ahead in Geneva with an agreement that puts the WTO on course to open markets for agriculture, goods and services. The agreed framework provides structure and direction to the ongoing trade talks, which are designed to promote global economic growth and development in developed and developing countries. The U.S. is also working to open markets regionally with the Free Trade Area of the Americas (FTAA) negotiations.