The Office of the United States Trade Representative

United States and Central America Sign Historic Free Trade Agreement

05/28/2004

Tariffs on 80% of U.S. Exports to Central America are Eliminated Immediately

WASHINGTON – U.S. Trade Representative Robert B. Zoellick and Ministers of five Central American countries today signed the U.S. Central American Free Trade Agreement (CAFTA) a historic agreement that will eliminate tariffs and trade barriers and expand regional opportunities for the workers, manufacturers, consumers, farmers, ranchers and service providers of all the countries.

CAFTA will immediately eliminate tariffs on more than 80 percent of U.S. exports of consumer and industrial products, phasing out the rest over 10 years. The Central American countries already enjoy duty free access to the U.S. for over 75% of their exports, and the agreement expands their opportunities and promotes the kind of positive domestic reforms that will help them grow and prosper and trade with the United States.

"For the United States, the signing of CAFTA opens a new chapter in the history of our relationship with Central America. CAFTA will put the U.S. relationship with Central America on a more solid mutual foundation, firmly grounded in our shared commitment to democracy, free markets, free people, and hope," said Zoellick. "For the United States, the economic gains will be significant, for these small countries are very big markets. With the addition of the Dominican Republic, CAFTA is the 2nd largest U.S. export market in Latin America, behind only Mexico, buying more than $15 billion in U.S. exports.

"CAFTA will do much to create the new economic opportunity that will bolster the democratic commonwealth in the hemisphere," said Zoellick. "It will eliminate tariffs, open markets, promote transparency, and establish state-of-the-art rules for 21st Century commerce."

Signing on behalf of their countries were Costa Rican Minister of Trade Alberto Trejos, El Salvadoran Minister of the Economy Miguel Lacayo, Guatamalan Minister of the Economy Marcio Cuevas, Honduran Minister of Industry and Commerce Norman García, and Nicaraguan Minister of Development, Industry and Commerce Mario Arana.

"Through long hours and many tough issues, each of my colleagues shared the goal of making the vision of CAFTA into a reality. They and their teams worked hard and represented their countries and their peoples with great skill, diligence, and dignity. You have been great partners, and I am proud of our work together," said Zoellick. Citing their dedication, spirit and service, Zoellick also recognized "the hard working professionals from USTR and the many other U.S. government agencies that helped craft this agreement."

"Today is just the beginning of the most critical chapter for CAFTA. In both the United States and Central America, we must now turn our attention to winning approval of the agreement from our respective legislatures," said Zoellick. "I especially want to thank Representatives Kevin Brady and Cass Ballenger. They have been strong leaders on trade and tireless friends of Latinos and Central Americans," Zoellick noted the importance of Congressional passage of Trade Promotion Authority in 2002, and thanked business and farm leaders for their strong support. CAFTA has been endorsed by every national business association and virtually every farm association.

Negotiations began in January 2003. Following nine rounds of negotiations, agreement was reached with El Salvador, Guatemala, Honduras, and Nicaragua on December 17, 2003, and with Costa Rica on January 25, 2004. The draft text was made available to the general public on January 28, 2004, only three days after conclusion of the negotiations and three weeks before the President notified Congress on February 20, 2004 of his intent to enter into the CAFTA. Negotiations to include the Dominican Republic in CAFTA began in January 2004 and concluded on March 15, 2004, but a period of Congressional consultation on that agreement required under the Trade Act has not yet concluded. A date for signing an agreement that includes the Dominican Republic will be announced after those consultations are complete. Carolina Mejía, Ambassador to the FTAA and FTA Negotiations, participated in the CAFTA signing ceremony as an observer representing the Dominican Republic. The Administration plans to submit a single legislative package to Congress that includes CAFTA and the Dominican Republic together.

The signing of the final agreement, a 2,400 page document, took place in the Hall of the Americas at the headquarters of the Organization of American States (OAS), where President Bush first announced his plan to negotiate an FTA with Central America during a speech in January 2002. The OAS is an elegant, historical building that hosts the Permanent Council meetings of the OAS and has been the site of numerous ceremonies marking important events in the Americas. The OAS will also serve as the depository of the official CAFTA documents.

The United States and Central America enjoy a strong and growing trade partnership. U.S. exports to the CAFTA countries have grown over 70 percent since 1996, totaling $10.9 billion in 2003.

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 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 CAFTA countries are Florida, North Carolina, Texas, Louisiana, California, Georgia, Alabama, Massachusetts, South Carolina, and Pennsylvania.

Background

The United States is working to open markets globally in the Doha World Trade Organization (WTO) negotiations; regionally, through APEC and the Free Trade Area (FTAA) of the Americas negotiations; and bilaterally, with FTAs.

The U.S. has completed FTAs with nine countries – the five countries of Central America, the Dominican Republic, Australia, Morocco and Bahrain - over the past six months. New and pending FTA partners, taken together, would constitute America’s third largest export market and the sixth largest economy in the world.

Negotiations were completed on May 27 with Bahrain. Last month, the United States and Panama conducted their first round of free trade negotiations with Colombia, Ecuador and Peru in mid-May, and negotiations with Thailand are expected to begin shortly. In addition the United States is negotiating with the five nations of the Southern African Customs Union (SACU).

Just 10 days ago the United States signed the U.S.-Australia Free Trade agreement. The United States currently has FTAs with Israel, Canada and Mexico (NAFTA), Jordan, Chile and Singapore.