



CAFTA Facts

Office of the United States Trade Representative
CAFTA Policy Brief – February 2005

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Free Trade With Central America and the Dominican Republic ***Highlights of the CAFTA***

- ***New Opportunities for U.S. Workers and Manufacturers:*** Eighty percent of U.S. exports of consumer and industrial goods will become duty-free in Central America and the Dominican Republic immediately, with remaining tariffs phased out over 10 years. Key U.S. export sectors will benefit from immediate duty elimination, such as information technology products, agricultural and construction equipment, paper products, pharmaceuticals, and medical and scientific equipment. Tariffs on U.S. autos and auto parts will be phased out within 5 years. Countries not presently in the WTO Information Technology Agreement will join.
- ***Expanded Markets for U.S. Farmers and Ranchers:*** More than half of current U.S. farm exports to Central America and the Dominican Republic will become duty-free immediately, including high-quality cuts of beef, soybeans, cotton, wheat, many fruits and vegetables, and processed food products. Tariffs on most U.S. farm products will be phased out within 15 years, with all tariffs eliminated in 20 years. Important U.S. sectors will benefit, including corn, beef, pork, poultry, rice, dry beans, dairy, and vegetable oil. The U.S. will work with Central America and the Dominican Republic to resolve sanitary and phytosanitary barriers to agricultural trade, especially problems in food inspection procedures for meat and poultry.
- ***Sugar - A Teaspoon A Week:*** In the first year, additional sugar market access for Central America and the Dominican Republic will amount to about 1.2 percent of U.S. sugar production, growing to 1.7 percent in year 15. This equals about one day's U.S. production, or approximately one teaspoon of sugar per week per adult American. Sugar imports have declined by about one-third since the mid-nineties. CAFTA would not come close to returning U.S. imports to those levels. There is no change in the high above-quota U.S. tariff on sugar, and imports under CAFTA will have no effect on the U.S. sugar program.
- ***Textiles and Apparel – Uniting to Compete with Asia:*** Garment factories in Central America and the Dominican Republic are collectively the third-largest world buyer of U.S. yarn and fabric. Apparel made in these facilities will be duty-free and quota-free under the Agreement if they use U.S. fabric and yarn, thereby supporting U.S. fabric/yarn exports and jobs. This is critical, because with the recent expiration of global quotas on textiles/apparel, CAFTA positions regional garment-makers – and their U.S. suppliers of fabric and yarn – to better compete with Asia. The agreement's benefits for textiles and apparel will be retroactive to January 1, 2004. CAFTA also contains cumulation provisions, which will allow woven apparel from the region to contain a capped amount of Mexican and Canadian inputs.
- ***Haiti:*** The Administration will work with the Congress to enable Haiti to continue to be eligible to receive Caribbean Basin Trade Preference Act (CBTPA) for apparel containing inputs from the Dominican Republic.

“These small countries took a courageous decision to seek a free trade agreement with their giant neighbor to the North. They placed their faith in free markets, in openness, and in democracy. We have worked with them to produce an agreement that will bring benefits to workers, farmers and consumers in all our countries.”

*Robert B. Zoellick
U.S. Trade Representative*

- **Access to Services:** Central America and the Dominican Republic will accord substantial market access across the 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 and the Dominican Republic 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:** CAFTA goes far beyond previous FTAs in addressing worker rights issues. The Administration developed a three-part strategy 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 America and the Dominican Republic to monitor and enforce labor rights.
- **An Innovative Environment Chapter:** Central America and the Dominican Republic will participate in a robust and unique public submissions process to ensure that views of civil society are appropriately considered. The agreement requires effective enforcement of environmental laws and is complemented by an Environmental Cooperation Agreement.
- **Strong Protections for U.S. Investors:** The agreement establishes a secure, predictable legal framework for U.S. investors in Central America and the Dominican Republic, and contains a commitment to develop an appellate mechanism for investor-state disputes.
- **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 government entities.
- **Increased Transparency:** The agreement’s dispute settlement mechanisms call for open public hearings, public access to documents, and the opportunity for third parties to submit views. Transparency in customs operations will aid express delivery shipments and will require more open and public processes for customs rulings and administration. Agreement also contains strong anti-bribery commitments, including criminalization of bribery.

With U.S. exports of more than \$15 billion in 2003, Central America and the Dominican Republic make up the second-largest market for U.S. exports in Latin America. The region is a larger export destination than Brazil, and larger than India, Indonesia and Russia combined.

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