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U.S. to sign pact with D.R. August 5

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By John Collins of Caribbean Business

U.S. Trade Representative Robert B. Zoellick announced the Dominican Republic (D.R.) is to sign a free trade agreement (FTA) with the U.S. and five Central American countries Aug. 5 in Washington.

Zoellick will sign on behalf of the U.S. and Secretary of Trade & Industry Sonia Guzman will sign for the D.R. The trade ministers of Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua will sign on behalf of their countries, which will result in an updated document that will become known as the U.S.-D.R.-Central American Free Trade Agreement (DR-Cafta). The new pact builds on the recently signed U.S.-Central American Free Trade Agreement (Cafta).

The signing ceremony occurs 11 days before the end of the administration of outgoing President Hipolito Mejia, who is leaving office Aug, 16 when he will be succeeded by President-elect Leonel Fernandez. Both Mejia and Fernandez back the agreement but are faced with growing opposition in the agricultural sector.

The formalities for the revised agreement come at a time of growing protests in the D.R. agricultural sector, which has mounted a campaign against the final version. Two prominent sugar producers in the country are leading the objections and have been joined by other farm producers demanding the D.R. Congress not ratify it. Basically protectionists, they do not want preferences they now enjoy to be eliminated under the new agreement.

The American Chamber of Commerce of the D.R. (Amcham) supports the pact. "It represents opportunities for an increased flow of foreign investment, an increase in export production, and more direct presence in the world's largest consumer market, as well as opportunities to consolidate and diversify the productive base of the industrial free zones," announced Amcham.

The fate of the agreement in Washington is also considered uncertain because free trade has emerged as an emotional issue during the current national election campaign. While the D.R. enjoys considerable support in the U.S. Congress, free trade with the Central American countries has aroused heated and growing opposition over both labor and environmental concerns.

"Adding the D.R. to the Cafta also adds the compelling economic logic of the Cafta, by expanding the size of the market covered by more than one-third," said Zoellick. "Our DR-Cafta trading partners make up the second-largest market for U.S. exports in Latin America behind only Mexico. The DR-Cafta also will fulfill a vision of expanded economic opportunity and trade put forward by President George W. Bush, and continues the strong momentum of recent months in advancing our free trade agenda."

Zoellick notified Congress Aug. 4, 2003 of the administration's intention to negotiate an FTA with the D.R. Negotiations were launched in January 2004 and concluded March 15. President Bush formally notified Congress of his plan to sign an FTA with the D.R. March 25. The administration now plans to submit a single legislative package to the Congress to implement the new pact.

Area represents $32 billion in trade

Combined total goods traded between the U.S. and the original five Central American countries was $23.6 billion last year. The addition of the D.R. represents $8.7 billion in two-way trade, bringing the total trade relationship to $32 billion.

Pointing out that 85% of the imports into the U.S. from the Central American countries and the D.R. already enter duty free under the Caribbean Basin Initiative, the Generalized System of Preferences and Most Favored Nation programs, Zoellick said what the D.R.-Cafta will provide is reciprocal access of products and services from the U.S., including Puerto Rico.

Over the past eight months, the U.S. has completed FTAs with nine countries: Australia, Bahrain, Morocco, the five Central American republics, and the D.R. Negotiations are under way with Colombia, Ecuador, Peru, Panama, Thailand, and the five nations comprising the Southern Africa Customs Union (SACU). The new and pending FTA partners, taken together, would constitute the third-largest export market of the U.S. and the sixth-largest economy in the world.

Currently, the U.S. has FTAs in force with Israel, Canada and Mexico (Nafta), Jordan, Chile, and Singapore.