OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE
EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON, D.C.
20508

FOR IMMEDIATE RELEASE:
December 17, 2003

CONTACT: RICHARD MILLS/RICARDO REYES
(202) 395-3230

U.S. & Central American Countries Conclude Historic Free Trade Agreement

Tariffs and Trade Barriers to Be Phased Out in Cutting Edge Pact Designed to Promote Economic Growth and Expand U.S. Opportunities in Important Regional Market

WASHINGTON - The United States and four Central American nations today concluded an historic and comprehensive Free Trade Agreement (CAFTA) that will strip away barriers to trade, eliminate tariffs, open markets, and promote investment, economic growth and opportunity for all five countries.

"In early 2002 President Bush put forward his vision for the region, a free trade agreement with Central America that expands economic freedom and opportunity for all our peoples, and which supports regional stability, democracy and economic development. Negotiations began last January, and today, we have fulfilled that vision with a cutting edge, modern FTA designed to tear down the tariff walls that block trade between the United States and Central America, between friends and neighbors," said U.S. Trade Representative Robert B. Zoellick, in announcing the accord with his Ministerial colleagues from El Salvador, Guatemala, Honduras and Nicaragua.

The culmination of a year of intense negotiations, CAFTA fulfills a key U.S. objective of opening markets with free trade partners, while continuing to push trade liberalization hemispherically through the Free Trade Area of the Americas (FTAA) and globally in the Doha talks in the World Trade Organization (WTO).

Zoellick noted that the United States strives for the highest standards in its comprehensive FTAs. A fifth Central American participant, Costa Rica, said it needs to undertake further consultations at home before being able to move forward to finalize its participation in CAFTA.

"The United States is committed to opening markets around the world because American farmers, workers, consumers and businesses want to sell our world class goods and services. CAFTA will streamline trade; promote investment; slash tariffs on goods; remove barriers to trade in services; provide advanced intellectual property protections; promote regulatory transparency; strengthen labor and environmental conditions; and, provide an effective system to settle disputes," Zoellick said. "Step by step, country by country, region by region, the United States is opening markets with top-notch, comprehensive FTAs that set the standard."

Combined total goods trade between the U.S. and the four CAFTA countries is $15.4 billion.

"My Ministerial colleagues were skilled and dedicated partners, as well as negotiators, and I want to thank them and their negotiating teams for their leadership and ability to work towards a successful conclusion," said Zoellick. "I also want to thank U.S. chief negotiator Regina Vargo, and the whole U.S. team for their extraordinary work."

The CAFTA countries and many other developing countries already enjoy duty free access to the U.S. market for the majority of their exports through trade preference programs provided by Congress to promote economic development. Yet these countries often have high tariff and non-tariff barriers for U.S. exports and impose restrictions on U.S. businesses. State-of-the-art free trade agreements like the CAFTA not only reduce barriers to U.S. trade, but also require important reforms of the domestic legal and business environment that are key to encouraging business development and investment. Such reforms include providing greater transparency for government actions and rule making; strengthening the rule of law; and improving the protection and enforcement of intellectual property rights.

The draft text of the agreement will be released in January. Under the Trade Act of 2002, the Administration must notify Congress at least 90 days before signing the agreement. The Administration expects to notify Congress early next year of its intent to sign the CAFTA. It will also continue to consult with Congress on the agreement to prepare the way for eventual consideration.

Summary:

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, beef, poultry, rice, fruits and vegetables, corn, processed products 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.

The five Central American countries already are joined in a free trade zone, making the negotiation of the FTA a natural endeavor.

The United States will begin negotiations with the Dominican Republic early next year, and will seek to bring that country into the CAFTA negotiations next year, prior to Congressional action on legislation to approve and implement the agreement. Separately, the United States has also announced its intention to begin FTA negotiations with Panama, Colombia and Peru, to be followed by Bolivia and Ecuador when they are ready. In the Americas, the United States' current and in process FTA partners represent 68 percent of the GDP of the hemisphere, not counting the U.S. And we are pushing for an FTAA that will open more markets with Mercosur and the Caribbean, too.

Additionally, the United States is working to conclude FTAs with Australia and Morocco, and is continuing FTA negotiations with five southern African countries (Botswana, Lesotho, Namibia, South Africa and Swaziland). Finally, the United States has announced its intention to negotiate FTAs with Bahrain and Thailand.

# # #

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