

# Dominican Republic-Central America Free Trade Agreement

From Wikipedia, the free encyclopedia  
(Redirected from CAFTA)

*Note: Within this article, "CAFTA" refers to the agreement as it stood before January 2004, and "DR-CAFTA" is used after that.*

**The Dominican Republic–Central America Free Trade Agreement**, commonly called **DR-CAFTA**, is a free trade agreement (legally a treaty under international law, but not under US law). Originally, the agreement originally encompassed the United States and the Central American countries of Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua, and was called CAFTA. In 2004, the Dominican Republic joined the negotiations, and the agreement was renamed DR-CAFTA.

Bordering Central American nations not in the agreement include Belize and Panama on the mainland, and Haiti which is on the island of Hispaniola with the Dominican Republic. Panama is currently negotiating with the US on a bilateral free trade agreement, and Belize is a member of the Caribbean Community (CARICOM). Haiti was given certain trade preferences with the US under the Haiti Economic Recovery Opportunity Act of 2002 (HERO Act).



Presidents Francisco Flores (former), Ricardo Maduro, George W. Bush, Abel Pacheco, Enrique Bolaños and Alfonso Portillo (former)

## Contents

- 1 Ratification
- 2 Aims
- 3 Support
- 4 Opposition
- 5 Provisions
- 6 Articles and papers
- 7 External links

## Ratification

The United States Senate approved the DR-CAFTA on June 30, 2005 by a vote of 54-45.

The agreement is a treaty under international law, but not under the US Constitution. In the US, laws require majority approval in both houses, while treaties require 2/3rds approval in the senate only. Under US law DR-CAFTA is a congressional-executive agreement. At midnight on July 28, 2005, the US House of Representatives approved CAFTA by a narrow vote of 217 to 215. It became Public Law 109-053.

For DR-CAFTA to come into effect, it still must be approved by the other countries. The Dominican Republic, El Salvador, Guatemala, Nicaragua, and Honduras have also approved the agreement, but Costa Rica has not. The Costa Rica presidential elections of 2006 may have affected the ratification, as candidate Ottón Solís wanted to renegotiate some

clauses. But former president Óscar Arias, a strong supporter of DR-CAFTA, was finally confirmed as the winner, after almost a month of recounting of ballots when it appeared that the difference between them was less than 3500 votes. The PLN, which also was strongly for ratification, won a plurality of seats in the legislature.

On March 1st, 2006, El Salvador led the way as CAFTA went into effect for that country, following completion of all necessary steps, including delivery of signed Treaty copies to the OAS, which was the final step. On April 1st, 2006, Honduras and Nicaragua joined El Salvador as countries that have fully implemented the agreement.

## Aims

The goal of the agreement is the creation of a free trade zone, similar to the North American Free Trade Agreement (NAFTA) which currently encompasses the US, Canada, and Mexico. DR-CAFTA is also seen as a stepping stone towards the Free Trade Area of the Americas (FTAA), another (more ambitious) free trade agreement that would encompass all the South American and Caribbean nations except Cuba, as well as those of North and Central America. Canada is negotiating a similar treaty called the Canada Central American Free Trade Agreement.

If passed by the countries involved, tariffs on about 80% of US exports to the participating countries will be eliminated immediately and the rest will be phased out over the subsequent decade. As a result, DR-CAFTA does not require substantial reductions in US import duties with respect to the other countries, as the vast majority of goods produced in the participating countries already enter the US duty-free thanks to due to the US Government's Caribbean Basin Initiative.

With the addition of the Dominican Republic, the largest economy in the region, the region covered by DR-CAFTA is the second-largest Latin American export market for US producers, behind only Mexico, buying \$15 billion U.S. dollars of goods a year. Two-way trade amounts to about USD\$32 billion.

While not necessarily a part of Plan Puebla Panama, CAFTA is a necessary precursor to the execution of Plan Puebla Panama by the Inter-American Development Bank. The plan includes construction of highways linking Panama City to Mexico City, Texas and the rest of the US.

DR-CAFTA reduces tariffs, which are a form of tax. However, every nation in CAFTA remains free to set its overall tax level as it sees fit.

## Support

US President George W. Bush announced in January 2002 that CAFTA was a priority in his administration, and Congress gave his administration "fast track" authority to negotiate it. Negotiations began in January 2003, and agreement was reached with El Salvador, Guatemala, Honduras, and Nicaragua on December 17, 2004, and with Costa Rica on January 25, 2004; that same month, negotiations began with the Dominican Republic to join CAFTA. On February 20, 2004, Bush informed the US Congress he supported CAFTA. On May 28, 2004, United States Trade Representative Robert Zoellick, Costa Rican Minister of Trade Alberto Trejos, Salvadoran Economy Minister Miguel Lacayo, Guatemalan Economy Minister Marcio Cuevas, Honduran Minister of Industry and Commerce Norman García, and Nicaraguan Minister of Development, Industry and Commerce Mario Arana signed the 2,400-page document at headquarters of the Organization of American States. Negotiations with the Dominican Republic concluded on March 15, 2004, and a second signing ceremony including Dominican Republic Minister of Industry and Commerce Sonia Guzmán was held on August 5, 2004.

Robert Zoellick and corporate backers such as the US National Association of Wheat Growers claim the agreement will open new markets to US manufacturers, and help the Central American nations modernize their economies, create worker rights protections that will enforce and improve labor laws, and improve environmental standards. DR-CAFTA is endorsed by the U.S. High-Tech Trade Coalition, 52 food and agriculture organizations, Microsoft, the National Association of Manufacturers, the National Foreign Trade Council, Citizens Against Government Waste, the Heritage Foundation, the US Chamber of Commerce, and several Central American environmental organizations including Caribbean Conservation Corporation, Global Alliance for Humane Sustainable Development, and the Honduran Ecologist Network for Sustainable Development.

Some supporters maintain that CAFTA will prevent the People's Republic of China from gaining influence, preventing an encirclement of the US.

Also, most economists, whether liberal or conservative, tend to support free trade. They might disagree on the proper role and size of the government, but free trade is generally considered a win-win situation.[1] ([http://stlouisfed.org/news/speeches/2004/06\\_15\\_04.html](http://stlouisfed.org/news/speeches/2004/06_15_04.html)) The main critique from economists is that bilateral and regional free trade agreements might undermine the push for a global trade agreement through the WTO - which has greater potential for increasing total social welfare since all members of the WTO would be bound by its terms.

## Opposition

Public Citizen, the US advocacy group founded by Ralph Nader, says DR-CAFTA is based on the same "failed neoliberal model" as NAFTA and serves to "push ahead the corporate globalization model that has caused the 'race to the bottom' in labor and environmental standards and promotes privatization and deregulation of key public services." Public Citizen claims that independent farmers in the US, Canada and Mexico have been hit particularly hard by NAFTA, with thousands wiped out and farmland shifting into the hands of huge agribusiness concerns such as Tyson and Cargill.

Many environmental groups are opposed to the agreement, including the US based Sierra Club, EnviroCitizen and the Safe Earth Alliance.

Another worry is that the USA's historical dominance of the Central American domestic product market would expand under reduced taxes, "crowding out" local businesses due to their inability to compete on economies of scale. Supporters of this view claim that depressing the delicate native innovative capacity of Central American firms would force Central American consumers into US product dependency.

In May 2004, the Salvadoran American National Network, the largest national association of Central American community-based organizations in the US, along with other organizations representing Central American immigrants to that country, expressed its opposition to CAFTA, saying:

Our opposition to CAFTA is not ideological. As immigrants, we have a deep understanding of the potential benefits of improved transnational cooperation. We would welcome an agreement that would increase economic opportunity, protect our shared environment, guarantee workers' rights and acknowledge the role of human mobility in deepening the already profound ties between our countries. However, the CAFTA agreement falls far short of that vision. [2] ([http://www.citizenstrade.org/pdf/sann\\_caftastatement\\_may2004.pdf](http://www.citizenstrade.org/pdf/sann_caftastatement_may2004.pdf)) (PDF)

CAFTA also faces opposition due to provisions outlining "test data exclusivity" for pharmaceuticals. When a pharmaceutical company submits test data to a regulatory agency to prove that its medicine is safe and effective, other, smaller companies will not be allowed to re-use this test data for a limited period of time to create low-cost, generic versions of the drug. Producing test data is expensive, and smaller companies generally require the reuse of test data to produce low-cost, generic medications. In practice, test data exclusivity could enable multinational pharmaceutical companies for a limited time to hold an effective market monopoly on various medicines, including those used to treat AIDS, malaria, and tuberculosis. Critics charge (<http://www.accessmed-msf.org/documents/Data%20exclusivity%20May%202004.pdf>) (PDF) that this provision would prevent many poor people from receiving life-saving medications.

According to some ([3] (<http://www.quackpotwatch.org/opinionpieces/viamins%20to%20be%20banned%20worldwide....htm>) , [4] (<http://www.welltv.com>) ), DR-CAFTA will oblige the signers to adopt the United Nations (UN) Codex Alimentarius, effectively overriding the 1994 US Dietary Supplement Health and Education Act (DSHEA), and turn vitamins and dietary supplements into prescription items fully regulated by physicians. In this scheme, the US Food and Drug Administration (FDA) would be transformed into a virtual vassal of the Codex Alimentarius Commission, a huge blow to US medical sovereignty. [5] (<http://www.un.org/News/Press/docs/2005/sag380.doc.htm>) However, these allegations are disputed [6] ([http://www.house.gov/apps/list/press/ne03\\_osborne/072805CAFTA.html](http://www.house.gov/apps/list/press/ne03_osborne/072805CAFTA.html)) .

The transfer of authority contained in CAFTA to various supranational and UN entities such as the Codex Alimentarius,

the World Trade Organization (WTO), and the International Labour Organization (ILO) was one of the key reasons CAFTA had been deliberated on since January 2003. While pro-globalization US administration officials have been pushing to pass CAFTA they only barely were able to rally key Republican members of the House to their side who opposed CAFTA on grounds of preserving national sovereignty [7] (<http://www.house.gov/paul/tst/tst2005/tst060605.htm>) . The CAFTA battle to defend US national sovereignty from encroachments by unelected and unaccountable UN administrators has been championed by the long-time opponent of the UN, the John Birch Society.

Ratification of CAFTA by Nicaragua coincided with the announcement of an end to a political crisis whereby the Nicaraguan Liberal and Sandinista parties ended an impeachment process of President Enrique Bolaños. The previous week, the US had threatened to withhold US\$175 million in aid to Nicaragua if Bolaños were impeached. [8] (<http://www.sciencedaily.com/upi/?feed=TopNews&article=UPI-1-20051011-09331600-bc-nicaragua-politics.xml>) [9] (<http://news.moneycentral.msn.com/provider/providerarticle.asp?feed=AP&Date=20051011&ID=5178952>) [10] (<http://news.bbc.co.uk/2/hi/americas/4329688.stm>)

Prominent among the critics of CAFTA is economist Joseph Stiglitz, who supports free trade, but argues that without fairer trade agreements, the benefits from trade will not be realized. He says that NAFTA and CAFTA will increase poverty because they prematurely open markets to US agricultural goods which are subsidized, making local farmers unable to compete with imports, and the nations in question do not have the ability to bear the costs of switching resources with their available capital, nor deal with the consequences of even short-term unemployment. He argues that these agreements have been more geo-political than economic, and that the essential problem with recent bilateral agreements, including CAFTA, is not that they are not free-trade agreements. More generally, he argues that bilateral agreements fail to produce all the benefits expected, in part because of the inequality of the negotiating position of the parties involved.

## Provisions

DR-CAFTA encompasses the following components:

- Services: all public services are to be open to private investment.
- Investment: governments promise to grant ironclad guarantees to foreign investment.
- Government procurement: All government purchases must be open to transnational bids.
- Market access: governments pledge to reduce and eventually eliminate tariffs and other measures that protect domestic products.
- Agriculture: duty-free import and elimination of subsidies on agricultural products.
- Intellectual property rights: privatization of and monopoly over technological know-how.
- Antidumping rules, subsidies and countervailing rights: governments commit to phase out protectionist barriers in all sectors.
- Competition policy: the dismantling of national monopolies.
- Dispute resolution: the right of transnationals to sue countries in private international courts.
- Environmental protection: the enforcement of environmental laws and improvement of the environment.
- Labor standards: the enforcement of the International Labour Organization's core labor standards.
- Transparency: the reduction of government corruption.
- Test-Data Exclusivity for pharmaceutical corporations

## Articles and papers

- BTA supports trade agreement (Del Rio News Herald) (<http://www.thebta.org/news/articles/11182005.cfm>)

## External links

- Can DR-CAFTA Compete? DR. Jerry Haar, Florida International University, January 2006 (<http://www.latinbusinesschronicle.com/reports/columns/0106/haar.htm>)
- *CAFTA-DR: Can Free Trade Hold Up to Special Interest Siege?* (<http://www.cei.org/gencon/025,04561.cfm>) (CEI, 2005) by Frances B. Smith ([http://www.cei.org/dyn/view\\_expert.cfm?expert=96](http://www.cei.org/dyn/view_expert.cfm?expert=96))

- Latin Business Chronicle: CAFTA - Positive Outlook (<http://www.latinbusinesschronicle.com/reports/reports/cafta.htm>)
- Border Trade Alliance (<http://www.thebta.org>)
- An Activist's Guide to Stopping CAFTA (<http://www.stopcafta.org/>)
- CAFTA: Last Nail in the Coffin? ([http://www.amconmag.com/2005a/2005\\_05\\_09/buchanan.html](http://www.amconmag.com/2005a/2005_05_09/buchanan.html)) by Pat Buchanan, The American Conservative, May 9, 2005.

Retrieved from "[http://en.wikipedia.org/wiki/Dominican\\_Republic-Central\\_America\\_Free\\_Trade\\_Agreement](http://en.wikipedia.org/wiki/Dominican_Republic-Central_America_Free_Trade_Agreement)"

Categories: Limited geographic scope | Legal history of the United States | Economic history of the United States | Economy of the Dominican Republic

---

- This page was last modified 21:29, 1 May 2006.
- All text is available under the terms of the GNU Free Documentation License (see **Copyrights** for details).  
Wikipedia® is a registered trademark of the Wikimedia Foundation, Inc.