



CAFTA-DR

(CENTRAL AMERICAN-DOMINICAN REPUBLIC FREE TRADE AGREEMENT)

CAFTA - DR Signatories

- El Salvador
- Honduras
- Costa Rica
- Dominican Republic
- Guatemala
- Nicaragua
- United States



In May 2004, the U.S., Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua signed the Central American Free Trade Agreement (CAFTA), with the Dominican Republic signing shortly thereafter in August 2004. The bill passed the U.S. Senate Finance Committee and the House Ways and Means Committee in the summer of 2005, with President Bush signing the agreement on August 2, 2005. With the passage of CAFTA-DR, more than 80 percent of U.S. exports to the region are now duty free. Beyond providing lower tariffs for U.S. products and improvements in enforcement of intellectual property rights, the agreement is also tied to the textile/fabric industry. As the U.S. import quotas from China ended in early 2005, many textile manufacturers in the Central American region hope to compete against China for the U.S. apparel market.

(Wall Street Journal)

EXPORTS TO THE CAFTA-DR REGION

U.S. exports to the CAFTA-DR region in 2008 were valued at \$25.40 billion, an 11.84% increase over 2007. At \$3.66 billion, electrical machinery was the top export sector. Within that sector, integrated circuits were the strongest export commodity at \$1.38 billion. Mineral fuel and oil came in as the second strongest sector at \$3.29 billion, an annual increase of 26.10%. Industrial machinery was also strong at \$2.26 billion.

U.S. exports via Virginia to the CAFTA-DR region in 2008 were valued at \$305.46 million, a 33.63% increase over 2007. Fertilizers jumped 157% to the number one spot and were valued at \$48.01 million. Cotton and Yarn/Fabrics remained the number two export to CAFTA-DR via Virginia in 2008, increasing 82% to \$46.93 million. Knit/crocheted fabrics increased an impressive 1,287%, with sales reaching \$33.79 million.

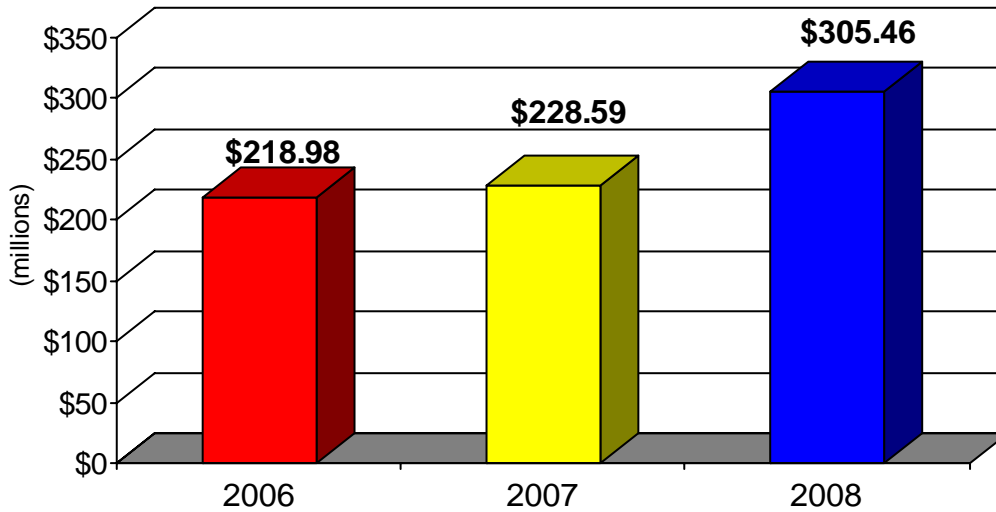
(World Trade Atlas)



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VIRGINIA EXPORTS TO THE CAFTA-DR REGION



(Source for Graph: World Trade Atlas)

TRADE OUTLOOK

Passage of CAFTA-DR was an uphill battle for the White House. The powerful U.S. sugar industry had been the most vocal opponent, because under the agreement it now faces more competition from cheaper sugar imports (although many protections will remain). The other threat CAFTA-DR faced was opposition in Costa Rica, where popular support for the agreement was lukewarm. Pressures to block the deal came from trade unions, farm groups, and even many businesses that saw few advantages in CAFTA-DR, mainly because the U.S. sugar industry will remain relatively closed to their exports.

Moreover, the results of the recent presidential election in Costa Rica in February 2006 were so close that a manual recount had to be conducted to determine the winner. The two finalists -the center right Oscar Arias, and the left leaning Ottón Solís- had divergent views on CAFTA-DR, with Mr. Solís adamantly opposing the deal. Oscar Arias won the recount, was elected president, and ratified CAFTA-DR. Nevertheless, the agreement continues to be divisive among Costa Ricans, who in an October 2007 referendum on CAFTA-DR voted by a margin of only 51-48 in favor of the agreement.

The fact that CAFTA-DR passed the U.S. House of Representatives' vote by only 2 votes cast a cloud of uncertainty on subsequent trade agreements between the U.S. and other countries. The narrow victory further undermined former President Bush's efforts to win support for the Free Trade of the Americas Agreement (FTAA), which now appears to have little chance of being implemented any time in the near future.

(Latin America Agenda)



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VEDP TRADE EVENTS

The VEDP participates in numerous trade events around the world that are open to all Virginia exporters.

For a complete listing of VEDP's international trade events, please visit the "Trade Events" section of our website: www.ExportVirginia.org

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ADDITIONAL RESOURCES

- Office of the U.S. Trade Representative (USTR): <http://www.ustr.gov/>
- Foreign Trade Information System, Organization of American States (OAS): <http://www.sice.oas.org/>

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