McCarrey Law Group

DR CAFTA CREATES TRADING OPPORTUNITY IN CENTRAL AMERICA
April 6, 2007

Last month, Dominican Republic became the fifth of the six member nations to ratify the U.S.—Dominican Republic—Central America Free Trade Agreement (DR-CAFTA). The six countries that are party to DR-CAFTA are the U.S., the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua and Costa Rica with only Costa Rica not yet having ratified this treaty. The effect of DR-CAFTA has been to eliminate immediately 80% of the tariffs on U.S. goods exported to the region and a gradual phasing out of the remaining duties over a ten year period. The effect of this is to give U.S. business greater access to over 44 million Central American consumers.

While the Dominican Republic and Central America markets are relatively unknown to most, more than $15.5 billion is exported annually to this region by the U.S. This amount is more than the combined total of U.S. products sold to India, Indonesia and Russia. One study reported that DR-CAFTA will create more than 130,000 new jobs in the United States over the next ten years.

DR-CAFTA goes along way in leveling the playing field between the U.S. and the region covered by the treaty. Before DR-CAFTA, more than 80% of the goods from these countries entered the U.S. without significant duty while goods going the other direction were subject to duties in excess of 80%. This imbalance will effectively be eliminated by the treaty. It is projected that new markets worth in excess of $1.5 billion will opened for U.S. farmers alone during the next ten years.

Of the five non-U.S. countries to the treaty, the Dominican Republic is the largest with exports totaling $5.3 billion in 2006. The U.S. has a $1 billion trade surplus wit the region of which $819 million was represented by the Dominican Republic.

As you look to expand into these markets, please contact us and let us help you access these robust and growing markets.

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