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United States and Central American Nations Launch Free Trade Negotiations

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WASHINGTON - U.S. Trade Representative Robert B. Zoellick and ministers from Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua today announced the launch of negotiations on an agreement to eliminate tariffs and other barriers to trade in goods, agriculture, services, and investment between the United States and Central America. Working-level negotiations on this U.S.-Central American Free Trade Agreement, or CAFTA, will begin in San José, Costa Rica, on January 27. The participants will seek to complete the negotiations by December 2003.

"CAFTA will give Americans better access to affordable goods and promote U.S. exports and jobs, even as it advances Central America's prospects for development," said Zoellick. "This FTA will reinforce free-market reforms in the region. The growth stimulated by trade and the openness of an agreement will help deepen democracy, the rule of law, and sustainable development. This agreement will further the regional integration that the Central Americans themselves have begun, and complement our vital work on the Free Trade Area of the Americas."

In addition to kicking off negotiations, Ambassador Zoellick and the ministers announced a number of programs to improve the capacity of Central American countries to compete in the modern global economy. Over 50 projects will assist Central America, including funds for computers and travel, projects to help increase citizen input to trade negotiations, assistance to strengthen science-based food safety inspection systems, and programs to promote cleaner production. The President's 2003 budget request includes \$47 million in U.S. capacity-building assistance for the region - a 74 percent increase over 2002.

Agreement was reached today on a structure for the negotiations, with nine rounds of negotiations planned in 2003. Five negotiating groups will cover topics such as market access; investment and services; government procurement and intellectual property; labor and environment; and institutional issues such as dispute settlement. A sixth group on trade capacity-building will meet in parallel with the five negotiating groups.

Ministers also agreed today on a special framework to immediately address sanitary and phytosanitary issues related to agricultural trade. This special effort will focus on resolving such problems as import bans on U.S. pork, poultry, and dairy products.

The United States and Central America enjoy an increasingly productive trade partnership. U.S. exports to the region have grown 42 percent since 1996 and totaled \$9 billion in 2001-about the same as U.S. exports to Russia, India and Indonesia combined. Imports totaled \$11 billion, of which 74 percent entered duty free under the Caribbean Basin Initiative and Generalized System of Preference programs.

During the negotiations, the Bush Administration will press for broad liberalization in market access for goods and services, including e-commerce; the elimination of non-tariff barriers; science-based food inspection systems; strong protections for intellectual property and for investors; increased transparency in government regulation and procurement; strengthened

capacity to protect workers and the environment; and meaningful dispute settlement mechanisms.

Background

The Central American Ministers leading the negotiations are Costa Rica Minister of Foreign Trade Alberto Trejos, El Salvador Minister of Economy Miguel Ernesto Lacayo, Guatemala Minister of Economy Patricia Ramírez Ceberg, Honduras Minister of Industry and Commerce Norman García, and Nicaragua Minister of Industry, Development, and Trade Mario Arana Sevilla.

President Bush announced his intention to explore an FTA with Central America on January 16, 2002. The President formally notified Congress of his intention to begin free trade negotiations on October 1, 2002, following passage of Trade Promotion Authority. USTR held public hearings on November 19, 2002, at which oral testimony from more than 20 witnesses was heard and more than 40 additional written submissions were received.

In addition to the ministerial launch of negotiations and press conference, Zoellick and the Central American Ministers will meet with members of Congress at a luncheon hosted by House Ways and Means Committee Chairman Bill Thomas. Afterwards, they will attend a reception sponsored by the Emergency Committee for American Trade and the Business Coalition for U.S. -Central America Trade. That evening, the government of Costa Rica is hosting a reception celebrating the launch.

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