Group Number:

09

Assignment About:

CAFTA  
Group Members:

Farhan Khan Chishti

Muhammad Farhan Shafique

Muhammad Abbas Butt

Aqib Javeed

Section:

B [BBA (2nd)]  
Submitted Date:

18-May-2013  
Submitted To:

Sir Usman Alvi

What is CAFTA?

An overview:

The United States-Dominican Republic-Central America Free Trade Agreement (CAFTA) is the latest in a series of Free Trade Agreements (FTAs) that the United States has entered into with its neighbours in the Western Hemisphere.

The most familiar of these is the decade-old NAFTA, the North American Free Trade Agreement, which links the U.S., Canada and Mexico. In addition, the U.S. has negotiated or is still negotiating FTAs with Chile, Peru, Panama, and Colombia. Like these agreements, CAFTA opens, not only a new era in trade between the United States and its neighbours, but also new opportunities for U.S. companies and U.S. operations of foreign companies. Historically, the United States has been the main trading partner of each of the countries in the agreement Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua. U.S. government policy has been to grant these countries relatively open access to U.S. markets for their goods, while they protected their own markets with tariffs and other barriers. These tariffs and barriers prevented or severely restricted U.S. access to the markets in these countries for U.S. manufactured goods, agricultural products, professional services, and investments.

CAFTA immediately eliminates all tariffs on 80 percent of U.S. manufactured goods, with the remainder phased out over a few years. Importantly, the agreement is not limited to manufactured goods, but covers virtually every type of trade and commercial exchange between these countries and the United States. It also strengthens regulatory standards and environmental protections in Central America and the Dominican Republic and provides for independent, outside monitoring.

Barriers to Trade fall:

Over time, with the implementation of CAFTA, most of the tariffs and barriers that have previously limited access to these markets will fall. Duties on more than 80 percent of the more than $20 billion in U.S. goods exported to the region annually end immediately. Within five years, 85 percent of U.S. exported goods are to become duty-free, while the remaining tariffs will be phased out over 10 years. So even at the beginning, CAFTA provides companies located in the United States a measurable advantage in these markets over competitors from other parts of the world.

Service Provider gain access:

Notably, with services representing an ever larger share of the U.S. economy, CAFTA significantly enhances market access by U.S. service providers to the service sectors — financial services (banking, trade finance, insurance, securities); telecommunications and IT services; architectural, engineering, and design services; accounting and consulting; legal services; education and healthcare; transportation/distribution/logistics; and various other kinds of professional services—of the Dominican Republic and Central American economies.

Investments opportunities open:

Significantly, all barriers to U.S. investment are also eventually to be eliminated. In the CAFTA countries, U.S. companies are to be treated as if they were local. And, for the first time, they will operate within a reliable legal framework. In the same way, intellectual property rights will be protected as they have been in the United States. The agreement is also structured to foster greater transparency in government procurement, opening yet another previously closed door for U.S. businesses.

Greater prosperity and stability in the region:

Beyond the economic benefits to U.S. businesses, CAFTA paves the way for greater economic and political stability in the region by nurturing the rule of law; open, transparent governance; protection of private property rights and investments; market-based competition; and regional economic integration. As markets and civil society strengthen and become more stable, predictable and economically linked, citizens in the CAFTA countries will have greater economic prospects at home.