The Manufacturing Council

WASHINGTON, D.C. 20230

May 11, 2005

The Honorable Carlos Gutierrez
U.S. Department of Commerce
Washington, D.C. 20230

Dear Secretary Gutierrez,

The United States and six countries: Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and the Dominican Republic, have signed the U.S.-Central America-Dominican Republic Free Trade Agreement (CAFTA-DR). This proposed Free Trade Agreement promotes trade liberalization between the United States and these six countries and will immediately open the Central American market to most American exporters. Perhaps of even more importance, it sets the stage for greater commercially meaningful trade agreements.

The CAFTA-DR agreement requires an up-or-down vote of approval in both houses, and action on this agreement is expected within the next few months. Therefore, operating in our role as advisory body to the Secretary of Commerce on behalf of the manufacturing sector of the U.S. economy, the President's Manufacturing Council recommends that the Secretary of Commerce enthusiastically support the ratification of CAFTA-DR.

CAFTA-DR will help enable major benefits for the United States, especially for U.S-manufactured exports. In 2004, U.S exports to the six countries covered by CAFTA-DR totaled $15.7 billion:

- Dominican Republic, $4.3 billion;
- Costa Rica, $3.3 billion;
- Honduras, $3.1 billion;
- Guatemala, $2.5 billion;
- El Salvador, $1.9 billion;
- And Nicaragua, $0.6 billion

Moreover, of the $15.7 billion, $11.8 billion, or 75 percent, were manufactured exports, including $4 billion in machinery and transportation equipment alone.

U.S. manufacturers would benefit not only from duty-free access to these substantial markets, but would have preferential access compared to European and Asian competitors, who would still have to pay relatively high tariffs. Passage of CAFTA-DR would immediately eliminate tariffs on over 80 percent of U.S. manufactured exports to the six Central American and Caribbean countries, with remaining tariffs eliminated within ten years. Key U.S. exports will immediately receive duty-free treatment.

In addition to these tangible trade benefits, direct foreign investment will grow as investors gain confidence that the economies will be increasingly 'rules-based,' transparent and stable. Finally, CAFTA-DR has the potential to promote democracy and stability in the entire hemisphere by helping build the long-term economic stability of the region.

Thank you for your consideration of this recommendation.

Sincerely,

The Manufacturing Council