

# U.S.- CAFTA-DR Free Trade Agreement

## Investment

The CAFTA-DR establishes a secure, predictable legal framework for U.S. investors in Central America and the Dominican Republic. Foreign direct investment can contribute significantly to the economic development and stability of this region. The Governments of Central America and the Dominican Republic have undertaken significant liberalization to their investment regimes over the past decade. The CAFTA-DR **obligations** improve transparency and remove barriers to investment.

Central America and the Dominican Republic have major infrastructure needs. Increased foreign direct investment in the CAFTA-DR region would greatly improve the development of efficient, reliable systems for power generation, water, sewage, transportation, and telecommunications.

Across the CAFTA-DR countries, energy demand is increasing. In Guatemala, for example, the government has stated that it is looking to the private sector to take the lead in expanding service capacity. In addition, the Government of El Salvador, as well as private industry, is starting projects to recycle and treat solid waste material and to develop water treatment facilities. These are just some examples of how the governments of Central America and the Dominican Republic can benefit from foreign investment.

The CAFTA-DR includes an effective, impartial, and transparent investor-state dispute settlement procedure, which provides investors recourse outside of Central American courts. This is particularly important in a region where the slow pace and uncertainty of legal systems has **historically** been an impediment to investment. In addition, under the CAFTA-DR, investors also have recourse to arbitration to enforce certain contractual rights, including any concessions that Central American governments may grant to U.S. investors.

### Key Investment Provisions

The agreement establishes a secure, predictable legal framework for U.S. investors operating in the Central American countries and the Dominican Republic.

All forms of investment are protected under the Agreement, including real property, enterprises, debt, concessions, and similar contracts and intellectual property.

U.S. investors enjoy in most circumstances the right to establish, acquire and operate investments in the Central American countries and the Dominican Republic on an equal footing with local investors, and with investors of other countries.

The agreement draws from US legal principles and practices to provide US investors in the Central American countries and the Dominican Republic a basic set of substantive protections that Central American investors currently enjoy under the US legal system.

Among the rights afforded to US investors (consistent with those found in US law) are due process protections and the right to receive a fair market value for property in the event of an expropriation.

Investor rights are backed by an effective, impartial procedure for dispute settlement that permits submissions to dispute panels by interested parties and transparent panel hearings.