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The U.S. Free Trade Agreement with Central America and the Dominican Republic: How Everyone Benefits

His Excellency Tomás Dueñas, His Excellency Salvador Stadthagen, His Excellency Rene León, His Excellency Flavio Dario Espinal, His Excellency Guillermo Castillo, Brett D. Schaefer, and John G. Murphy

BRETT D. SCHAEFER: This year is going to be tremendously important for America's trade agenda. The Bush Administration and Congress have made great progress in concluding free trade agreements with Australia, Chile, Morocco, and Singapore. These trade agreements bring real economic benefits to producers and consumers in the United States and our trade partners.

Our event today focuses on what we think will be a pivotal issue in deciding the future direction of America's free trade agenda: the free trade agreement with the Dominican Republic and Central America (DR–CAFTA). The proposed free trade agreement would liberalize trade between the United States, the Dominican Republic, Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua.

DR–CAFTA promises to provide significant economic benefits for all the nations involved. It would promote freedom and stability in a region of critical importance to the United States. It offers a framework for increasing economic growth that will bolster political stability and enhance hemispheric stability and security at the crossroads of North and South America. Moreover, the agreement would help spur growth in job creation in the region, which would help mitigate illegal migration to the United States.

We are delighted to have our distinguished panel of ambassadors and our moderator, John Murphy, who know the subject of the Free Trade Agreement with the Dominican Republic and Central America inside and out.

Talking Points

- The Bush Administration and Congress have made great progress in concluding free trade agreements with Australia, Chile, Morocco, and Singapore that bring real economic benefits to producers and consumers in the United States and our trade partners.
- A pivotal issue in deciding the future direction of America's free trade agenda is DR–CAFTA, which would liberalize trade between the United States, the Dominican Republic, Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua.
- DR–CAFTA will provide significant economic benefits for all the nations involved and promote freedom and stability in a region of critical importance to the United States.
- The agreement would also help spur growth in job creation in the region, which would help mitigate illegal migration to the United States.

This paper, in its entirety, can be found at:
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JOHN G. MURPHY: It's a real pleasure to be here today at The Heritage Foundation. You do a fantastic job leading the public policy debate in this country. I think that this forum and the excellent level of interest that we're seeing here today is an indication of your ability to move that agenda.

To open this program, let me make a few brief remarks about the free trade agreement we call DR–CAFTA from the perspective of the U.S. business community. First, I'd like to disabuse all the listeners here today of the notion, which is all too common, that this is a small trade agreement. On the contrary, this is the largest free trade agreement the United States has negotiated in the past decade. In terms of the trade flows it will liberalize and turbocharge, we see that today these six countries are purchasing more than $15 billion in U.S. exports, which puts this market on par with France and Italy, two G-7 countries.

The business community has rallied strongly behind this agreement. The U.S. Chamber of Commerce, the Business Roundtable, the Emergency Committee for American Trade, the Council of the Americas, the National Association of Manufacturers, and the National Foreign Trade Council are all hard at work making the case for DR–CAFTA's approval as soon as possible. Just in the last weeks, we've seen letters to the Congress signed by, in one instance, more than 50 agricultural commodity associations strongly endorsing the agreement. Dozens of high-tech groups have come out in support, and recently about a dozen Central America–based environmental non-governmental organizations have endorsed the agreement, which they see as good for the environment as well.

You can read all of our arguments on the Business Coalition for U.S.–Central America Trade's Web site, *USCAFTA.org*.

We'll hear today from the ambassadors that there are many excellent reasons to support the agreement, but let me give you three from the perspective of the business community: new exports, higher incomes for workers, and more jobs here in the United States.

The U.S. Chamber of Commerce today is releasing a series of state-by-state economic impact studies that found substantial economic gains for workers and the economy in this country. Employing a widely used input/output economic model developed by the U.S. Department of Commerce, we've generated data on how DR–CAFTA would affect the states of California, Florida, New Jersey, New York, North Carolina, and Texas. We also have data from a Louisiana study that uses the same methodology.

We've made a few very conservative assumptions based on how previous free trade agreements have stimulated commerce. The U.S.–Chile Free Trade Agreement, for instance, has generated a surge in exports to Chile in its first year of implementation of 30 percent. For our studies, we have projected export growth at about half that pace: 17 percent.

Even with these assumptions, we found that in the first year, DR–CAFTA would generate over $3 billion in new sales across all industries just in the seven states. It would boost payrolls by $685 million and would generate 20,000 jobs in year one in the seven states. Projecting out over nine years, DR–CAFTA would boost sales by over $17 billion in the six states for which we have data. The agreement would also raise worker earnings by $3.5 billion and create more than 100,000 jobs in the six states.

Some say that 20,000 new jobs in the first year is not that much, given that the U.S. labor force is about 140 million people. But how often does public policy have such an overwhelmingly positive impact on the broader economy? To aid us in broadening the perspective, we have five ambassadors who are not just ambassadors for their countries and for their region jointly, but also for this free trade agreement.

To start off, I'd like to direct a question to Ambassador Tomás Dueñas, who represents Costa Rica here in Washington: What are the economic impacts here? We know that trade has flourished between the United States and these countries under the Caribbean Basin Initiative (CBI), which was created in 1984. Trade surpassed $30 billion last year. If trade is already blooming, what is in the agreement for these six countries, and what does it mean for the economic development of the countries that you represent?

HIS EXCELLENCY TOMÁS DUEÑAS: To put the DR–CAFTA in economic perspective, DR–CAFTA is much more than trade. More than 50 percent of the region's imports come from the United States, and more than 50 percent of our exports go to this market. In addition, 65 percent of the foreign direct investment in our region is American capital, 65 percent of the tourists that come to our countries are from the United States, and many of us have come to school here, so there is already a very strong bond between the Central American and Dominican Republic region and the United States.

There is also, as John mentioned, a two-way trade of some $32 billion, which is only behind Mexico and Brazil as trading partners. So as small as we are as countries, as a region, we are an important business partner of the United States, and we provide a series of goods and services that provide this economy with the productivity that has been quite apparent in the last year.

To put it in another perspective, we are more important as business partners to the United States than Italy or France or India or even Russia. We sell and we provide this market with fruits, melons and bananas, flowers, coffee, the tilapia fish that you buy, and medical devices—very sophisticated medical devices are made in Central America to send to the U.S. market, as well as computer chips. Trade has been growing for a period of years.

What this is about is market access. We already have market access through the CBI, and what the DR–CAFTA provides is a means for that two-way trade to become better in the legal sense. But market access is not totally the essence of the DR–CAFTA. This is a very interesting scheme by which market access is granted to our countries in exchange for institutional reform that is going to be the backbone of the DR–CAFTA effort. Sometimes it seems that we see trade agreements only in the perspective of market access or trade. In the commitments that our countries have made together in an agreement with the United States, market access is very important, but institutional reform is the principal backbone.

This agreement will provide extra access to our products as well as new opportunities for U.S. goods and services in our markets, which at some points has not been there, so the U.S. economy today, which is built around services, will have a new opportunity to expand. I'm talking about telecommunications, financial services, insurance, and, of course, the tourism industry. It also provides rules, and the rules are very important—rules of transparency, the enhancement of investment climate, intellectual property, consumer rights, e-commerce, government procurement, etc., as well as a firm commitment to provide labor and environmental best practices as we have been negotiating with and have committed to with international institutions.

Finally, what DR–CAFTA will provide is certainty. It will enhance, as I have said, the rule of law; it will enhance the climate to invest; it will enhance institutional reform; it will enhance the rights of consumers, the rights of people in general, the right to compete. This is a development tool, and probably one of the most important ones that has come to our region.

So I hope that you will realize that this is, once again, much more than trade. This is a development issue, and we certainly are committed to it, and we hope that DR–CAFTA will be a reality very, very soon.

JOHN G. MURPHY: Next, we'd like to move the discussion to the topic of foreign policy, and I'll direct this question to Ambassador Stadthagen of Nicaragua. I think many people in this room, and possibly even the protestor out in front of the building, remember the last time that Central America was high on the agenda here in Washington. It was the 1980s, when there were wars raging in El Salvador and Nicaragua and implications for all of the countries here. A great deal has changed since then. In fact, few regions of the world have changed as much as Central America and the Dominican Republic.

Ambassador Stadthagen, we know the advances; we know that poverty still persists. But how do you see this agreement as a foreign policy tool and a way for the United States to make a difference in Central America and the Dominican Republic?

HIS EXCELLENCY SALVADOR STADTHAGEN: Twenty years ago, we would have talked about the domino theory. We had a Marxist–Leninist government in Nicaragua, and the Cold War was a reality in Central America. Twenty years ago, we would have been discussing about the MiGs from Russia that were coming to Nicaragua, about Sandinistas finishing what was then the largest airport runway in Central America, still out there in the jungles of Punta Huete.

That's a reality, a historical fact. Also a historical fact is the amount of tanks, too heavy and totally impractical for the jungles of Central America, that the Sandinistas had and the $12 billion in debt that the Sandinistas left when they left power in 1990. Those are historical realities. Was El Salvador going to be next? Was Guatemala going to follow and Honduras, which also had a guerrilla warfare going on there supported by Cuba and the Sandinistas?

But, thanks in no small part to the leadership of President Ronald Reagan and some conservatives here in Washington who helped us in the struggle for freedom and democracy, we were able to turn back the leftist tide, and now you see the progress we've had in the last 15 years. We have consolidated democracy in every Central American country. We have reformist governments committed to democratization and the rule of law, no civil wars. The military are back in their barracks, and we've had sustained periods of economic growth.

Yet our gains are not consolidated. There are still forces of disorder and instability that are hostile toward democracy in the region.

That is precisely one of the reasons why we insist that DR–CAFTA is more than a trade agreement. It is the foundation of a partnership, a lasting partnership with the United States, which will give us the means to develop the region, the economy, to lock in the political and economic gains we have made, and to consolidate our democratic institutions and the security of the region. Without DR–CAFTA, we run the risk of exacerbating the current problems faced by our region—problems that, taken collectively, may pose a threat so serious that they go beyond the limited resources and possibilities available to our governments.

We have pervasive poverty throughout the region, with huge unemployment rates, an exploding young population, and a lack of opportunities for many job seekers. Narco-trafficking and gang-related activities are on the rise. Right now, about 50 percent of the narco-trafficking going on from Colombia, from the south to the north, goes through the Central American region, through our territory or territorial waters. This scourge of organized crime enslaves our citizens and threatens national and regional security.

On the immigration side, today, one out of five Central Americans lives here in the United States—one out of five. Therefore, our human links with the U.S. are something that will never go away. We would rather not have our people leaving their country of origin and coming into the U.S. seeking better opportunities; but, unfortunately, that is not the situation, and we are now exporting people. This situation is causing us grave social and economic problems, let alone the serious brain drain we are suffering; we are losing a large percentage of our young and ambitious future leaders.

They say migrants are probably the most innovative and hardworking of people. We need to generate employment. We need around 100,000 new jobs every year just to accommodate the young people coming into the labor market—100,000 new jobs in Nicaragua alone every year—but with the current economic situation, it is difficult to achieve such a target. As a consequence, conditions for civil and political unrest are beginning to flourish.

The possibility of leftist movements returning to power is also a reality. In Nicaragua, we are seeing the upsurge of the Sandinistas, and there is a possibility that they may come back to power in 2006. Unfortunately, it would appear that their policies and their ideal of democracy have not changed much since 1980s. If you saw the letter that Daniel Ortega sent to Fidel Castro on the occasion of the 46th anniversary of the Cuban revolution, you will see what I mean. In this letter, Ortega asserts that Cuba has developed a social, political, and economic model that is truly democratic when compared to those failed representative democracies imposed by the oligarchic capitals and the Yankee Empire.

My friends, we all need DR–CAFTA. The democratic cause in Central America, the Caribbean, and the United States makes it impossible for all of us to see the region going backwards. DR–CAFTA represents a mutual commitment of all of its parties to free trade, open markets, and democratic institutions. Those are the enemies of poverty. Those are the antidotes to poverty, corruption, crime, and insurgency.

We believe that DR–CAFTA can unleash the pent-up ingenuity and initiative of our peoples as a chance to compete and trade, and we will start new businesses, produce new goods, and create new opportunities at home. Moreover, we can diminish new threats to the region and the consolidated gains for which so many of us have fought so long and hard. Thank you very much for your interest in DR–CAFTA, in Nicaragua, and in Central America.

JOHN G. MURPHY: Next, we'll turn to some of the sensitive issues in the agreement. I'd like to direct this question on labor standards in the environment to Ambassador Rene León of El Salvador. Critics contend that there is a kind of race to the bottom underway here and that this free trade agreement will actually accelerate it. The ambassadors have long experience talking about the provisions in this agreement, and it was interesting to me to see, when they met with the editorial board of *The New York Times*, a few days later the "gray lady" came out and admitted that the labor standards are quite excellent.

So I'll turn it over to Ambassador León to share some comments on labor and the environment and the agreement.

HIS EXCELLENCY RENE LEÓN: With respect to the claim that DR–CAFTA will be a race to the bottom with respect to worker conditions in our countries, it is revealing that the same claim had been made when the United States signed free trade agreements with countries that do have higher working standards than the United States. Australia has a greater minimum salary and, some argue, even better working conditions than the United States, and exactly the same type of argument was used to portray the free trade agreement between the United States and Australia.

So that is not, I would say, a real portrait of how workers will benefit with DR–CAFTA when this kind of argument is put on the table. The reality is that DR–CAFTA will imply more economic opportunities, more opportunities for economic growth in our region, more social equality in our societies, more civil society participation, more social cohesion in our economies, and more ways to protect the environment and to protect our worker rights in our countries.

I would like to spend just a few minutes talking about the cost of labor.

First, there is a myth that the Central American countries do not comply with the international labor standards, and that's completely false. There has been an investigation and assessment of all our legislation and constitutions, our labor costs, our labor laws with respect to how they compare to international standards; and the outcome of that investigation by the International Labor Organization is that, largely, the legislation of the Central American countries complies with international labor standards and international workers' rights.

This is not a claim that is made by us; it is a claim that is made by the ILO experts. They have identified some areas, some gaps, some issues with respect to implementation, with respect to compliance, with respect to enforcements of the law where the Central Americans have to work. And in order to address that issue, with the collaboration of the Inter-American Development Bank, we're working currently in strengthening, in building on whatever we have done to improve the labor legislation in our countries and to strengthen labor enforcement and labor implementation in our countries.

Second, it is very important to recognize that the labor chapter of DR–CAFTA provides enough assurances that workers' rights will be not only respected, but also enforced when the agreement is implemented. If you read the labor chapter and make an objective analysis of the obligations and the labor provisions of DR–CAFTA, you will find even stronger provision than other free trade agreements that have been passed and ratified by the U.S. Congress. It is important to acknowledge that, even as the agreement provides provisions, if we don't observe those provisions, we will be subject to sanctions that can, at the end, become trade sanctions against our countries.

So the labor chapter in DR–CAFTA guarantees that the labor legislation of our countries will be enforced. I would like to point out that the Central American governments, with the help of the IDB and the Dominican Republic, have been working to strengthen our institutional capacity to implement our workers' legislation. We have been working in the area of freedom of association and collective bargaining, trying to examine our own constitutions and our own labor codes in order to find where there is room for improvement through regulations or procedures to ensure this basic right, and there will be recommendations coming up from the Vice Minister of Trade and Labor, presented to the Minister of Labor, on how we can proceed and further ensure the freedom of association and collective bargaining.

We have also been discussing budget reinforcement and strengthening of personnel in our labor ministries and labor courts in Central America in order to ensure not only that we have institutional capacity to apply our legislation, but also that the labor ministries have the personnel and the resources to enforce this legislation in such areas as labor compliance, child labor, and discrimination in the workplace. All of these issues have been addressed besides the provisions of DR–CAFTA and in recognition of the fact that our governments will have to go an extra mile in order to comply with our own legislation.

I think that, at the end, the fair comparison will be how workers' rights and how labor laws will be 10 years down the road in Central America with DR–CAFTA and without DR–CAFTA. That's the real scenario that we have to think of. We believe that DR–CAFTA is propelling imposition of this transformation already in the Central American countries, independently of whether DR–CAFTA is passed by the U.S. Congress or not.

We embark on this process because we so often forget that there is life after DR–CAFTA. There is the Doha Round; there is the Free Trade Area of the Americas (FTAA); there are other bilateral negotiations and other trade agendas; there are countries that are implementing with other regions of the world, including the European Union. So we have to prepare our countries for this globalization, and DR–CAFTA is propelling this transformation in Central America.

I will end by saying that, of the countries that are represented here, we're the only country that has ratified DR–CAFTA, including the United States, of course. I think that it is very important to recognize what the people are expecting from DR–CAFTA. In El Salvador and the rest of the Central American countries, more than 75 percent of the population support DR–CAFTA, and that reality speaks louder than words.

I think that people are expecting from DR–CAFTA better living conditions, more economic opportunities, and more social equity. So we have an obligation, not just to the international fundamental workers' rights, or to the ILO or to the U.S. Congress or to our governments ourselves, but to our own people who have supported us to approve DR–CAFTA.

JOHN G. MURPHY: Next, one of the key industrial sectors affected by the agreement is textiles and apparel, which accounts for several hundred thousand jobs in the six countries of Central America and the Dominican Republic, and in the United States where it's equally critical. About a third of U.S. exports to the region come from textile manufacturers here in this country.

Ambassador Espinal from the Dominican Republic, the man who put the "DR" in DR–CAFTA, what can you tell us about what this agreement will mean for the textile and apparel sector?

HIS EXCELLENCY FLAVIO DARIO ESPINAL: The Dominican Republic was not part of the original negotiation of the DR–CAFTA agreement; we joined later, and I would just like to tell you what we bring to the table.

The Dominican Republic is the third largest market for U.S. products in Latin America and the Caribbean, just behind Mexico and Brazil. In 2003, U.S. exports to the Dominican Republic were 73 percent higher than to Argentina, 48 percent higher than to Venezuela, and 55 percent higher than to Chile, with which the U.S. has a free trade agreement.

U.S. exports to the Dominican Republic are higher than those to Turkey, Egypt, Indonesia, and the Russian Federation; and when we mention, for instance, Morocco and Jordan—countries with which the U.S. has a free trade agreement—exports to the Dominican Republic are 900 percent higher than to Morocco and 750 percent higher than to Jordan. Putting together all Central American countries and the Dominican Republic, we are going to be the second largest U.S. trading partner in Latin American, next to Mexico.

The Dominican Republic, alone, is already the third largest market in the region; therefore, we bring to this FTA an important market for the U.S., which is obviously of mutual interest because the U.S. is the most important trading partner for the Dominican Republic and for the Central American countries.

Going back to the question about textiles, I've been asked a very important question concerning one particular industry that is vital for Central America and the Dominican Republic over the last, let's say, 20 years, and the question revolves around whether DR–CAFTA will harm the U.S. textile industry.

First, in order to answer that question, we have to place it into context. As we all know, the signing and possible ratification of DR–CAFTA is taking place at a moment when new rules of international trade regarding textiles have come into effect as a result of the ending of the quota system under the Multi-Fiber Agreement of 1973, which allowed developed markets to put quotas on the imports of a number of products from developing markets.

What is more likely going to happen with the end of the quota system is that low-cost suppliers from regions like Asia, mainly China, will benefit from the elimination of these quotas, which took effect on January 1, 2005. As you all know, previous to this date, since the beginning of the 1980s, DR–CAFTA countries had preferential access to the U.S. market under the Caribbean Basin Initiative. This access expanded further under the Caribbean Basin Trade Partnership Act of 2000, the so-called CBTPA.

In that context, 90 percent of U.S. apparel imports from the Dominican Republic and Central American countries have U.S. content, compared to only 0.26 percent U.S. content on imports from China. DR–CAFTA countries purchase $2.3 billion a year in U.S.-made yarn and fabric, compared to $250 million by Chinese manufacturers. There is a tremendous difference between what we buy from U.S. industry and what the Chinese buy.

A study sponsored by the U.S. Agency for International Development in the Dominican Republic shows that the elimination of quotas will have an immediate impact on U.S. apparel imports from the Dominican Republic of 31 percent, which in absolute terms represents $662 million. For the sake of argument, if we apply a 31 percent decrease on U.S. textile imports to the rest of the DR–CAFTA countries, the impact will be of enormous proportions.

It is logic: Without an FTA, we're not going to be buying as much as we used to buy. Therefore, with the end of the textile quota, the DR–CAFTA is vital for the survival of both the U.S. and the Central American and the Dominican Republic textile industry. And why is that? Because it will provide manufacturers an incentive to stay in the region where they are more likely to buy U.S. textiles rather than moving their production to Asia in a search for cheaper inputs.

Second, a competitive Central America and Dominican Republic apparel industry is absolutely critical to U.S. fiber, yarn, and fabric producers, taking into account that these six countries represent the second largest markets for these products: second only to Mexico, which has had a free trade agreement with the U.S. for over a decade. If DR–CAFTA is not approved, manufacturers will have very little incentive to stay around, knowing that the preferential benefits enjoyed by our countries under the CBTPA will end in 2008, leaving them with no access to the U.S. market, duty-free, as they do now.

In conclusion, this preferential scheme that has been in place since the beginning of the 1980s and was expanded in the 1990s is coming to an end in just three years time, eliminating the duty-free access to the U.S. market that the textile industries in our countries currently have. In consequence, access provided under a free trade agreement not only will give permanence to preferences acquired under the CBTPA, but also will increase confidence in the region and on the part of both investors and buyers, which will be very positive for trade relations between the U.S. and the DR–CAFTA countries.

In short, the fundamental argument is one of common sense. Given that trade rules concerning textiles have dramatically changed with the end of the quota system, we have to respond to the new circumstances by adopting a free trade agreement as the only way to guarantee the survival of the textile and apparel industry in the U.S., Central America, and the Dominican Republic.

JOHN G. MURPHY: To conclude this portion, we have a man who is last but not least in a topic that is last but not least—agriculture and Ambassador Castillo of Guatemala. Agriculture is a sensitive sector in a number of these countries, but it's also an area where some of the greatest promise of this agreement is on display here.

Ambassador, how do you see agricultural sectors for the different countries faring under this agreement?

HIS EXCELLENCY GUILLERMO CASTILLO: This is a very sensitive issue in all the countries, and that includes the U.S. I am going to talk a little bit about one of the most sensitive agriculture issues, which is sugar.

Basically, 20 years ago, we were in the middle of a war in Central America. We had a military regime in some countries, and we had war in several countries. Nowadays, we have disagreements in all the countries. We have democratically elected governments in all the countries. We are trying to solve our differences through dialogue, and we are trying to find our path for development in the region. In the ministries of economy, we made that commitment in the early 1990s. We started to open our markets, and we lowered our tariffs for most of our imports from an average of 23 percent to an average of around 5 percent.

What happens when you open a protected market? Some companies went down; some other companies were bought off; but a lot of companies found a way out. They found a way to increase their sales, their imports; and more than that, they were not looking only at Guatemala or at each one of the markets; they were looking at the world as their market.

When we were negotiating this free trade agreement, there was one thing that we put up front in the negotiation, and that was no exclusions. It didn't work completely, but agriculture was the main issue that we were discussing on the exclusion side.

So let me say a few things about agriculture to bring the issue into perspective. Yes, we are opening our markets. Some of the products still have some protection, but they are going to be fully open to the world market and to the U.S. market, and we are talking about great opportunities for corn producers here in the U.S., for soybean producers, as well as meats, pork, poultry, and other type of goods.

What did we get in return? Well, we have an open market here in the U.S. for lots of products too, and we have better standards for sanitary and phytosanitary measures that apply to other cultures. So it's just like looking at this glass: Is it half full or half empty? I'd like to say it's half full.

Let me tell you a few things that I would add to this agreement. When I go back to my country and I see the effect of the disagreement, for example, on the corn producers, most of the corn producers take over 23 percent of our land, and most of them live in poverty. Why is that? Because they are not using the right seeds. They are not using the right technical ways of cropping corn. What is the alternative?

DR–CAFTA brings opportunities, but DR–CAFTA is not the solution. The solution is DR–CAFTA plus our work, internal policies to make it happen in the right way, and that is going to bring prosperity to a lot of companies.

Let me give you a few examples. I was visiting Cuatro Piños—"four pines," which comes from these four cities surrounding this crop—and they have over 500 Guatemalans as members of this organization. They moved out of corn. They're planting broccoli, snow peas, tomatoes, anything, and they are exporting those goods to the U.S. and to the European markets. I went to visit their facilities: beautiful building. You were looking at all these natives with all their native dresses: beautiful dresses.

You could see that they were leading a better life than the average people in their communities. Why was that? Because they found a way out of poverty. They found a way to fish: They were not given fishes; they found their own way to fish. And when you were looking at this community, you saw men working the fields with these plantations, the women working in the packaging area, and the women were giving the family a second source of income working in the same field.

The literacy rate within this community—the average for natives in Guatemala is around 40 percent; the average in this community was 5 percent. They had an educational support within the group, and medical support, dentistry, everything. So I said, "Why cannot we replicate this model throughout our countries?" Not all of them start to produce broccoli. They had lots and lots of opportunities out there in regard to their sectors. We have the market open. Now let's make it a success.

Now, going to the issue of sugar: I was telling you that one of the first things we said about this agreement is that nothing was meant to be excluded, but sugar is excluded, and it was excluded by the U.S. Why do I make this claim with all the things that you see in the media nowadays? One, the quota the U.S. is giving the Central American countries, in a period of 15 years, will amount to about 1 percent of the U.S. production and very little, a very small quota, for all six countries.

But it doesn't stop there. Tariffs are not going down, so we have the same level of protection they do today. More than that—and this is something that anyone would love to have—if by any chance sugar imports affect the industry in the U.S., imports are going to be stopped, and the U.S. government is going to pay our producers for their exports that they are not making to the U.S. markets, so that's as protected as it can be.

At the end of the day, we all are looking to open our markets, strengthen our societies, and strengthen our institutions. And when you ask our people about agricultural products, yes, we will love to sell our products at five times the price and, as consumers, buy the other people's products at one-fifth the price. That's reality. We are going to open our markets. Yes, there is going to be more competition in the market, but we know how to live with that. A lot of companies found ways to live with it, and now they are better.

One last comment: With this tradition, the companies that are exporting goods have higher standards in their manufacturing and labor conditions, and they have better standards throughout their companies for quality of the products, packaging, everything. We want more to look like that. DR–CAFTA is going to give us the opportunity. We have been working internally to make those opportunities realities. Don't take away opportunity.

—His Excellency Tomás Dueñas is Ambassador to the United States from Costa Rica; His Excellency Salvador Stadthagen is Ambassador to the United States from Nicaragua; His Excellency Rene León is Ambassador to the United States from El Salvador; His Excellency Flavio Dario Espinal is Ambassador to the United States from the Dominican Republic; and His Excellency Guillermo Castillo is Ambassador to the United States from Guatemala. Brett D. Schaefer is Jay Kingham Fellow in International Regulatory Affairs in the Center for International Trade and Economics at The Heritage Foundation; John G. Murphy is Vice President, Western Hemisphere Affairs, U.S. Chamber of Commerce. Stephen Johnson, Senior Policy Analyst for Latin America in the Douglas and Sarah Allison Center for Foreign Policy Studies, a division of the Kathryn and Shelby Cullom Davis Institute for International Studies, at The Heritage Foundation, served as co-host for this program.