

# CENTRAL AMERICA FREE TRADE AGREEMENT FACT SHEET

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- \$ U.S. Trade Representative Robert B. Zoellick claims that CAFTA “will promote U.S. exports to a large and important market.” Yet according to the latest figures, the economies of the five Central American CAFTA signatories put together are only as big as the economy of Orlando, Fla. (c. \$62 billion).
- \$ Add in the economy of the Dominican Republic, slated to be added to CAFTA, and the foreign signatories’ economies are only slightly larger than that of New Haven, Conn. (c. \$80 billion).
- \$ 35% of U.S. goods exports to the CAFTA 6 in 1997 consisted of fabric and apparel pieces, the overwhelming majority of which are assembled and sent right back to the United States. Such exports can only reduce wages and employment in the United States.
- \$ In 2003, this figure had fallen only slightly, to just under 30 %
- \$ Including these “round-trip” exports, total U.S. goods exports to the region grew by 30.2% between 1997 and 2003, to \$14.37 billion. Total U.S. goods imports rose 32.6 % during this period from \$12.72 billion to \$16.87 billion.
- \$ As a result, the U.S. goods trade deficit with Central America rose by 36.7% between 1997 and 2003, to \$2.3 billion.
- \$ U.S. goods exports to Central America grew even more slowly if the figures are removed for another type of “round-trip” U.S. export to the region: semiconductors sent to Costa Rica for testing and assembly, and shipped right back to the United States for final consumption.

- \$ Without these “round-trip” semiconductor exports, U.S. goods exports to Central America rose by only 19.6 percent between 1997 and 2003.
- \$ Prospects for Central America becoming the “large and important re grim at best.
- \$ The Dominican Republic, the region’s largest economy, is under an IMF austerity agreement. To service the \$7.6 billion foreign debt, imports will have to be limited and exports promoted. Inflation topped 43 percent last year, and the poverty rate is 67%
- \$ Nicaragua and Honduras are under similar IMF austerity agreements.
- \$ As a result, CAFTA can only lock the United States into a trade relationship with countries that can only be net exporters to America, and that will increase the already dangerously large U.S. trade deficit.

*(Sources: Zoellick statement from “U.S., Central American Nations to Sign Free Trade Agreement,” Office of the U.S. Trade Representative, USTR release 2004-40, May 13, 2004. Trade figures calculated from Trade Dataweb, U.S. International Trade Commission. GDP figures and city comparisons derived from Metro Economies Report, U.S. Conference of Mayors, July, 2003. Dominican figures from “Dominican President-Elect Will Inherit Economy in Crisis,” by Carol J. Williams, The Los Angeles Times, May 18, 2004 and “Massive turnout for Dominican elections turns deadly; Mejia concedes,” by Peter Prengaman, Associated Press, May 17, 2004. Nicaragua and Honduras IMF programs from Lou Dobbs Tonight, CNN, May 26, 2004)*

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