



July 25, 2005

The Honorable Dennis Hastert
Speaker of the House
235 Cannon House Office Building
Washington, D.C. 20515

Dear Speaker Hastert:

I am writing in support of the Central American-Dominican Republic Free Trade Agreement (CAFTA), which is expected to come before the Congress for a vote in the near future. This agreement enhances domestic competitiveness by opening significant markets to US exports, while promoting stability and economic growth in Central America and the Caribbean. On behalf of the 1,300 member companies of the EIA, I wish to inform Members of the House that we consider this to be a key vote in support of expanded trade and economic growth.

As you know, US exports to the CAFTA nations have risen significantly in recent years. In 2004, US firms exported \$15.7 billion worth of goods to the six CAFTA countries. Trade in electronics and high-tech products accounts for several billion dollars in exports alone – demonstrating the importance of this market for the US tech sector. In recent years, overall exports to the CAFTA nations have grown at a rate three times greater than that of US exports overall. These exports support critical employment in the United States.

Yet despite the success of US exporters in the region, they continue to face high tariffs on some products. For example, Central American and Dominican tariffs on electronics and instrumentation remain as high as 20 percent, with average overall tariffs between 2.1 and 5.5 percent, depending on country. By eliminating trade barriers to the export of goods from the United States, adoption of CAFTA will encourage the creation and retention of high-tech jobs in the United States, where employers can take advantage of favorable terms of trade. Furthermore, because 99 percent of all US industrial exports will receive duty-free treatment immediately upon implementation of the agreement, these gains will be realized promptly, rather than ‘phased-in’ over an extended period. Also, the CAFTA nations that have not yet become parties to the Information Technology Agreement (ITA), have agreed to do so as part of CAFTA.

It is worth noting that the CAFTA agreement also protects the ability of manufacturers to take advantage of duty drawback, which allows US manufacturers to recover the cost of duties paid on materials imported from third countries and subsequently exported again. Duty drawback makes a significant difference to U.S. companies at the margin when competing against foreign producers that either have substantially lower costs of production than U.S. companies, or that enjoy low or zero import duty rates, when exporting to our FTA partners. It is worth noting that duty drawback is consistent with US obligations under other trade agreements. Enactment of the CAFTA agreement would make duty drawback permanent, rather than subject it to repeal at some point in the future. In this respect the CAFTA agreement represents a major step forward from previous accords, which have failed to protect this valuable initiative, or have called for its elimination.

Apart from the benefits it will deliver to the economy generally and the tech sector specifically, CAFTA holds the potential to significantly improve workers’ rights in nations that are party to the agreement. The International Labor Organization has determined that labor laws on the books in Central America and the Dominican Republic are generally in line with that organization’s core labor standards.

The agreement has a three-track strategy to promote proper enforcement of these standards. First, it fines nations for failing to enforce their labor laws, using those fines to remedy those failures in a manner approved by the U.S. government. Second, it specifies ways that each nation can improve enforcement of existing laws. Lastly, it helps nations by providing the resources to make improvements. These labor provisions will provide significant support for workers in Latin America.

CAFTA supports and strengthens the transformation of Central America into a region of stable democracies and open markets. Relatively recently, Central America was home to several undemocratic regimes, with poor records of defending civil liberties and no interest in the development of democratic regimes. In recent decades, the CAFTA nations have made great strides toward committing to open markets, democratic institutions and protection of workers' rights. CAFTA will 'lock-in' many of these reforms, making the transformation of this region more permanent. It will significantly enhance prospects for long-term economic growth and stability, by supporting the democratic, pluralistic governments that have been established.

Furthermore, by encouraging economic growth CAFTA holds the promise to significantly discourage illegal immigration to the United States. Indeed, the Department of Homeland Security reports that four of the CAFTA nations are among the leading sources of undocumented immigrants to the United States. Enhanced economic opportunity in these nations will allow more potential immigrants to remain in their home countries, rather than come to the United States in violation of U.S. immigration laws.

The Dominican Republic-Central American Free Trade Agreement will deliver significant benefits to the United States. It encourages domestic economic growth, while promoting economic opportunity, stability and democratic values in our hemisphere. We believe this agreement warrants the full support of the US Congress.

Sincerely,

A handwritten signature in black ink that reads "Dave McCurdy". The signature is written in a cursive, flowing style.

Dave McCurdy
President, Electronic Industries Alliance

cc: Hon. Tom DeLay
Hon. Nancy Pelosi
Hon. Roy Blunt
Hon. Steny Hoyer