



July 14, 2005

The Honorable Kevin Brady  
428 Cannon House Office Building  
Washington, D.C. 20515

Dear Mr. Brady:

We thank you for your work to ensure passage of CAFTA. We believe that there are a number of reasons to support this important agreement, which will encourage the creation and retention of manufacturing jobs in the United States. One important provision – which is, in itself, a significant boost to US manufacturing – is the retention in the agreement of ‘duty drawback’ and other duty deferral programs, such as Foreign Trade Zones. Both the US-Chile FTA and NAFTA phased out such duty deferral programs.

Duty deferral programs allow manufacturers to recover the cost of customs duties paid on imported components used in goods that are subsequently exported out of the U.S. or out of an FTZ. By effectively reducing the cost of goods that they manufacture, duty drawback encourages firms to keep their manufacturing jobs here, and to create high-paying export jobs in the US. For the concern of many Members of Congress concerned with the creation of manufacturing jobs, the CAFTA agreement represents an important step forward from current law.

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 a phase-out 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. It would be a great loss for Congress not to endorse this accord, particularly since other nations, in negotiation with the CAFTA nations, would be free to seek this competitive edge for their own manufacturers.

Retention of duty drawback in CAFTA has been strongly supported by manufacturers since negotiations began. Indeed, duty deferral programs benefit all manufacturers in the United States – from textile manufacturers to chip makers. The tech sector in particular has recognized that it provides a competitive advantage to American companies. We encourage Congress to approve CAFTA, and we welcome you to share this correspondence with your colleagues.

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