Freihandelszone

Categories : Investitionsreport 2006

Cafta threatened to remove that competitive advantage and bestow it on countries such as Nicaragua and Honduras, where poverty levels are so severe that they could undercut even the wages paid to Dominicans.

Hugo Guiliani Cury, who had recently headed the Dominican Republic's mission to the World Trade Organisation's talks in Doha, was dispatched to be the new ambassador to the US, with a new task. "My mission was either to come up with a parallel agreement or to incorporate into Cafta," he says.

The Dominicans had scented an opportunity, and they took it. When the agreement comes into force this year it will be the DR-Cafta. The Dominican Republic joins on the same terms as Central America, and after much less dispute. Violence marked attempts to ratify the treaty in countries such as El Salvador and Guatemala.

In the Dominican Republic, where the US influence is more pervasive, and where the benefits brought by the textile industry are readily apparent, the issue passed under politicians' radar and never became a divisive national issue.
This does not mean that joining Cafta was easy. Mr Guiliani says: "It was very difficult. Neither the Central Americans nor the North Americans wanted to incorporate us." Sonia Guzmán, a treasury official and daughter of a former Dominican president, was appointed to lead a huge negotiating team.

For the opening round they brought almost 400 representatives of the Dominican private sector with them. In the final rounds, in Puerto Rico and Washington, they brought a delegation of 300 and almost filled their own hotel.

The lobbying effort covered all ends of the US political spectrum. It included both the then US Trade Representative Robert Zoellick – who earlier in his career had taken a role in brokering peace accords in Central America, and appeared to know the region better than the Caribbean – and Charles Rangel, a veteran Democratic Congressman. Mr Rangel's district includes the Harlem and Washington Heights districts of New York, and has a huge Dominican community.

Mr Rangel, one of the most liberal figures in Congress, eventually voted against DR-Cafta on labour rights grounds but Mr Guiliani and Ms Guzmán both say his help in laying the groundwork was invaluable.

Mr Guiliani also did the rounds of the right-wing think tanks, pointing out to them that with relatively conservative policies the Dominican Republic had logged the strongest growth in Latin America from 1992 to 2001, beating even Chile, the think-tanks' darling.

For the first year, the aim was to get the US to abandon its starting position that the Dominicans

were not prepared, either legally or economically or in labour rights, to enter into the agreement.

“In reality, none of the five Central American countries have the strength in these areas that we do,” says Ms Guzmán. “What’s interesting is that our team eventually convinced the trade representative of that. We have labour laws, and social security, and environmental laws that are more advanced than for any of the Central American countries.”

Once this battle had been won, the problem became to convince the US that the Dominicans should negotiate separately, rather than simply take on the conditions negotiated by the Central Americans. This would have been inappropriate. For example, the countries of Central America all place great importance in maize, and negotiated hard to be allowed to continue to protect local producers. The Dominican Republic is a net importer of maize. “Therefore we negotiated totally bilaterally with the US and without the Central Americans,” says Ms Guzmán.

While the initial aim was to consolidate the advantages of the Caribbean Basin Initiative, Ms Guzmán believes they eventually went far further. Now, 98 per cent of Dominican products entering the US will be tax free, compared with 80 per cent previously.

The arrival of DR-Cafta means the Dominican Republic’s trade privileges with the US are now protected by an international treaty, which is part of US law. The Caribbean Basin Initiative, while generous, was bestowed unilaterally and could have been abandoned by the US at any time.

The treaty could also open opportunities. There are currently a few shoemakers in the country. Orthodox opinion was that the business, which is very labour-intensive, had been irretrievably lost to China. Mexico’s once large footwear industry has been virtually eradicated over the past decade by Asian competition.

But a relaxing in the rules of origin means goods exported to the US from the Dominican Republic will be free of duty, even if they are made of parts imported from China. The idea is that Dominican companies could import uppers or soles and then take advantage of superior work quality and proximity to the US market.

The new relaxed rules of origin also allow the island to exploit an advantage it holds over both China and Central America – its proximity to the US. Miami is only a two hours by air and 34 by sea. That means Dominican companies could embed themselves in the US supply chain.

The Chinese cannot offer “just-in-time” inventory management for US marketers. But the Dominicans, if armed with a large supply of Chinese-manufactured components, could do so.