

CCAA Miami Conference 2004
Concurrent Workshops
Florida & the Caribbean Basin
Making the Partnership Work
DR-CAFTA
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Prepared Remarks of John Hyatt

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Being from Louisiana, I approach DR-CAFTA from a regional, rather than a state perspective. Based upon historic ocean trading routes with Central America, states along the U.S. Gulf and South Atlantic stand to gain the most from DR-CAFTA. At the close of the New Orleans round of CAFTA negotiations in the summer of 2003, the mayor announced the formation of a CAFTA Institute which has since morphed into The Capacity Building Institute, taking advantage of all pending U. S. bilateral and multilateral pacts, not just CAFTA. Regional in scope, it envisions covering the Southeast U.S. as its primary goal (it is also headed up by a former Floridian.) The USTR has strongly endorsed a capacity building module to these agreements, as many lessons were learned from the ten year experience of NAFTA, which did not have such a module – the interior of the country of Mexico never developed the necessary infrastructure (roads, utilities) to benefit that country.

Everything was in the border area, people immigrating from the interior, putting added pressure on already strained facilities/infrastructure. So, although after 10 years one could call NAFTA a success, it was only a qualified success. Some have compared Mexico pre/post NAFTA to a person with a tumor taking up running. Although the running was good for him, it didn't do a thing for the tumor. In the case of the New Orleans-based capacity building institute the USTR has allocated no funds, instead, dispensing non-monetary RFPs to NGOs. The New Orleans City Council

has appropriated \$298,000 in seed or startup money, which will be used to secure matching funds. TCBI will act to give tools necessary to allow Central American domestic firms to access the international market in a competitive fashion. This is akin to the first CBI wherein the North/South Center at the University of Miami was established, allowing entrepreneurs in the Caribbean Basin to take full advantage of this preference program.

Why is it that Florida, cultivating more sugar than Louisiana, has no problem with the opening of sugar exports from Central America? Only 20% of Louisiana's agricultural production is concentrated in sugar cultivation, while the other 80% stand to gain much. Sectors such as rice, poultry, pork, and beef will see tariffs in Central America wither away which are now as high as 164% on specific commodities in certain countries.

IF DR-CAFTA DOES NOT PASS – WHAT THEN?

Certain industries will prosper, nonetheless, such as textiles/apparel as long as they vertically integrate and provide the “full package” that retailers demand. Many garment factories in Central America have invested in new state-of-the-art equipment to make them more competitive, but they also need to move from basic knits into high fashion wovens. The DR-CAFTA should make permanent some of the duty-free preferences under CBTPA and hopefully less onerous, so people don't have to engage in the warehousing of documents. Some elements of the DR-CAFTA offer additional advantages such as cumulation (sourcing of fabric from other countries which have a FTA with the U.S., i.e., Canada and Mexico, and later, the Andean countries, perhaps); liberal short supply provisions – Pima

cotton from Peru as a possibility; and a TPL (allowance for sourcing foreign fabric to an annual SME [square meter equivalent] ceiling) for Nicaragua in the first years of the agreement.

Because so many of the economies are small, integration and standardization of external tariffs and internal taxes are going to be the hook to attract foreign investment. The “speed to market” mantra is a reality for Central American countries giving a competitive edge over the Pacific Rim, which cannot produce in sufficient turn times to satisfy the weekly style changes in vogue on Miami’s South Beach.

The agricultural sector in Mexico, the Caribbean and Central America has been in decline for a generation. FTAs are only going to accelerate the process. When it is an article of faith that subsistence farmers must each have his own plot of land for beans, rice, corn and potatoes, the North American agribusiness giants will eat them for lunch.