

TESTIMONY OF CALMAN J. COHEN

PRESIDENT OF THE

EMERGENCY COMMITTEE FOR AMERICAN TRADE

BEFORE

**THE SUBCOMMITTEE ON COMMERCE, TRADE AND CONSUMER
PROTECTION**

OF THE

COMMITTEE ON ENERGY AND COMMERCE

OF THE U.S. HOUSE OF REPRESENTATIVES

ON THE

DOMINICAN REPUBLIC-CENTRAL AMERICA FREE TRADE AGREEMENT

April 28, 2005

**SUMMARY OF TESTIMONY OF CALMAN J. COHEN
PRESIDENT OF THE EMERGENCY COMMITTEE FOR AMERICAN TRADE (ECAT)
ON BEHALF OF ECAT AND THE BUSINESS COALITION FOR
U.S.-CENTRAL AMERICA TRADE**

- **CAFTA Will Promote Economic Growth in Central America and the Dominican Republic and New Opportunities for U.S. Manufacturers, Farmers and Service Providers.** It is not a panacea, intended to address all issues in our multifaceted international relationships, but it represents an important step forward in advancing our economic and broader interests in our own neighborhood.
- **CAFTA Will Level the Playing Field for U.S. Manufacturers, Farmers and Service Providers.**
- **CAFTA Will Help Promote Growth and Partnerships in Our Neighborhood.** In particular, CAFTA will enhance the competitiveness of the U.S.-Central American-Dominican Republic textile and apparel sector now that global textile/apparel quotas have been lifted.
- **CAFTA Will Promote Improved Working Conditions Through Economic Growth, Capacity Building and a Strong Dispute Settlement System.** CAFTA will promote new economic opportunities for workers in the region and establish a robust and focused labor capacity-building mechanism to promote improved labor conditions. Failure to pass CAFTA, in contrast, will undermine the ability of tens of thousands, if not hundreds of thousands, to find gainful employment in a region that is already experiencing an overall poverty rate of 47 percent.
- **CAFTA's Comprehensiveness Is Critical.** The increased sugar access included in the CAFTA is modest and handled carefully to avoid injury to domestic producers. Failure to include that limited access would have unraveled the very significant new access achieved in the CAFTA for all other parts of U.S. agriculture and industry.
- **CAFTA Is an Important Test for U.S. Leadership on Trade.** Concerns about leveling the playing field for American workers and farmers can nowhere be better addressed than in the WTO, but U.S. influence will be reduced if the CAFTA is not approved.

TESTIMONY OF CALMAN J. COHEN
PRESIDENT OF THE
EMERGENCY COMMITTEE FOR AMERICAN TRADE

BEFORE

THE SUBCOMMITTEE ON COMMERCE, TRADE AND CONSUMER PROTECTION
OF THE
COMMITTEE ON ENERGY AND COMMERCE
OF THE U.S. HOUSE OF REPRESENTATIVES

ON THE
DOMINICAN REPUBLIC-CENTRAL AMERICA FREE TRADE AGREEMENT

April 28, 2005

Mr. Chairman, Congresswoman Schakowsky, Members of the Committee, I welcome the opportunity to appear before you today to express strong support for the U.S.-Central America-Dominican Republic Free Trade Agreement (CAFTA) as President of the Emergency Committee for American Trade (ECAT) and on behalf of the Business Coalition for U.S.-Central America Trade, for which ECAT serves as the secretariat.

- ECAT is an association of the chief executives of major American companies with global operations who represent all principal sectors of the U.S. economy. ECAT was founded more than three decades ago to promote economic growth through expansionary trade and investment policies. Today, the annual sales of ECAT companies total \$2 trillion, and the companies employ approximately five and a half million people.
- The Business Coalition for U.S.-Central America Trade is a coalition of over 400 companies and associations representing all major sectors of the economy with members in all 50 states that work together in support of the implementation of the CAFTA. The Business Coalition was formed as the negotiations started and is working in strong support of Congressional approval of the CAFTA.

The CAFTA is a comprehensive, commercially meaningful and high standard agreement. I will focus today on why CAFTA deserves your support.

The History of Free Trade Agreements

Twenty years ago tomorrow, former President Reagan sent to Congress the first U.S. free trade agreement for Congressional approval – the U.S.-Israel FTA. It was approved by the House by a vote of 422-to-0 and by the Senate by voice vote. It was largely a political agreement that included significant, but by no means perfect, market opening. Indeed, the services aspects of the agreement were merely aspirational and the dispute settlement provisions extraordinarily limited.

Since the U.S.-Israel FTA was approved in 1985, successive Administrations, Republican and Democratic, have successfully sought Congressional approval for eight additional FTAs, from our largest trading partner Canada in 1989, the NAFTA in 1993, the Jordan FTA in 2001, and the Chile and Singapore FTAs in 2003 to the Australia and Morocco FTAs in 2004.

Each of these FTAs, from the 19-page Jordan FTA negotiated by the Clinton Administration to the several hundred pages of the Morocco FTA negotiated by the Bush Administration, has three very important aspects in common:

- First, they seek to promote new opportunities for U.S. manufacturers, farmers and service providers through the elimination of barriers to U.S. consumer and industrial goods, farm products and services.
- Second, each FTA seeks to respond to the negotiating objectives set forth by Congress in the trade negotiating authority legislation (Trade Promotion Authority) that governs the negotiation and Congressional approval of such agreements.
- Third, each FTA sends a strong message to the rest of the trading community about the United States' commitment to a rules-based trading system and to more open markets with developed and developing countries alike.

In each case, with the exception of the U.S.-Israel FTA, concerns were raised that more should have been done to address various issues – some within the context of the FTA, some outside. For example:

- With the U.S.-Jordan FTA, environmental groups and others complained about an extremely weak dispute settlement mechanism that would allow any party to block dispute settlement proceedings in perpetuity.
- With NAFTA, complaints were raised about the decline in Mexican wages prior to the conclusion of the FTA and how that would affect American workers.

In some cases, provisions were included as part of the implementing legislation to address related concerns – such as NAFTA Trade Adjustment Assistance program. In other areas, the FTAs were simply not able, nor intended, to address all facets of the relationship.

I would also note the importance of these agreements to opening markets for U.S. exporters in particular. Based on 2004 data, U.S. exports to the six countries with which the United States had an FTA in 2004 equaled \$332.8 billion, accounting for 40 percent of total U.S. exports worldwide; this does not include the Australia or Morocco FTAs which were not in force in 2004. Let me say that again. Our FTAs with our six FTA partners in 2004 accounted for 40 percent of total U.S. exports.

CAFTA Is a Strong and Important Trade Agreement, but It Is Not a Panacea

This background is important to put the CAFTA into the correct context. Like its predecessors, it is a free trade agreement that seeks to promote new opportunities for U.S. manufacturers, farmers and service providers. It is not a panacea. It is not intended, nor did Congress ask, that it address every aspect of the U.S.-Central American-Dominican Republic relationship. While CAFTA makes important progress in promoting economic growth in Central America and the Dominican Republic, as well as U.S. exports, it cannot, for instance, solve by itself the problems of poverty or subsistence farming in the region.

While not perfect – no agreement ever is – CAFTA is very much deserving of the support of this Committee and the U.S. Congress. From the perspective of ECAT and the broader Business Coalition, I would suggest that there are five key elements of the CAFTA that are most important for your consideration.

FIRST: CAFTA Levels the Playing Field for U.S. Manufacturers, Farmers and Service Providers

Through unilateral preference programs overwhelmingly approved on a bipartisan basis by Congress since the 1980s, some 75 percent of CAFTA imports and 99 percent of CAFTA agricultural products already enter the United States *duty-free*.

What CAFTA does for U.S. manufacturers, farmers and service providers, is to make trade with our neighbors a two-way street. CAFTA opens *their* markets to *our* goods and *our* services, which is particularly important given that the six CAFTA countries already represent the United States' 12th largest export market worldwide and our second largest market in Latin America, after Mexico. In particular, CAFTA eliminates tariffs, tariff rate quotas and non-tariff barriers in all major sectors.

- **For U.S. Manufacturers**, CAFTA immediately eliminates tariffs on more than 80 percent of U.S. consumer and industrial goods when the CAFTA enters into force, including on such key products as information technology products, agricultural and construction equipment, paper products, chemicals, and medical and scientific equipment. CAFTA will eliminate all remaining tariffs on all U.S. manufactured goods within 10 years. CAFTA also eliminates other major non-tariff barriers to consumer and industrial goods, including onerous dealer distribution requirements that created enormous barriers for decades to the ability of many U.S. companies to sell their products in these countries.
- **For U.S. Service Providers**, all six CAFTA countries committed to open up their services market on a negative list basis (listing exceptions to full market opening), with particular benefits for telecommunications, financial, distribution, information technology, audiovisual and entertainment,

energy, transport, construction, express delivery, professional and other services. The six countries also committed to significant provisions on regulatory transparency and independent regulatory authorities. Of particular importance are Costa Rica's commitments to open up key portions of its currently closed telecommunications and insurance markets.

- **For U.S. Farmers**, CAFTA eliminates tariffs on over half of U.S. agriculture products immediately, with most remaining duties on U.S. products phased out over 15 years. Since 99 percent of their agricultural products already enter the U.S. market duty-free, this is particularly important to provide reciprocity. The agriculture provisions create significant new opportunities in particular for U.S. producers of beef, pork, dairy, corn, wheat and grains, soybeans, rice, cotton and processed foods.
- **For U.S. Creative and Scientific Industries**, CAFTA establishes strong rules for the protection of intellectual property that are critical to promote innovation and new research in numerous sectors, from information technology to chemical, pharmaceutical and other scientific industries, and to stimulate a rich and diverse marketplace for the development and publishing of business information and creative works.
- **For U.S. Investors**, CAFTA provides strong protections derived from U.S. legal principles and practice, including, non-discrimination, due process rights, prompt compensation for expropriation, free movement of capital, no performance requirements (such as local sourcing rules or export requirements) and the resolution of disputes in a neutral and objective forum. In accordance with Congress' directions in Trade Promotion Authority, enacted as part of the Trade Act of 2002, the CAFTA also ensures that key protections conform to U.S. legal principles and practice and that disputes are handled transparently, efficiently and with public input. Unlike any prior FTA, the CAFTA also provides a concrete mechanism for the development of an appellate or other review procedure to ensure the coherence of decisions.

SECOND: CAFTA Will Help Promote Growth and Partnerships in Our Neighborhood

Over 20 years ago, former President Reagan and the Congress developed a model of economic engagement to promote stability and growth in the Caribbean Basin. The so-called Caribbean Basin Initiative (or Caribbean Basin Economic Recovery Act – CBERA) provided duty-free access to many goods from the CAFTA countries and the rest of the Caribbean, in significant part to help stem the flow of communism by promoting economic growth and the reduction of poverty.

More than two decades later, that program, which was expanded and improved most recently through the Caribbean Basin Trade Partnership Act (CBTPA), enacted as part of the Trade and Development Act of 2000, helped this region emerge from a period of civil war, insurgency and military dictatorship to democratic stability.

While CBI and CBTPA have been important drivers for economic growth, they are no longer sufficient. The Central American-Dominican Republic textile and apparel industry that these programs helped create now faces extraordinary competitive pressures as a result of the elimination of global quotas on textiles and apparel at the beginning of 2005. The CBTPA program in particular is too cumbersome, too inflexible and too limited to withstand this additional pressure, and companies in the region have already started laying off thousands of workers.

This is extremely important from a U.S. perspective, since the Central American-Dominican Republic textile and apparel industry is the second largest source of economic activity in the region – employing some 500,000 workers in some of the best-paying jobs in these countries. With an overall poverty rate of 47 percent and the largest source of economic activity being subsistence agriculture, these countries are facing a significant slowdown in employment and growth if CAFTA is not passed. That has important consequences for working men and woman in the six CAFTA countries, but it also has important consequences for working men and women here in the United States since these countries are the largest export market for U.S. apparel manufactures and yarn and the second largest export market for

U.S. textiles. The competitiveness of the U.S. textile and apparel industries and the future of their workers depend in significant part on whether or not Congress approves the CAFTA.

With CAFTA, and the permanence, flexibilities and reciprocity it creates for the U.S.-Central American-Dominican Republic textile and apparel industries, U.S. workers in these industries will continue to have markets in the six CAFTA countries. This will likely translate into economic growth in these countries, making them a more vibrant trading partner in the years ahead. Without CAFTA, these markets will continue the downward slide that has already begun. And since most Asian garments include little, if any, U.S. input, this has very negative implications for U.S. textile and apparel workers.

THIRD: CAFTA Builds Upon the Existing U.S. Interest in Promoting Improved Working Conditions Through Economic Growth, Capacity Building and a Strong Dispute Settlement System

As the World Bank and others have documented, it is precisely through increased trade and economic growth that developing countries are better able and increasingly motivated by growing working and middle classes to improve labor and environmental standards. Since World War II, the liberalization of trade has helped produce a six-fold growth in the world economy and a tripling of per capita income and enabled hundreds of millions of families to escape from poverty and enjoy higher living standards. The World Bank has documented that developing countries that participate actively in trade grow faster and reduce poverty faster than countries that isolate themselves. In the 1990s, per capita incomes grew 5.1 percent in developing countries with high trade and investment flows, while more isolated countries saw incomes decline by 1.1 percent. Contrary to many popular perceptions, NAFTA has also been found to have a positive effect on wage levels and the reduction of poverty in Mexico. While it is alone not enough to produce gains for all workers in Mexico, NAFTA has had very positive effects.

The relationship between economic growth and labor rights is particularly important, given that nearly half of the population of the six CAFTA countries lives in poverty and Nicaragua is the second

poorest country in the hemisphere, after Haiti. Without CAFTA, working conditions will not get a much-needed boost. In fact, they are likely to get much worse with the loss of some of the best-paying jobs in these countries in the textile and apparel sector. CAFTA, by creating new opportunities and making them permanent, has the ability to reverse the downslide and loss of thousands of jobs that we have seen in these countries since global textile and apparel quotas were lifted.

CAFTA also includes the most concrete provisions yet on labor capacity building that will promote strong improvements in the lives of workers. In particular, CAFTA would establish a Labor Affairs Council that will oversee a Labor Cooperation and Capacity Building Mechanism to:

- establish capacity-building priorities, including with respect to “fundamental rights and their effective application,” worst forms of child labor, labor administration and inspection systems.
- develop specific cooperative and capacity-building activities.
- exchange information on laws and practices and ways to strengthen them.
- seek support from the ILO, Inter-American Development Bank, World Bank and Organization of American States to advance common commitments.
- seek input from worker and employer representatives and the public.

Capacity building by the ILO and other institutions has, over the years, resulted in very concrete progress in working conditions in the region and throughout the world. In Central America, for example, ILO technical assistance through the IPEC (International Programme for the Elimination of Child Labor) has provided concrete assistance to tens of thousands of children involved in child labor and their parents. Much more remains to be done to improve working conditions, but it is most often the lack of resources and technical ability, not particular laws, that limit improvements in labor conditions. CAFTA’s capacity building mechanism and Congressional support for capacity-building programs are precisely what is needed to make an important difference. In this regard, I would note the existing commitments by the U.S. and by the Central American/Dominican Republic governments to labor capacity building:

- The Administration began its first CAFTA-related labor project before the agreement was even concluded, with a \$6.75 million grant to the Foundation for Peace and Democracy to help improve working conditions in the region. In the FY 2005 Appropriations Act, Congress allocated \$20 million for labor and environment capacity building for the CAFTA countries.
- On April 4, 2005, the six CAFTA countries made a strong and unprecedented public commitment to continue to improve labor standards and their implementation by endorsing the recommendations in the very detailed report on their labor laws and working conditions – *The Labor Dimension in Central America and the Dominican Republic* – prepared by their trade and finance ministries in conjunction with the Inter-American Development Bank. The report identifies specific areas where the countries need to improve labor standards and implementation and where additional technical assistance is required.

CAFTA is not meant to be, nor could it be, a panacea; yet it represents a much-needed modernization of the U.S.-Central American-Dominican economic relationship that will promote better working conditions through economic opportunities and a strong capacity-building program in the region.

Beyond the economic opportunities and capacity building that CAFTA will promote, the agreement itself includes strong and enforceable provisions on labor rights. I know this is a much debated subject, so I will focus my remarks on the two often-heard critiques of CAFTA with which I strongly disagree – that it is weaker than the Jordan FTA and weaker than existing unilateral trade preference programs:

1. **CAFTA Has Very Similar, If Not Stronger, Labor Provisions Than the U.S.-Jordan FTA.**

With few exceptions, CAFTA's labor provisions are essentially the same as contained in the U.S.-Jordan FTA. The commitments are largely the same, except in those cases where CAFTA strengthens them or adds new commitments, such as to ensure access to fair, equitable and transparent tribunals for labor law enforcement. The key differences between the U.S.-Jordan FTA and CAFTA are:

CAFTA Clarifies What Was Implicit in the Jordan FTA. CAFTA includes a provision specifically stating that the only provision subject to dispute settlement is the "enforce-your-own-law" standard. This provision essentially clarifies the fact that the enforce-your-own-law standard is the only language in either the Jordan FTA or CAFTA that expresses an enforceable commitment as opposed to a hortatory objective. Indeed, the CAFTA clarifies the point former President Clinton made when he transmitted the U.S.-Jordan FTA to Congress on January 6, 2001:

"The FTA joins free trade and open markets with civic responsibilities. In this Agreement, the United States and Jordan affirm the importance of not relaxing labor or environmental laws in order to increase trade. ***It is important to note that the FTA does not require either country to adopt any new laws in these areas, but rather includes commitments that each country enforce its own labor and environmental laws.***" (emphasis added).

This statement was obviously not made because Jordan had perfect labor laws. Indeed, as the 2004 State Department Report on Human Rights found: "[Jordan's] [l]abor laws mandate that workers *must obtain Government permission to strike. Unions generally did not seek approval for a strike*, but workers used the threat of a strike as a negotiating tactic. Strikes are prohibited if a labor dispute is under mediation or arbitration." (emphasis added).

CAFTA Contains a More Developed and Binding Dispute Settlement Mechanism. The U.S.-Jordan FTA includes an underdeveloped dispute settlement mechanism that lacks strict

time limits for the appointment of panelists, meaning that complaints can be blocked in perpetuity. In the case of the CAFTA, the dispute settlement procedures with respect to labor and environmental issues are much more detailed and developed and result in binding panel reports, with strict time limits for the establishment of panels and potentially the imposition of monetary assessments or trade sanctions. Panels are authorized to review a Party's commitment to enforce its labor and environmental laws as sought by the Trade Promotion Authority negotiating objectives. If a panel finds that a Party is failing to enforce such laws and that the Party does not bring its actions into accordance with the FTA obligations, the other Party is authorized to assess a monetary penalty that will be used for improving labor or environmental conditions in the complained of Party. If that monetary penalty is not paid, the complaining Party "may take other appropriate steps to collect the assessment or otherwise secure compliance . . . [including] suspending tariff benefits under the Agreement as necessary to collect the assessment. . . ."

CAFTA Contains a Robust Capacity-Building Mechanism. The U.S.-Jordan FTA contains merely a statement that cooperative activities may enhance labor standards. CAFTA, as discussed previously, includes the most concrete provisions included in any FTA on labor capacity building – provisions that are likely to have a much more important effect than dispute settlement in promoting enhanced labor conditions.

2. CAFTA Represents a Stronger Worker Rights Model than Unilateral Preference Programs

In determining eligibility for duty-free treatment, the Generalized System of Preferences (GSP), CBTPA and CBERA prohibit the designation of a country as a beneficiary if it "has not [taken] or is not taking steps to afford internationally recognized worker rights" and not implementing its

commitments to eliminate the worst forms of child labor. CBTPA also provides that the President should consider the “extent to which the country provides internationally recognized worker rights.”

As language of GSP, CBTPA and CBERA makes clear: these provisions do not require a country’s *adherence* to internationally recognized worker rights as a condition of eligibility; rather only that a country has or is taking “steps.” Indeed, in considering the CBTPA bill on the Senate floor, the proposal to condition CBTPA benefits on a country’s compliance with internationally recognized worker rights (S. Amdt No. 2847) was rejected by more than a two-to-one margin.

While GSP, CBTPA and CBERA have been used by successive Administrations to help promote improvements in the labor standards in the Caribbean Basin countries, both the Clinton and Bush Administrations have repeatedly found that all six of the CAFTA countries have satisfied the taking “steps” standard of these programs. Indeed, in October 2000, the Clinton Administration designated all 24 Caribbean Basin countries as eligible for the new CBTPA benefits.

CAFTA builds upon the progress achieved by the unilateral preference programs by requiring each of the CAFTA countries to enforce its labor laws, which the unilateral preference programs helped improve. This obligation is subject to binding dispute settlement, including potential monetary assessments and trade sanctions. Given that each of the CAFTA countries has already adopted robust treaty and constitutional, as well as national law, labor protections provisions and CAFTA requires actual adherence to those laws, CAFTA actually provides a much stronger framework than the existing preference programs. Consider:

- All but El Salvador have ratified all eight of the ILO core conventions (El Salvador has ratified six), which, according to their own constitutions and laws, become part of their national law.
- All but the Dominican Republic have already incorporated in their constitutions all of the broad core ILO standards – the rights of freedom of association and collective bargaining and prohibitions against discrimination, child labor and forced labor.

- All six CAFTA countries have very detailed national laws on labor rights covering all four core ILO labor principles, including many of the key provisions called for in the very detailed ILO conventions.
- The CAFTA countries recently committed to strengthening labor standards and enforcement in their countries as recommended in *The Labor Dimension in Central America and the Dominican Republic*, endorsed by the Trade and Labor Ministers of each of the six CAFTA countries.

Even more importantly, the CAFTA mechanism also includes an institutional framework to support labor capacity building within the CAFTA countries, the very activities that together with economic development are likely to have the greatest impact on improving working conditions within the region.

Suggestions that CAFTA, unlike the unilateral preference programs, will allow countries simply to repeal strong labor provisions ignore several key facts:

- That the labor language of the unilateral preference programs in fact allows countries to move backward, requiring only that a country has or is taking “steps.”
- That the labor protections in the CAFTA countries are embedded in their constitutions and international treaties and, as a result, would be very difficult to undo if these countries wanted to.
- That CAFTA requires each country to “strive to ensure that its laws provide for labor standards consistent with the internationally recognized labor rights” and to improve those standards in that light.” The six CAFTA countries also made the unprecedented commitment to continue to improve labor standards and their implementation by endorsing the recommendations in *The Labor Dimension in Central America and the Dominican Republic*.
- That CAFTA provides for ongoing work through a robust capacity-building mechanism to help each country with regard to labor issues, including fundamental rights and their effective

application, and the worst forms of child labor, which are specifically included as subjects for labor capacity building in the CAFTA labor chapter.

We can debate at length the legal provisions in the CAFTA, compared to the U.S.-Jordan FTA, the trade preference programs or even NAFTA. Yet, I think it is critical to reemphasize that CAFTA's real power in improving labor conditions in the region is through economic opportunities and growth and a concrete capacity-building framework that Congress has a strong voice in promoting and sustaining. Without CAFTA, there are reduced economic opportunities; in fact there are likely to be significant job losses in the region. Without CAFTA, there is no framework or plan of action to improve working conditions through capacity building in the region. In short, we strongly believe that CAFTA provides a much stronger framework for promoting working conditions in the region.

FOURTH: CAFTA's Comprehensiveness Is Critical

ECAT and many in the Business Coalition have been working on this agreement even prior to the start of actual negotiations in January 2003. What we sought on behalf of the U.S. manufacturers, service providers and farmers that make up our groups was a comprehensive agreement that provided new access in all areas. As the negotiations progressed, it was very clear that the CAFTA countries, which already enjoy significant duty-free access into the United States, wanted to exclude certain products and services completely from liberalization – largely agricultural products and key service sectors, particularly in Costa Rica. At the same time, their negotiators sought substantial new access in areas in which they remained restricted in the United States, most notably textiles and apparel and sugar. In both areas, U.S. and the CAFTA countries' negotiators reached compromises that provided significant protections to U.S. interests.

Sugar is most notable because the end result is extremely far from what the CAFTA countries had sought. There is a very minimal increase in the sugar quota for these six countries – 109,000 metric tons

in year one that will increase to 153,000 metric tons by year 15. This new access – which will entail no final reduction of the tariff on sugar – equals less than one percent of the 2003/2004 U.S. sugar supply and less than seven percent of U.S. imports of sugar. In addition, CAFTA includes a compensation mechanism that would allow the restriction of actual increased imports, but require the U.S. government to compensate these countries for any such restrictions.

Failure to include any increased sugar access in the CAFTA would have resulted in a negotiating dynamic that could easily have unraveled the very significant new access provided to all other parts of U.S. agriculture, U.S. manufacturing and U.S. services. Instead of the elimination of tariffs on all beef, pork, rice, soybean, poultry and other key crops, the agreement would have been a patchwork of exceptions.

And that brings me to my last point.

FIFTH: CAFTA Is an Important Test for U.S. Leadership on Trade

For many U.S. companies, the most significant trade negotiation is the ongoing WTO Doha Development Agenda. It has had a rocky several years and only last summer seemed to be moving forward in earnest as a result of the so-called Framework Agreement. Yet, our negotiators are now faced with perhaps the most difficult period as they work to promote commitments by other countries to significant new access for U.S. farm and manufactured goods and U.S. services.

CAFTA represents an important test for the United States. It is the first time that the United States has negotiated an FTA with a group of developing countries. If opponents to CAFTA are successful and CAFTA is not approved, what type of message would that send to developing countries around the world with which the United States is trying to build coalitions to support new access in Europe, Japan and elsewhere? How does the United States explain that it is scared of six small countries in its own neighborhood over a modest increase in sugar imports and because the labor provisions do not solve every problem?

Concerns that many on this Subcommittee have expressed about leveling the playing field for American workers and farmers can nowhere be better addressed than in the WTO, but U.S. influence in the Doha Development Agenda will be reduced if the CAFTA is not approved.

With CAFTA, on the other hand, we have expanded our block of countries that support common goals and common principles. The WTO Doha Development Agenda will still be a difficult negotiation, but we will have allies in the developing world with which to move forward.

* * *

CAFTA will benefit the United States and our manufacturing, services and agricultural producers and workers through the expansion of markets, renewed partnerships to advance the competitiveness of U.S.-Central American-Dominican industries, and the development of a stronger, more stable hemisphere. It will level the playing field for our workers by eliminating barriers in these six countries. It will also help improve working conditions in the region through new economic opportunities and a robust and focused capacity-building mechanism. On behalf of ECAT and the Business Coalition, I strongly urge your support for this agreement.